

than-traditional-sized production units—factors which could benefit both them and the country in the future.

In summary, I believe that Fujimoto's in-depth insights concerning (1) individual household family responses to the persistent challenges and new opportunities created by the government in rice production and associated private sector initiatives and (2) the unique documentation of Malaysia's recent attempts at large-scale rice production presented in *Malay Farmers Respond* will prove to be an invaluable resource for policymakers in Malaysia and students of infrastructural, technological, and institutional change in rice-based rural economies of Asia.

(Donald C. Taylor)

*India's Textile Sector: A Policy Analysis* by Sanjiv Misra, New Delhi, Sage Publications India Pvt Ltd, 1993, 278pp.

India's textile industry has been suffering from a host of problems such as slow growth, high incidents of "sick mills," increasing obsolescence, and low levels of modernization. This book provides an understanding of why this has been so, and why India's experience in textiles has been so different from that of other developing countries. According to the author, the most crucial difference is that the textile sector in India has been subject to a degree of state control and regulation which has few parallels.

The author sets forth two major observations. The first is that the real problems of India's textile industry are sectoral (structural). He shows that there have been peculiarly Indian linkages among and within sectors in the continuous textile production process, and these linkages are an inherent part of the inefficient production structure. The modern (organized) sector has coexisted with the relatively "backward" (unorganized or decentralized) sector; textile spinning and processing have been carried on exclusively by the modern sector, while the weaving process has been done by the "backward" sector. At the same time within the "backward" sector itself there has been a "dualism" in the weaving process where powerlooms compete with handlooms (representing different degrees of "backwardness").

The second observation is that this peculiar Indian production structure was largely created and developed because of the heavy doses of state intervention which have continued unabated even since the mid-1980s when the government began promoting economic liberalization.

To analyze the problems he has presented, Misra sets out three specific questions: (1) What are the main problems and interests that have determined textile policy over the years? (2) What has been the impact of state intervention on the structure, growth, and evolution of the textile sector as a whole? (3) What lessons can be derived from past experience in formulating new policy options for India's textile sector?

The first question is discussed in Chapter 2. The author points out five problems confronting the textile sector: (1) regulations over inter-sectoral competition between handlooms and mills employing powerlooms for manufacturing cloth, (2) the providing of cheap cloth for the weaker sectors of the industry, (3) a state fiber policy to ensure the predominant use of cotton in textile manufacture and to limit the competition posed by synthetic fibers and yards, (4) modernization, and (5) the rehabilitation of "sick mills."

The second question concerning the impact of state intervention is dealt with in Chapters 3–9. Chapter 3 discusses the problems of market demand facing textiles. Misra found that the demand for textiles was stagnant during the 1970s and 1980s in terms of per capita fabric consumption, especially for cotton cloth, despite the fact that there had been a rise in real per capita income and cotton textiles were considerably cheaper than their non-cotton and blended counterparts. The reason for this was that a large proportion of low priced cotton textiles were seen by consumers as “inferior goods” which brought about a decline in their consumption. At the same time, synthetic and blended fabrics with their greater durability were able to replace a disproportionate amount of cotton fabrics.

Chapter 4 analyzes the growth of capacity and output in the spinning, weaving, and cloth producing sectors. The author found that there were two phases of expansion in spinning capacity; the first ran from 1978–79 to 1983–84 and the second from 1983–84 to 1988–89. There was a substantial addition to spinning capacity during the first phase with a subsequent slowing down during the second. The growth of the first phase was because until 1984, the government had permitted a liberal expansion of spinning capacity under its delicensing scheme, but during the second phase the licensing policy was reimposed along with additional restrictions regarding location. During the first phase there was an increase in spinning efficiency in terms of the average output of yarn per active spindle. This output was virtually stagnant during the second phase. To identify the major factors influencing spindle activity and spinning efficiency, the author used a regression analysis for the period 1970–88. He found that spindle activity was dependent on yarn output, i.e., on the market demand conditions facing the spinning mills, while spinning efficiency was influenced mainly by additions to capacity; these additions in turn were dependent on the intensity of competition and the productivity of newer spindles.

Chapter 5 discusses the technological dualism which has been prevalent in the weaving process. There has not only been a dualism between the modern (capital-intensive mill) sector and the traditional (labor-intensive powerloom/handloom) sector, but also one within the latter sector between power- and handlooms. The first level of dualism in weaving technology has been able to exist because more or less the same level of processing costs has existed between the modern and traditional sectors, and because of the excise duty imposed on the modern mill sector which has lowered profitability and eliminated the advantage of its production efficiency vis-à-vis the traditional sector. The dualism within the traditional labor-intensive sector, where handloom technology has faced cost disadvantages vis-à-vis powerloom technology, could continue because: (1) the government has supported the supply of raw materials, credit, and marketing; (2) production of very low volume fabrics is not cost-effective on powerlooms; (3) rurally located handlooms can take advantage of transportation costs; (4) it is advantageous to produce cloth with short production runs using multiple warps and wefts; and (5) traditional varieties of fine cloth frequently have intricate designs which are better suited to production using handlooms.

Chapter 6 focuses on the so-called sick mill problem. The modern mill sector has experienced a sharp rise in the number of idle looms, and these have been maintained as “sick” units in response to the government’s “exit policy” which bans the elimination or “exit” of idle units. The existence of such idle or “sick” units can be attributed to competition from the powerloom sector combined with a virtually stagnant market, and to ill-conceived government policy intervention such as the statutory obligation to produce cheap cloth at controlled prices.

Chapter 7 points out that the decline of the modern sector (composite mills) in the face of competition from traditional (decentralized) powerlooms is due to the continued use of obsolete equipment and failure to upgrade technology (i.e., to modernize). The reasons for

the slow pace of modernization are: (1) the government's policy bias against light consumer industries like textiles, (2) the limited applicability of new labor-saving technologies in a labor-abundant country like India, (3) the unprofitability of new technologies such as open-end spinning machines and automatic or shuttleless looms, and (4) the relatively competitive market conditions in India that have effectively restrained the penetration of sophisticated capital-intensive technologies.

Chapter 8 examines the market shares for fibers in India, and points out that cotton remains the dominant fiber in the country's textile industry as the result of a conscious policy of favoring cotton consumption over synthetic fibers.

Chapter 9 looks at the international competitiveness of Indian textiles. Misra found that this has declined precipitously since the 1950s as shown by the steep fall in India's world market share. India's poor export performance in textiles and clothing can be attributed to supply-side constraints and domestic government policies, such as relatively high capital costs, poor product quality, innumerable procedural and administrative bottlenecks, and poor communications and transportation infrastructure.

The third question, concerning policy options, is considered in Chapter 10. The author suggests that given the conflicting social and economic objectives, the direction of policy reform should not simply be toward greater efficiency which has been stressed in the deregulation policy since 1985, but should be a mix of both efficiency and equity (the generating of employment, protecting the interests of cotton growers and handloom weavers, and making available cheap cloth for the poorer sectors of society). The former approach (efficiency-oriented policy) has been stressed since 1985 in the textile deregulation policy. The progress of this policy was reviewed in the Abid Hussain Committee Report published in 1991. This report emphasized all-round modernization of the textile industry and recommended the creation of adequate institutions for implementing the provisions of the 1985 textile policy.

The author strongly criticizes the view of the committee report, noting that it advocated continued heavy state intervention. As he stresses, "most of the problems of the textile sector in India stem not from too little state intervention, but from too much of it" (p. 253). Moreover, in the effort to carry out all-round modernization, the basic issues (such as the social costs and benefits of modernization investment, the appropriateness of technology, and the overall impact on employment) have largely been ignored.

Misra's recommendation of an efficiency-cum-equity policy (what he calls "an efficient incrementalism combined with rational choice") is reasonably realistic as a policy option for India, since it takes into consideration politico-economic factors which work against policy implementation, such as stiff resistance from beneficiaries of the established policy, employment implications, and tight budgetary constraints.

However, the author's criticism of the efficiency-oriented policy, promoted since the 1985 textile deregulation policy and the Hussain Committee Report, is not wholly persuasive for two reasons. One is that his analysis has not sufficiently shown to what extent state intervention has caused the present stagnation of the textile sector, and one senses that it is a bit hasty to conclude that such intervention is solely responsible for preventing an increase in production and productivity. Non-policy factors such as the technological and managerial factors of textile enterprises (especially of composite mills) and inter-sectional market relations between the textile-producing sector and textile machinery sector also have to be taken into consideration. For this, an analysis of the past experience of the textile industry, especially during the pre-independence period when textile policy factors were far less influential, would be useful.

The second reason is that the author has not sufficiently dealt with the specific character-

istics of the textile sector in India and with the peculiar forms of liberalization or deregulation that are part of India's efficiency-oriented policy. For the former, it would be necessary to compare textiles with liberalized industries in India such as automobiles, which have dramatically increased the volume of production and productivity, and to investigate why the experience of the two industries has been different. For the latter, an international comparison of pertinent policies with China and other countries which have been adopting liberalization policies would help clarify features of India's policy.

Nevertheless, Misra's in-depth study of India's textile sector has made a great contribution to understanding the problems of Indian industrial development and for formulating development strategies.

(Hiroyuki Ōba)