

by the GATT Secretariat,⁵ states that "the industry is continually improving its performance through a shift to new types of equipment embodying technical advances and innovations at every stage of production," and that "the cotton industry in the industrialized countries and some of the less developed exporting countries is undergoing fundamental changes." "Use is being made of huge investments for this new equipment," the GATT study reports, and it adds: "A modern cotton industry is regarded as being among the most highly capital-intensive of the manufacturing industries."

How far this and other similar assessments are correct is important for reasons that transcend the identification of labor-intensive manufactures for analytical purposes. For one thing, technological advance in textiles is thought to have been stimulated by the rapid growth of exports by some of the less developed and other low-wage countries. Developments in the industry could therefore be regarded as illustrative of the kind of competitive response which, in still other products, could slow down or even thwart the growth of exports by less developed countries. Secondly, the prospect of a highly capital-intensive cotton textile industry is sometimes invoked as a reason why, in the meantime, imports from less developed countries should be curbed.⁶ Commercial policy is thus summoned to the support of economic projections.

While the rate of technological innovation in cotton textiles is impressive, it may be exaggerated to suppose that the process is significantly faster than in manufacturing as a whole and to conclude that the industry is becoming strongly capital-intensive. The evidence for the United States is consistent with the view that there has been heavy investment in modernization in the last few years in cotton textiles, but it gives little reason to think that the industry is becoming capital-intensive compared with manufacturing in general and ceasing to be appropriate to the factor endowments of the less-developed countries. According to the criteria applied in this study, cotton textiles and the textile industry in general still rank among the most labor-intensive of the manufacturing industries, and they will be so treated in the analysis of trade.

The contrary view that a fundamental change in textiles is under way may rely unduly on comparisons with the industry's own past characteristics and performance and fail to allow for the progress made by manufacturing in general. The illustrations frequently given of developments in the industry also suggest a tendency to confuse the technological optimum with average practice at any one time.

CHAPTER II. TRADE IN LABOR-INTENSIVE MANUFACTURES

CHARACTERISTICS OF THE TRADE

Probably the most important generalizations that can be made about imports of labor-intensive manufactures by developed from less developed countries are, first, that these imports are small and, second, that they have been growing rapidly in recent years.

⁵ General Agreement on Tariffs and Trade, Geneva, July 1966. The passages cited are from p. 55.

⁶ For further discussion of the responses of developed countries to increased imports of textiles from the less-developed countries see p. 237.