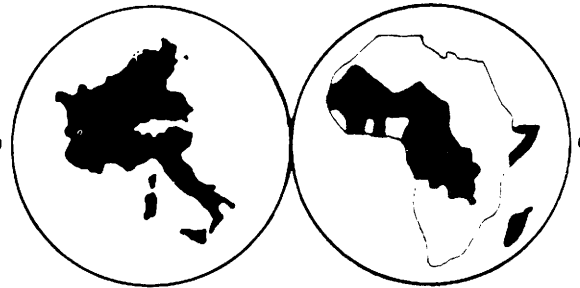


COMMISSION OF THE EUROPEAN COMMUNITIES

DIRECTORATE-GENERAL FOR DEVELOPMENT AID

DIRECTORATE FOR TRADE AND DEVELOPMENT



**INDUSTRIALIZATION OF TEXTILE PRODUCTION FOR EXPORT**  
**in the Associated African States and Madagascar**

SYNTHESIS

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INDUSTRIALIZATION OF TEXTILE PRODUCTION FOR EXPORT IN THE  
ASSOCIATED AFRICAN STATES AND MADAGASCAR

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Introduction

With the passing of time and through the development of the association system, the aim of industrialization has assumed ever increasing importance. The Second Yaoundé Convention (1 January 1971 - 31 January 1975) considers the industrialization of the Associated African States and Madagascar as one of its priority aims, in the service of which it has placed increased funds and a more diversified and better adapted range of instruments.

Under the First Yaoundé Convention (1964-1969), the Commission of the European Communities had already commissioned a study of industrialization possibilities in the AASM, from a regional viewpoint and with the aim of providing substitutes for imports (1).

The Commission then considered it essential, encouraged by the AASM themselves, to examine the possibilities offered by the export of manufactured products (2).

A second series of studies on the possibilities of setting up certain export manufacturing industries was begun in 1972 and will be completed at the beginning of 1974.

In this connexion, a detailed analysis of the possibilities offered to the AASM in the textile sector (covering all fibres and stages of production) had, however, already been begun at the end of 1970, because completed projects existed in this sector in the AASM and a certain number of projects were being studied.

The survey on the textile sector was carried out in two stages.

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- (1) "Industrialization possibilities in the AASM" - a general volume and sixteen volumes of reports and appendices - December 1966.
  - (2) "The pre-selection of export industries suited for establishment in the AASM" - a report in one volume and three volumes of appendices - July 1971.

During the first stage, which has been completed, the work concerned :

- (i) On the one hand, an analysis of possible outlets in the European countries and the selection of categories of products for which it might justifiably be supposed that outlets of a certain size might be open to AASM producers, by reason of the volume already reached by imports from developing countries and their rate of increase.
- (ii) On the other hand, an analysis of production conditions in Africa and, in terms of these, the levels of competitiveness which AASM producers are likely to reach, in comparison with their competitors.

This work has been carried out by Mr. Jacques De Bandt, lecturer at the University of Paris X-Nanterre and Director of the **Institute for Research into the Economics of Production**.

Although the departments of the Commission of the European Communities specified the subject of the research and followed this research throughout its execution, the expert acted independently, in particular with regard to his methodology.

The report is therefore an expression of results of the expert's work and the conclusions he draws from them.

The methodology and the chief conclusions of Mr. De Bandt are summarized in this document.

The second stage of the survey, which is in the process of completion, will be devoted to an analysis, in the form of pre-feasibility studies, of the specific conditions for the production of certain textile products in the AASM, so as to provide further information for potential investors.

FIRST PARTPOTENTIAL MARKETS FOR TEXTILES EXPORTED BY THE AASM

The first part of the survey concerns foreign demand. The first condition required for the development of textile industries in the AASM, directed towards export overseas, is the existence of a market for their products. The first part of the survey therefore aims at identifying the existence of outlets and to assess their relative magnitude for the various products which could suitably be manufactured in Africa.

The principle on which the analysis is based is simple. Its aim is not so much to distinguish the actual consumption of textile products as to determine how much of this consumption is satisfied by outside sources and, to be more exact, by imports from developing countries. It therefore chiefly concerns import flows for textile products. Given that, owing to the Association, the AASM have privileged access to the Community market, the analysis has been devoted largely to the market of the Six. However, an analysis has also been made of imports of textile products into the **candidate countries** for accession to the Community.

On the basis of import statistics, the categories of products for which considerable outlets exist on EEC markets have been picked out, by combining the following four criteria :

- (i) The absolute size, by value and quantity, of EEC imports (both intra- and extra-Community) for each of the textile products specified in the foreign trade nomenclatures.

This criterion corresponds to the idea that the volume of imports is a reflection of market accessibility for products manufactured abroad, while the consideration of trade within the EEC takes account of the fact that, in principle, the AASM benefit from the same free trade conditions as do the Member States among themselves.

- (ii) The rate of increase (or decrease) of imports of the various textile products considered. This criterion completes the first, while introducing a dynamic element : the greater the expansion of outlets during recent years, either because the market has developed more rapidly in any given case, or because the competitive position of the developing countries has improved, the greater their significance is seen to be.
- (iii) The source of the products : only those products are selected which developing countries succeed in selling on the EEC market.

This criterion no longer relates exclusively to outlets. Without prejudging the analysis of production and supply conditions in the second part, products are selected in terms of their origin, so as to reveal the outlets which actually exist, not for any products chosen at random, but for which the AASM are likely to produce, on the analogy of the goods those which the developing countries whose production conditions are less similar, produce and export to European countries.

This third criterion partially counterbalances the first. If, on the one hand, account is taken of intra-Community trade because the AASM benefit from the same free trade conditions, account should also be taken of the fact that they benefit neither from the same proximity in relation to EEC markets as do European producers, nor from the same production conditions as the industrialized countries.

- (iv) The fourth criterion, parallel to the second, introduces the dynamic aspect which completes the previous one : those products are specially singled out for which the share of the developing countries in EEC imports has shown a marked increase.

The combination of these four criteria applied to textile products imported by the EEC countries reveals substantial and significant outlets for the following goods ( arranged in order of importance ) :

- (a) STC 841.44 Knitted goods, not elastic : outer garments  
Sweaters, pullovers : synthetic, woollen and cotton  
dresses and suits : woollen and synthetic
- (b) STC 841.11 Outer garments, men (made-up)  
Trousers : cotton and synthetic  
jackets : mainly synthetic  
raincoats : synthetic and impregnated fabrics  
and cotton  
overcoats : cotton
- (c) STC 841.12 Outer garments, women (made-up)  
Shirts, blouses, synthetic and cotton  
dresses : synthetic, cotton and man-made  
coats, jackets : synthetic  
light garments (skirts, working apparel)
- (d) STC 657.60 Carpets (other than knotted carpets)  
Woollen carpets, woven and non-woven  
coir matting
- (e) STC 841.43 Knitted undergarments (not elastic)  
Cotton undergarments : men, women, children
- (f) STC 652.13 Unbleached cotton fabrics  
Pure cotton fabrics, plain weave  
especially medium and light fabrics
- (g) STC 651.30 Unbleached cotton yarn (not finished)
- (h) STC 841.42 Stockings, socks (knitted and crocheted goods, not elastic)  
synthetic and cotton
- (i) STC 841.13 Men's undergarments  
Synthetic and cotton
- (j) STC 656.91 Household linen  
Toilet, bed and table linen
- (k) STC 651.41 Bleached cotton yarns



- (l) STC 655.61 Twine, cordage and rope
- (m) STC 841.14 Women's undergarments  
Cotton and synthetic
- (n) STC 841.21 Handkerchiefs  
Cotton
- (o) STC 841.41 Gloves (knitted )

This selection of particular products for which sufficiently large outlets exist can be rearranged under the following branches :

- (i) The manufacture of clothing, above all leisurewear and underwear
- (ii) The manufacture of household linen
- (iii) The weaving of cotton and of wool and synthetic fibres to supply manufacturers
- (iv) Knitted goods
- (v) Carpets
- (vi) The spinning and cotton and of wool and mixed yarns to supply cloth mills and the manufacturers of knitted goods and carpets
- (vii) Rope-making.

This selection has to be qualified because of the predominance of the Federal Republic of Germany as regards imports, on the one hand, and of Hong Kong for exports, on the other. However, this twin predominance does not deprive the outlets singled out of their significance : the rate of penetration recorded in the Federal Republic for products of the type imported from Hong Kong is significant of the reaction of the market to the opening of frontiers. In other words, it is clearly apparent that when trade policy becomes less severe and import barriers are lowered, the market easily absorbs products imported at a low price.

In addition to the quantitative assessment of outlets in terms of the volume of imports, an endeavour has been made to place these imports in relation to total consumption. The second stage of the analysis of demand brings

out the very slight proportion of consumption covered by imports and the generally ludicrously low proportion that comes from the developing countries. This fact means that total consumption can never serve as a very exact term of reference when it comes to measuring the actual outlets currently offered to the developing countries.

As for the question of why imports from the developing countries represent only a very slight proportion of corresponding consumption, it seems that the reason could be, either that proximity of the market is an essential condition for the qualitative adaptation of products to its demands or that access to these markets is barred to outside producers.

An analysis of the importation of textile products into the candidate countries (Great Britain, Norway, Denmark, but not Ireland), confirms the previous conclusions as far as the selection of significant outlets is concerned. The structure of textile imports, when broken down by individual products, reveals such a degree of similarity that if one applies the criteria listed above, a selection of the same categories of products emerges. In particular, the importance of clothing, cotton fabrics and flat products is again evident. However, the analysis also enables us to add unbleached fabrics to the list of selected products, thus completing the range of cotton productions.

Furthermore, the degree of penetration of products from the developing countries is generally far superior to that observed on the markets of the EEC, taken as a whole.

This fact should be related to more liberal trade policies and confirms, in this very way, the importance of the lowering of customs barriers and the increased flexibility of trade policies for the openness of markets. In contrast, restrictions of trade, above all quantitative ones, emerge as the most important limiting factor in respect of the level of imports of textile products into the EEC.

Observation of the varying degree of penetration for textile products from the developing countries, according to how liberal the trade policies of the different countries are, does not, as such, permit the extrapolation of this conclusion at the level of total consumption. It is probable that, although the first of the two factors noted - access to the market - plays a decisive role, the second - proximity - nonetheless plays an important one, which becomes decisive after certain levels of penetration have been passed.

However, it is impossible to give any general application rules, insofar as the proximity of the market comes into play more particularly for certain types and qualities of products, whereas for other products and qualities, almost boundless penetration seems possible, although at totally different price and quality levels.

It should be remembered that the products were selected from product categories and subcategories in the customs nomenclature. The choice of the qualitative level and the qualitative adaptation of the products can only be determined on a case-by-case basis, taking account of the conclusions which might have been reached regarding the conditions of competitiveness of production.

Independently of the determination of the exact qualitative level of the most important outlets, within the categories selected, the analysis made it possible to pinpoint the existence of significant and substantial outlets, which are supposedly accessible to AASM producers, at least in the sense that tariff and quantitative protection does not operate in their case.

However, beyond the measurement of the existing outlets, the main problem is that of the potential competitiveness of the AASM in the field of textile products.

SECOND PARTPRODUCTION CONDITIONS OF TEXTILE PRODUCTS IN THE ASSOCIATED AFRICAN STATES  
AND MADAGASCAR

The second part of the survey concerns the **supply of textile products** by the AASM.

In fact, it related to an assessment of the level of competitiveness likely to be reached by the ranges of textile products which would appear in the AASM, as compared with competing supplies, whether from European producers or from other developing countries.

It scarcely seems possible to deduce this potential competitiveness from the current situation of the textile industries already existing in the AASM, because of the particular circumstances under which they operate. In fact, these enterprises, of which, moreover, there are only very few, work almost exclusively, with a few recent exceptions, for domestic markets and are highly protected. They have virtually no need to concern themselves with the demands of international competitiveness and their production is adapted to the qualitative standards of local markets. Furthermore, the elements of their manufacturing costs do not reflect the real production conditions of these countries, either because the cost of certain factors is artificially lowered, or because some of these factors are imported at present, even when this is not necessary (for the choice of production combinations is still based on that of the investor's country of origin).

Above all, it is necessary to determine as exactly as possible the level of competitiveness corresponding to the real production conditions of these countries, in terms of **their inherent strengths and weaknesses** independently of **any intervention affecting operational costs**.

Subsequently, in accordance with industrial policy choices supported by costs and profits analyses, nothing need impede the development of those manufactures judged to be worth fostering by subsidies affecting the cost of certain production factors. However, this is a later stage which must necessarily be preceded by a phase in which real production conditions are objectively analysed.

The problem of competitiveness concerns the possibility of supplying :

1. Products which are qualitatively adapted to the outlets aimed at ;
2. At competitive delivery prices (in Europe), that is, at prices :
  - (i) Which are not higher than the ex-works price in Europe and
  - (ii) Which are not higher than the delivery prices - taking account of customs duties - of products from other sources.

Taking as solved the problem of the choice of the quality of production - that is, the section of the market of which one is appealing - the qualitative adaptation of products essentially concerns raw materials and the mastering of the manufacturing process. The latter, particularly, is a fundamental precondition for the potential competitiveness of the AASM. Ultimately, everything will hinge on the plausibility of the assumptions which can be made in this connection, for on them depend the levels of technical efficiency which could be reached and, consequently, the levels of manufacturing costs.

Since competition is established in terms of delivery prices on European markets, transport and marketing costs must be added to the cost price (ex-works price) of the AASM), and this can raise the cost price by between 5 % and 7 % (without counting transport within Africa). Moreover, distance from the markets of destination has an effect on working capital and an additional effect in terms of delays in reaction to market appeal.

Under the Association Convention, and as compared with other developing countries, the AASM enjoy privileged access to the EEC, since their exports cannot be subjected to quantitative or tariff restrictions, provided they respect the rules of origin regarding materials and intermediary products which are processed. However, it would be wise to reason less statically in this respect and to relate the scope of the preferences which the AASM enjoy to the general trends towards trade liberalization, that is, to anticipate the gradual enlargement - modest as it might be - of the share of the market made accessible to other developing countries. Whether as the result of the granting of generalized preferences, even if these operate only within quantitative limits, or as the result of the granting of specific preferences

to other countries associated on account of Great Britain's entry into the Community, the margin of preference which the AASM enjoy will, at all events, steadily contract. This obviously does not diminish the size of the outlets to which the AASM could have access, but it does increase the competitive pressure from other countries, which also find themselves granted a degree of access to these same outlets.

Apart from certain margins connected with transport and marketing costs for all the developing countries, on the one hand, and with customs duties for the developing third countries with which the AASM has to compete, on the other, the essential comparison will therefore be that of cost prices.

It is very difficult to establish in concrete terms the level of European prime costs which ought to be taken as a term of reference because a general characteristic of the textile industries of the European countries is the great variation of these costs. The prices quoted on these markets are, to some extent, averages which cover this variation in individual prime costs.

In fact, companies of a greatly varying degree of efficiency co-exist on the European markets and the cost prices of the most efficient companies are therefore substantially lower than the average prices recorded on the markets.

Furthermore, the range of textile products is considerable, and comparisons are thus made difficult. The lowest European cost prices are those of highly standardized products which can be manufactured in very large runs, for these alone make it possible to assure the full utilization of the most highly advanced equipment. Only by such mass production can high-performance equipment, which is extremely expensive, resist the competitive pressure exerted by total existing production capacities (which are known to be excessive). To this extent, the utilization of highly advanced production techniques is limited to a relatively small fraction of production. Consequently, one cannot take corresponding standards of efficiency as a term of reference, for this would amount to a considerable over-estimation of the efficiency of the

European textile industries and a corresponding under-estimation of the competitiveness of those of the developing countries.

This competitiveness of the textile industries of the AASM, as compared with those of the European countries, may, nonetheless, be handicapped, at the outset, by two types of elements relating to the disparity between the levels of industrial development. As traditional industries, the textile industries of the European countries have long since acquired complete mastery of production processes, while a considerable proportion of the machinery used has already been written off and represents only very reduced capital costs.

In contrast, the textile industries of the AASM have to make the necessary investments and cover all the corresponding capital costs. In addition, they have to master the production process. It follows that the starting up of these industries entails considerable expenditure and loss of profits.

Although it is obviously necessary to take account of these initial costs, which will have to be covered in one way or another, the analysis of competitiveness should, nevertheless, consider only those production conditions which are likely to be achieved after the teething troubles have been sentenced out.

The first aspect of competitiveness concerns raw materials. Generally speaking, the AASM are net exporters of raw cotton and one can reasonably forecast that the next few years will see a substantial increase in the net exportable surplus. These countries therefore have cotton raw materials available, which need not be exported until after processing. This cotton corresponds to the vast majority of the outlets for cotton products which have been identified, but this would in no way justify any relaxation of the efforts to improve the quality of the raw cotton of the AASM, in order to add highergrade products to the range which could suitably be manufactured.

Once these quantitative and qualitative conditions are fulfilled, the processing of the raw cotton available into exportable cotton products.

represents a significant value added which is favoured by the reduction in the effect on the processed products of the cost of transporting raw material.

Although the competitiveness of processing must be assessed, in the case of the cotton fibres available, on the basis of the price of cotton on the world market, minus transport costs, the latter must, on the other hand, be added in the case of imported fibres. The processing of imported fibres, above all man-made fibres, would be handicapped by double transport costs. However, this could be avoided, as far as wool is concerned, by the development of the range of processes involved in wool production in certain coastal locations, situated on the route of the wool imported by European producers.

The second aspect of competitiveness concerns energy, the cost of which is higher in the AASM (except Zaïre) than in Europe, although to varying degrees. The effect on the prime costs of textile products is quite considerable. On the other hand, energy consumption varies little from one type of plant to another and therefore this factor should scarcely intervene in the choice of production techniques.

The third, and most important aspect concerns the choice of the production technique or, in other words, the choice of the combination of factors - capital and labour - in terms of their availability.

The usual way of approaching this problem is to transpose the manufacturing technique which would be used in Europe and to calculate the cost price corresponding to the factor costs observed in the AASM. In fact, instead of basing oneself a priori on the combination of factors and the structure of cost prices encountered in Europe, one should contemplate all the possible technical alternatives, taking account of the production conditions prevailing in the AASM, so as to choose the optimum combination in these countries and, more precisely, in each of them.

The determination of the cost price results, in fact, from the combination of the interdependent quantities of the various factors, in terms



of the particular level of their price, and not merely from the technical performance of plant. Examples can be given of the differences obtained in the levels of competitiveness by the use of different production techniques, determined by different wage levels. The range of alternatives is further extended by the introduction of alternative hypotheses on the duration and the degree of plant utilization.

Since the cost of the capital and labour factors are to some extent given, attention should be focused on the requisite quantities of these factors.

In respect of labour skills, which condition productivity levels and, consequently, the quantity of labour required, it is important to draw a fundamental distinction between the basic work force, on the one hand, and supervisory staff, on the other.

As far as the basic work force is concerned, there should be no major problems in the AASM, neither in respect of skills nor in respect of training. However, the productivity of this basic work force depends, to a very large extent, on the organization and executive framework which the company provides for it.

The chief problems regarding skills are posed at the level of trained supervisory staff, for the necessary skills virtually have to be imported at present and at an extremely high cost. The development of a competitive textile industry for export purposes therefore largely depends on the substitution of less expensive local trained and supervisory staff for expatriate executives.

The wage costs of the basic work force (labour is in abundant supply) are substantially lower than in Europe : a comparison with France shows a maximum of some 30 % for countries like the Ivory Coast, Gabon and Senegal and a minimum of 9 % for Rwanda and Somalia. With equal productivity, this wage difference, as compared with Europe, makes it possible to arrive at far lower unit wage costs.

The consideration of total wage costs, including the cost of "officering" by expatriate personnel, greatly alters these relative scales of wage costs. In fact, it results not only in the closing of the wage gap between the AASM themselves but also in a considerable rise in the relative level of wage costs in the AASM, as compared with Europe, with the percentage of wage costs in those countries where wage levels are lowest then being 20 % of those in France.

This rise in the level of wage costs has the most marked consequences in relation to the other developing countries, which would be the potential competitors of the AASM. Competitors whose wage costs are situated at levels comparable with those of the AASM generally have a developed textile industry already. In addition, the Asian countries can take advantage of far lower wage costs.

The volume of capital required is likely to vary, chiefly in terms of the cost of plant. The volume of investment in buildings varies very little, by 3 % or 4 % at the most, from the volume in Europe. As far as plant is concerned, the cost is far higher in the AASM, because of transport and assembly costs. These supplements represent at least 20 to 25 % of the value of plant in coast locations ; for locations in the interior of the continent, domestic transport costs have to be added. The result is that, according to the location, the volume of investment needed per unit of capacity is some 10 to 20 % higher than in Europe.

Taking account of the hourly capacity of the plant installed, the annual capacity can vary in terms of the utilization period, that is, the number of shifts and hours worked.

Unless utilization periods are stipulated in advance by limiting regulations, they could be increased in order to improve the competitiveness of the AASM, since more intensive utilization makes it possible to spread costs related to capital over a larger volume of production.

However, by the same token, the advantage gained from this distribution of costs varies according to their magnitude, that is, according to the use of more advanced and expensive plant. In this instance, one should not merely transpose the situation of the textile industries in Europe, in which the utilization of the most capitalistic techniques entails the maximum degree of utilization.

Having made this point, the fact remains that, in view of the real scarcity of capital resources in the AASM, which, moreover, is not reflected in the interest rates charged in these countries, any possibility of reducing capital costs should be exploited.

In addition to the cost of plant and degrees of utilization, which determine the volume of capital required per product unit, capital costs depend on interest rates and redemption periods.

In the present state of affairs, the capital used in industrial activities in the AASM can be considered cheap : considering the financial structure of companies, the vast majority of capital is borrowed at extremely favourable rates and is subject to equally favourable periods of grace and repayment.

In view of the low financial charges, it might be worth extending the redemption periods in order to reduce annual redemption charges also. Insofar as this merely postpones charges, this possibility should be chosen only in order to strengthen the immediate competitiveness of textile production handicapped at the outset by a number of items of expenditure connected with start-up.

#### Conclusions regarding supply

The considerations in respect of the potential supplies of textile products in the AASM lead to two main conclusions :

1. The first concerns the levels of competitiveness likely to be attained by the AASM.

Amongst the developint countries whose competitiveness in textile manufactures in relation to the developed countries is general, the AASM are not particularly well-placed. In view of the uncertainty which affects the international textile market (in particular, the degree of trade liberalization and the field of application of preference systems) and considering the level of their medium-term competitiveness in the textile field, the margin of preference from which the AASM benefit as a result of their status as associates does not suffice to shelter them from very lively competitive pressures from producers in other developing countries.

In fact, although the differences in wage costs, which are decisive in the textile sector, ensure the competitiveness of these countries in relation to Europe, the same is not true in relation to competing developing countries. The essential reasons for this is that the cost of supplying trained and supervisory staff (which is connected with the technical and organisational functions currently assumed by expatriates) adds a considerable supplement to hourly wage costs, a supplement which is proportionately greater because the basic wages are lower. To this must also be added supplementary costs relating, on the one hand, to the installation of plant overseas and, on the other hand, to the higher cost of energy.

2. The second conclusion consequently concerns the conditions for the optimization of the competitiveness of the textile industries of the AASM.

Production costs have to be drawn up carefully and take maximum account of local conditions which exert a substantial influence over the choice of manufacturing techniques and the relative costs of production factors.

On the first point, the analysis demonstrates the advantages of a relatively simple technology and of equipment which is not over-elaborate. It suggests the possible advantages, in a certain number of cases, of the use of second-hand equipment - as a rule, that written off most recently - making it possible ot lay the maximum stress on labour-intensive production, in conformity with the availibility of factors, and to make considerable capital savings at the same time.

However, the use of second-hand equipment requires checks on its working order, on the one hand, and supply guarantees for spare parts, on the other. All these are conditions which can be fulfilled virtually only if this use of second-hand equipment takes place on a considerable scale.

On the second point, the analyses show the need of reduce wage costs, in order to establish medium-term competitiveness.

This action could concern the relative cost of labour in relation to capital : insofar as the inclusion of "officering" costs places an excessive burden on wage costs, the latter, by the same token, weigh on cost prices, while this increase in the cost of labour in relation to the compressed cost of capital favours the use of more capitalistic production techniques and, thus, the consumption of capital.

Merely from the viewpoint of the prime costs, it would be worth transferring subsidies granted on the cost of capital to labour, for the same subsidy, one shifted in this way, would reduce wage costs and, in certain cases, would make it possible to reduce prime costs by use of less capitalistic manufacturing techniques.

More fundamentally and in the longer-term, it is a question of making the necessary training investments in order to permit a considerable reduction in organizational and supervision costs by the substitution of national personnel for expatriate staff. Essentially, this is the crux of the real and future competitiveness of textile production in the AASM.

Three complementary conclusions have to be added to these two main ones :

1. The choice of production techniques and action on factor costs chiefly aim at the optimization of competitiveness, but they are also very important from the viewpoint of overall economic costs and benefits.

The choice of manufacturing techniques which maximize the intensity of labour will have the effect, on the one hand, of altering the external balance of receipts and payments linked with any particular exporting

textile production (by reducing the volume of financial flows abroad corresponding to redemption costs and return on capital) and, on the other hand, of substantially raising the number of personnel employed, increasing the wage incomes distributed in the economy and promoting the creation of a labour force used to industrial work.

As far as taxation is concerned, the creation of export industries does not create the same problems of the disappearance of certain tax contributions as does the substitution of local manufacturing production for imports, but it is probable that it will not give rise to any new tax receipts, at least directly and in the short and medium-term.

2. The comparative advantages and disadvantages of the AASM have consequences relating to the types of production to be developed in these countries, since the greater the scope of the processing methods and the intensity of labour, the higher competitiveness will be.

It follows from this that, on the one hand, contrary to all the prior assumptions in favour of the mechanized production of standard products, competitiveness increases with the relative importance of "hand-made" goods and the differentiation of products and that, on the other hand, competitiveness increases all along the production line, for the dual reason that added values, at the level of which competitiveness makes itself felt, build up along the line and that the most competitive stages, that is, those which entail maximum labour-intensity, are downstream.

Therefore, it would not be worthwhile the AASM developing mechanized output of very standard products. They would benefit more from concentrating their effort on the manufactures and production techniques for which technical mastery poses the least number of problems (maximizing labour-intensity and minimizing supervision costs) and from maximizing the value added by high labour-intensity, either by working up products more at any given stage of manufacture or by going further with processing all along the line. These points apply particularly to the ready-made clothing industry.

3. A certain number of conditions required to ensure the competitiveness of the textile manufactures of the AASM can be satisfied only if these manufactures are developed on a relatively large scale.

Internal economies of scale concern organizational and supervision costs as well as marketing costs. External economies chiefly concern training and technical assistance services and the provision of second-hand equipment and spare parts ; they might also concern the tooling of parts and even the construction of certain textile machines.