to other industries where labor can be more productively combined with their capital resources.

Such a course may also be unwelcome to some of the less developed countries, implying concentration on relatively simple types of manufacturing and perhaps excessive exposure to the risks of international trade. These disadvantages are scarcely greater, however, than those entailed in their present heavy reliance on exports of primary products. And, if the analysis given here points in the right direction, a willingness to focus initially on labor-intensive lines of manufacturing may be a necessary condition for evolving toward the production of goods with, as Fei and Ranis say, "an increasing skill and ingenuity component over time." [2]

It may be further objected that, apart from qualifications such as that just given, the approach taken here makes no specific allowance for the possibility that comparative advantage may shift as development proceeds, thanks to internal and external economies of scale and other dynamic influences associated with growth. How much weight should be attached to this possibility in the present context is difficult to say.

One factual observation deriving from this study is that, if the argument is deemed to be relevant to, or consistent with, the need to increase export earnings of less developed countries, there is little indication that any of these countries have so far become competitive in the more capital-intensive lines of manufacturing (except, of course, those based on the exploitation of natural resources). Usually, however, dynamic considerations have not been related to problems of export promotion but have been invoked rather to favor a strategy of import substitution and may be subject to the same need of cautious reappraisal as that seen below.

Still another possible objection to the present approach is that, even within a comparative cost framework, the emphasis may be too much on labor intensity to the neglect of other conditions affecting the ability of less developed countries to sell manufactures in the markets of the more advanced countries. Some industries are more strongly market-oriented than others, and ease of communication between producer and customer may bear importantly on their location.

Even in such cases, the increasing speed of international communications and growing experience in procuring abroad may open up new possibilities of siting production where costs are lowest. This is illustrated by the evolution of the garment industry in Hong Kong toward high-fashion goods and also by the encouragement given by American companies to the production of electronic and other components in low-wage countries.

THE OVERSPILL VIEW OF EXPORTS

The usual approach to the problem of increasing exports of manufactures by the less developed countries has been along the lines of what Winston Churchill once called the overspill view of exports in Britain. That is, concentrate first on developing the home market, and this will create the conditions needed for an efficient and rising export trade.

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[2] John C. H. Fei and Gustav Ranis, "Development of the Labor Surplus Economy." Homewood, Ill., 1964, p. 303.