

	1	2	3	4
18. Orissa		16.80	17.17	18.13
19. Punjab	0.10	0.07
20. Rajasthan		17.00	16.10	3.30
21. Sikkim		4.89	4.15	0.10
22. Tamil Nadu		23.00	23.30	40.55
23. Tripura		7.70	7.70	0.82
24. Uttar Pradesh		128.00	162.94	80.65
25. West Bengal		12.00	7.95	13.17
26. A & N Islands		2.50	2.70	NR
27. Chandigarh
28. D. & N. Haveli		0.16	0.16	0.22
29. Daman & Diu	0.06
30. Delhi	0.05
31. Lakshadweep	0.02
32. Pondicherry		1.10	1.05	0.14
TOTAL		410.45	422.92	347.84

*[Translation]***World Bank report on Development of Industry**

541. SHRI RAJENDRA AGNIHOTRI: Will the PRIME MINISTER be pleased to state:

(a) whether the World Bank in its latest report of 1991 has stated under the heading 'Challenges of Development' that excessive restrictions did not help industries in India to develop fully;

(b) if so, the details of the study made by the World Bank on the development of industries in India; and

(c) the corrective steps contemplated in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF INDUSTRY (PROF. P. J. KURIEN): (a) Yes Sir. This has been stated, inter-alia in Chapter 4 of the 1991 Edition of the World Bank's World Development Report entitled "The Challenge of Development".

(b) and (c) The relevant reference under sub-section "Industrial Regulation" is enclosed in the statement annexed.

Government policies for industrial development are reviewed in the context of Indian conditions and appropriate measures are initiated from time to time.

STATEMENT*The payoffs from regulatory reform:
India and Indonesia*

India's strategy for industrialization has been based on import substitution and an unusually comprehensive and restrictive regime of regulation in domestic markets. In eleven subsectors that produce about 50 percent of Indian manufacturing output, the main results of this strategy have been that: (a) A few large firms dominate, while medium-size producers are "squeezed out". (b) Average plant sizes are below economic scales of production for most products. (c) Protected firms have captive markets and thus garner high rents: net pretax profits in India's manufacturing sector were on average 20.8 percent of value added in 1982, compared with 3.5 percent in the Republic of Korea in 1981. (d) Technological innovation is slow. Total factor productivity in these industries fell by more than 1 percent a year between 1966 and 1980.

Unsurprisingly, India's international competitiveness has suffered. Its manufactured exports as a share of developing countries' manufactured exports has declined, and its share of manufacturing in GDP has not increased since 1978. Other results are harder to quantify: transaction costs are high; and resources are diverted by excessive administration, by unproductive rent-seeking, and by uncertainty and delays.

In Indonesia, the private sector has also been hindered by regulation. Until 1988, domestic and foreign investment was restricted to certain areas; there were capacity limits and ceilings on the number of permitted projects. Before starting operations, even approved indigenous firms had to obtain import and export licenses, a domestic trading license, land rights, a permanent operating license, and storage and location permits. All this often took two years. Total factor productivity fell by 2.5 percent in the mid-1980s.

In India, recent partial reforms proved successful. Industrial licensing has been eased since the mid 1980s, as have some import controls on some raw materials and intermediate goods. These changes, though modest, have nonetheless had a positive effect. Competition has squeezed the profits of large firms (the top 100 firms reported a drop of about 24.3 per cent in 1986-87 despite a 9 percent rise in sales), and many new, smaller firms have been created.

In Indonesia reforms has been more comprehensive: foreign investors are now able to acquire firms in priority areas as long as 20 percent of the equity is domestically owned; rules on domestic investment have been significantly relaxed. Private investment grew in 1989; the growth of total factor productivity has been positive in recent years; and the average rate of return on investment increased from 13 percent in the period 1982-85 to 22 percent in 1986-88.

[English]

Standing Committee on Agriculture

542. SHRI RAM NAIK: Will the Minister of PLANNING AND PROGRAMME IMPLEMENTATION be pleased to state:

(a) whether the Government are considering to wind up the Standing Advisory Committee on Agriculture; and

(b) if so, the details thereof and the reasons therefor?

THE MINISTER OF STATE OF THE MINISTRY OF PLANNING AND PROGRAMME IMPLEMENTATION (SHRI H. R. BHARDWAJ): (a) and (b) The Standing Advisory Committee has been wound up w.e.f. 16-5-1991 after it had given its views on the formulation of Agriculture policy.