

Chapter 9

Light Industry: Socialist Industrialization and the Textile Industry



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Abstract This chapter examines the impact of socialist industrialization policies implemented during the Mao era on the long-term industrialization process of China, focusing on the light industrial sector, especially the textile industry. The textile industry was the core of the rise of China's modern industry after the latter half of the nineteenth century while the traditional handicraft sector coexisted. Significant changes in the textile industry by the introduction of a socialist system in the 1950s and the "heavy-industry-oriented strategy" were seen in four specific aspects: (i) governmental control of raw materials and product distribution, (ii) nationalization and semi-nationalization of modern industrial sectors, (iii) reorganization of the traditional handicraft sector, and (iv) restraint of investment in the textile industry. As a result, the development of the textile industry was relatively suppressed in both the modern industrial and traditional handicrafts sectors throughout the Mao era, while the textile industry contributed to the socialist industrialization policy by earning relatively high profits and foreign currency through export. The post-1978 rapid expansion of the textile industry mainly by small-and-medium-sized enterprises suggests that the textile industry, suppressed under the socialist system, revived in the market economy after the reform and opening-up policy.

Introduction

This chapter examines the impact of socialist industrialization policies implemented during the Mao era on the long-term industrialization process of China, focusing on the light industrial sector, especially the textile industry. The socialist industrialization policy referred to here is the industrialization policy under the socialist system formed in China in the 1950s based on a planned economy and public ownership of the means of production. The government of the People's Republic of China, as discussed in Chap. 8, intensively promoted investment in heavy industry, leading to

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a rapid increase in the ratio of secondary industries (mining and manufacturing) in China's industrial structure (Minami & Makino, 2014: 19–21).

Although the socialist industrialization policy strongly prompted China's industrialization, it is a mistake to think that China's industrialization began after 1949. As is well known, the rise of modern industry in China can be traced back to the latter half of the nineteenth century, after the opening of its ports. Following the rise of governmental and foreign companies, Chinese private industrial companies also took off, mainly in Shanghai and other coastal areas in the 1910s. As a result, a certain level of industrialization was achieved by 1937 when the Second Sino-Japanese War broke out (Feuerwerker, 1977; Rawski, 1989; Kubo et al., 2016). In this sense, China's industrialization is a continuous, long-term process that began before 1949, and socialist industrialization policies should be placed in this context. This long-term perspective helps connect China's industrial-oriented economic development after the reform and opening-up policy in 1978 in the context of industrialization since the latter half of the nineteenth century.

Therefore, this chapter investigates the influence of the socialist industrialization policy of the Mao era on China's long-term industrialization through three periods: pre-1949, the Mao era, and the post-the reform and opening-up policy focusing on the textile industry, which was the core of China's modern industry. The definition of the textile industry in this chapter is broad and includes the garment, spinning, and weaving industries. However, owing to the data limitation before 1949, only the spinning and weaving industry was included in the pre-1949 period analysis.

The reasons why this chapter focuses on the textile industry are as follows: (1) the textile industry was a core industry in many countries during the emergence of modern industry, and a certain level of development of the modern sector in the industry was observed in China before 1949; (2) while the modern sector developed, traditional handicrafts in the silk and cotton industries coexisted in China; therefore, the impact of the socialist industrialization policy can be examined from the perspective of both the modern and traditional sectors; (3) relatively long-term data of the Chinese textile industry are available since it has been a major industry in China for a long time.

Many scholars have already discussed the Chinese textile industry, reflecting its long tradition and its major position in China's modern industrialization (Yan, 1955; Chao, 1977; Zhao & Chen, 1977; DCB, 1984; SSJ, 1992; Soda, 1994; Nakai, 1996; ZJB, 1997; Tsuji, 2000; Mori, 2001; Kou, 2003; Benno, 2004; Okumura, 2004; Kubo, 2005; Setobayashi, 2008; Tomizawa et al., 2011; Tomizawa, 2019). However, a long-term perspective that includes the period from the rise of modern industry to the Mao era and the reform and opening-up period has only partially been adopted (Grove, 2004, 2006; Pomeranz, 2013). Therefore, this chapter covers the long-term development of the Chinese textile industry since the late nineteenth century and examines the impact of the socialist industrialization policies of the Mao era on the development process, which began before 1949.

9.1 The Textile Industry before 1949

In China, the textile industry was a traditional native industry, and the handicraft sector of the silk and cotton industry was highly developed until the mid-nineteenth century. After the opening of ports in 1842, the Shanghai Mechanical Textile Bureau was established in 1880 and started production in 1890 as a pioneer of modern factories in the Chinese cotton industry, which was supervised by Li Hongzhang, a senior government official of the Qing dynasty, for import substitution of foreign machine-made cotton products. On the other hand, due to the defeat in the First Sino-Japanese War, the Shimonoseki Treaty signed in 1885 allowed foreign companies to operate factories in open port cities, which triggered foreign companies to enter China in the form of direct investment (Kubo et al., 2016: 21–25).

It was not until the outbreak of World War I (1914–18) that modern textile enterprises with Chinese private capital rose. Owing to the decline in imports of European products, Chinese private capital entered the textile industry one after another. Simultaneously, direct investment by Japanese cotton companies in China, the so-called *Zaikabo*, became prominent (Takamura, 1982; Tomizawa et al., 2011).

Table 9.1 shows the overall picture of Chinese industry in 1933, before the outbreak of the Second Sino-Japanese War (1937–45). The first thing seen here is the high share of the light industry in total manufacturing output, reaching 74.5%, while its share in Manchuria, where Japan intensively invested in heavy industry, is slightly lower (71.6%). In particular, the textile industry accounted for 40% of the total manufacturing output, indicating that it was a core light industry. The second thing that should be emphasized is that the foreign-owned capital in the textile industry accounted for a relatively high percentage, reaching 24.8% in China proper. As mentioned above, this was due to the existence of *Zaikabo*, Japanese-capitalized cotton companies that had advanced into coastal cities such as Shanghai and Qingdao.

Let us now turn our attention to the cotton industry central to the Chinese textile industry. Figure 9.1 shows the self-sufficiency rates of the machine-made cotton yarn and cotton cloth in China. While it is necessary to note that the data in Figure 9.1 include production by *Zaikabo*, the Japanese factories in China, the self-sufficiency rate of both cotton yarn and cotton cloth rose rapidly from the 1910s to the 1930s. For cotton yarn, for which modern factory production in China developed earlier, the self-sufficiency rate reached 100% in 1930. The same tendency was observed for cotton cloth somewhat later. According to Table 9.1, while the ratio of foreign capital in the textile industry was higher than that in other industries in terms of the production value shares, Chinese capital accounted for 68.1%. It suggests that the development of Chinese private capital significantly contributed to the development of import-substitution industrialization in the cotton industry.

However, the development of the modern industrial sector has by no means eliminated the Chinese traditional handicraft textile industry, which has a long history. Figure 9.2 shows an estimate of the supply structure of cotton yarn and cloth between 1875 and 1931 by a supplier. In the case of cotton yarn, the ratio of the handicraft

Table 9.1 Output value of manufacturing in China, 1933

Classification	Gross value of output				Total (Percentage to all industries)	Percentage		Unit: million yuan	
	China proper		Manchuria			China proper			Manchuria
	Chinese-owned	Foreign-owned	Chinese-owned	Foreign-owned		Chinese-owned	Foreign-owned		
Textile	721.0	262.4	74.8	1,058.2(40.0)	68.1	24.8	7.1		
Foods	561.2	156.4	194.8	912.0(34.5)	61.5	17.1	21.4		
Metal	83.0	2.8	19.7	105.5(4.0)	78.7	2.7	18.7		
Machinery	68.8	17.9	27.3	113.8(4.3)	60.5	15.7	24.0		
Chemicals	123.8	27.2	23.7	174.7(6.6)	70.9	15.6	13.6		
Stone, clay & glass	45.8	1.8	10.5	58.1(2.2)	78.8	3.1	18.1		
Lumber & wood	5.6	6.1	12.5	24.2(0.9)	23.1	25.2	51.7		
Miscellaneous	161.9	23.0	14.1	199.0(7.5)	81.4	11.6	3.5		
Light industry	1,282.2	418.8	269.6	1,970.1(74.5)	65.1	21.3	13.7		
Heavy industry	275.6	47.9	70.7	394.0(14.9)	69.9	12.2	17.9		
Total	1,771.4	497.4	376.7	2,645.5(100.0)	67.0	18.8	14.2		

Source Kubo et al. (2016), p. 73; Liu & Yeh (1965), pp. 426–428

Notes “Light industry” includes “Textile” and “Foods”; “Heavy industry” does “Metal,” “Machinery” and “Chemicals.” Some figures of “Total” are not equal to total of all items, but they are from original sources

Percentages are calculated based on the figures of the original table

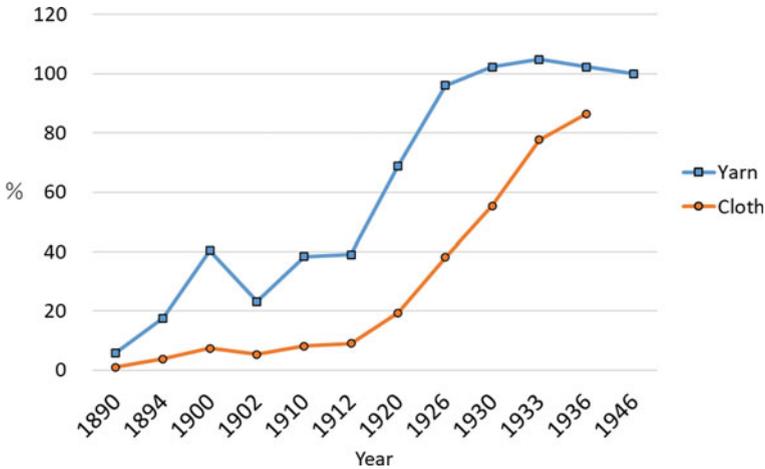


Fig. 9.1 China’s self-sufficiency rate of machine-made cotton yarn and cloth, 1890–1946.

Source Kubo et al. (2016), pp. 23–24.

Notes “Self-sufficiency rate” is calculated as (amount of production)/(amount of production + import - export) × 100. The data of this table only covers cotton products made by modern factories. The figure of “Cloth” of 1947 is not available

industry consistently declined from 1875 to 1931, while the production of modern factories expanded and came to occupy a major position. In contrast, in cotton cloth, although imports and domestic modern factories expanded to a certain extent, handicrafts continued to occupy a major position until 1931, and the production portion of imports and modern factories remained under 40%.

The production of hand-woven cotton cloth developed in response to the advancement of modern industry, such as the emergence of rural hand-woven production using machine-made cotton yarn imported from India and Japan as raw material

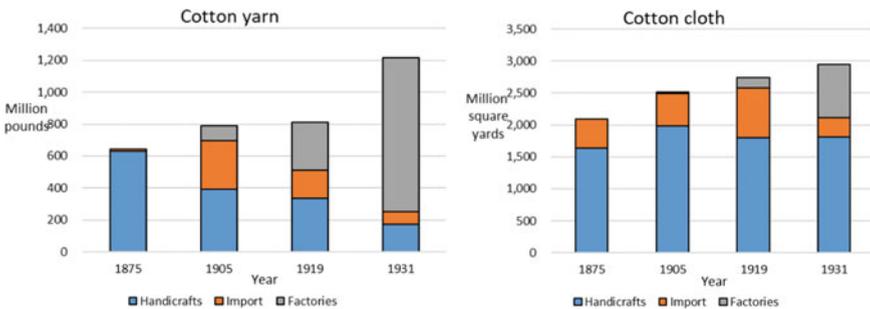


Fig. 9.2 Cotton yarn and cloth supply in China, 1875–1931.

Source Kubo et al. (2016), p. 24.

Note The original data is from Reynolds (1974), Table 2.4, p. 31; Feuerwerker (1977)

instead of traditional hand-spun yarn (Kubo et al., 2016: 22). In this way, the handicraft industry continued to change its form in China's cotton industry until the 1930s, while the modern industrial sector gradually expanded.

The Second Sino-Japanese War in 1937–45 and the civil war between the Chinese Nationalist Party and the Chinese Communist Party in 1946–49 had a complex influence on the textile industry. While they damaged the production of the textile industry, they also caused a significant change: the establishment of the state-owned China Textile Construction Company after World War II as a recipient of the requisition of former Japanese textile production facilities, which increased the presence of state-owned companies in the textile industry (Kawai, 1987; Jin, 2006). However, the private sector accounted for 63% of the textile industry's total output in 1949 (excluding handicrafts), and the private sector was still the main producer in the textile industry (ZGG, 1958: 157). In summary, China's textile industry developed in a way that Chinese private enterprises, foreign-invested enterprises, and traditional rural handicrafts coexisted until 1949.

9.2 Socialist Industrialization Policy and the Textile Industry

9.2.1 Introduction of the Socialist Industrialization Policy

With the establishment of the People's Republic of China in 1949, the socialist system was introduced in the 1950s and a socialist industrialization policy was implemented. The main features of the socialist system that distinguish it from other economic systems (e.g., the capitalist system) are (i) public ownership of the means of production (i.e., the denial of private ownership of the means of production), (ii) resource allocation by planning (i.e., the denial of resource allocation by the market), and (iii) centralized control of political power by a single party (Okumura, 1999; Shiokawa, 1999; Kajima, 2018).

In China, these three features formed throughout the 1950s. (i) The public ownership of the means of production was completed in 1956 in the form of socialist transformation, consisting of the collectivization of agriculture, socialization of private enterprises, and cooperativization of handicrafts. (ii) The distribution of resources according to the plan gradually tightened since 1949 and was fully implemented with the start of the First Five-Year Plan in 1953. (iii) Centralized control of political power was established by strengthening political control by the Chinese Communist Party after 1949.

The socialist industrialization policy was adopted under the socialist system, and the "heavy-industry-oriented strategy" at the heart of the policy led to major changes in the structure of the Chinese industry. Figure 9.3 shows the changes in China's capital construction investment, which was allocated to the formation of fixed assets, including the production activities of enterprises, in heavy and light industries over

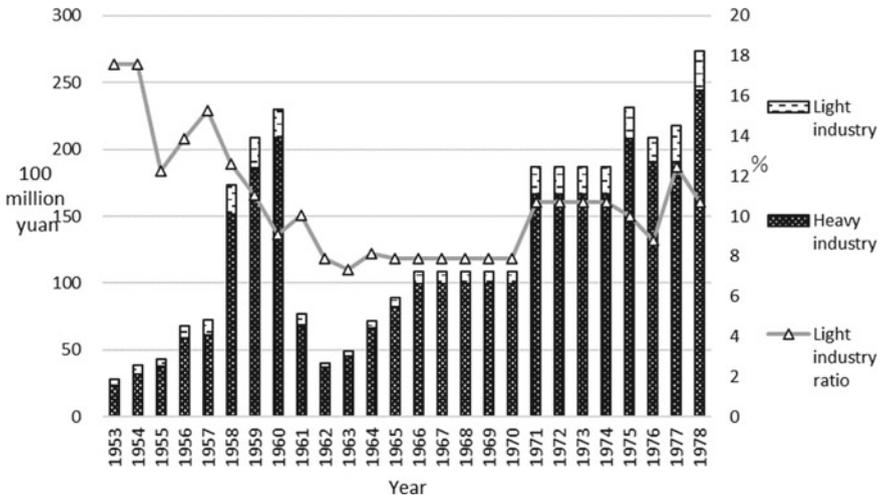


Fig. 9.3 Capital construction investments of heavy and light industries, 1953–78. Source GTG (1987), p. 97. Note The figure of 1966–75 is an estimation

the period 1953–78. It clearly shows that investment in the heavy industry accounted for the overwhelming share, while the ratio of light industry to total capital construction investment fell from 18 to 10% in the 1950s and has remained between 10 and 12% ever since. Although it is natural for heavy industry, requiring large-scale investment, to have a relatively large share of investment, this shows that the government’s “heavy-industry-oriented strategy” was thorough.

The results of the “heavy-industry-oriented strategy” are clearly shown in Figure 9.4, which indicates changes in the composition of manufacturing output by industry from 1933 to 1980. As seen in Table 9.1 above, the ratio of the two main light industries, food and textiles, in 1933 accounted for about 30–40% of the total manufacturing industry; the ratios basically remained the same in 1953. However, a jump in the heavy industry ratio occurred between 1953 and 1970, reaching 57.9% in 1970. It shows that the above-mentioned “heavy-industry-oriented strategy” promoted China’s heavy industrialization to a large extent.

9.2.2 Impact on the Textile Industry

Let us look closely at how the socialist industrialization policy and “heavy-industry-oriented strategy” have affected the textile industry. It can be summarized in the following four aspects:

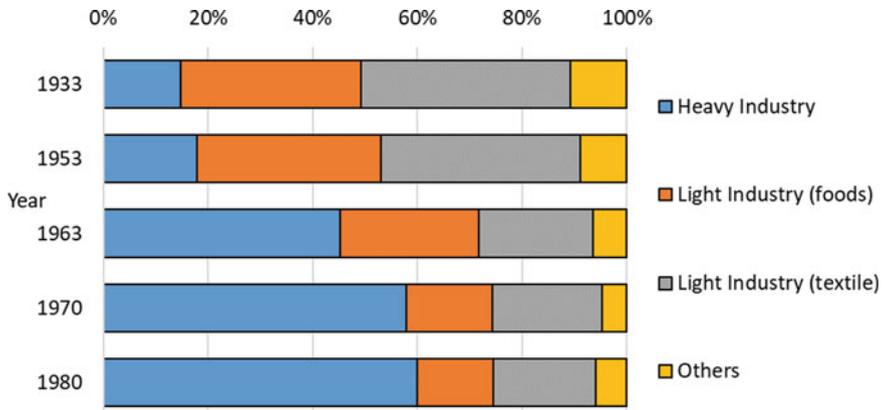


Fig. 9.4 Percentages of output value by industry, 1933–80.

Source Kubo et al. (2016), p. 73.

Note The figure of “Heavy Industry” is the total of “Metallurgy,” “Machinery” and “Chemical” of the original table

(i) Governmental control of raw materials and product distribution

First, it had a great impact on the textile industry in that the distribution of raw materials and products was under the control of the government, in principle, by the introduction of the planned economy. Governmental control over the distribution of raw materials and products was promoted by the outbreak of the Korean War in 1950 and China’s entry into the war, even before the First Five-Year Plan in 1953 (Izutani, 2007). Under the environment of increased military demand, state-owned enterprises (SOEs) and governmental organizations ordered products from private companies and outsourced processing, where SOEs that supplied raw materials and private companies that processed them expanded. As a result, the share of private companies in the total production value rose to 73.2% in 1952 (ZGG, 1958: 158; Izutani, 2007).

For the modern industrial sector of the textile industry, governmental control of raw material and product distribution meant that the business management function of private enterprises was replaced by governmental plans. In other words, enterprises became “factories” that engaged only in production activities. For the traditional handicrafts sector, such as hand-woven cotton cloth in rural areas, free production activities by peasants were restricted because the raw cotton yarn was distributed only by the government.

(ii) Nationalization and semi-nationalization of the modern industrial sector

In parallel with the governmental control of the distribution of raw materials and products, socialist transformation, which made private ownership of the means of production public, took place. With the completion of the socialist transformation in 1956, all private enterprises in the modern industrial sector became state-owned or

semi-state-owned (public and private jointly owned) enterprises. As a result, enterprise management was placed under the direct control of the central and local governments to which the state-owned and semi-state-owned enterprises belonged (Kajima, 2018). The textile industry was one of the industries most affected by this socialist transformation, as it was developed mainly by private companies until 1949.

(iii) Reorganization of the traditional handicraft sector

The other aspect of socialist transformation, the cooperativization of handicrafts, also had a great impact on the textile industry. As shown in Figure 9.2, traditional handicrafts still had a certain share of China's cotton cloth supply, even in the 1930s. The handicrafts of textile also held a prominent position in the whole handicraft industry; "spinning and weaving" and "sewing" accounted for 16.7% and 23.3%, respectively, for a total of 40%, to the total output value of all handicraft industries in 1956 (ZQSH, 1992: Vol. 1: 711).

In the process of the cooperativization of the handicraft industry, all existing handicraft workers were incorporated into the organization of handicraft cooperatives. The question here is how handicraft textile production, which existed as a household-side job widely in rural areas before 1949, was organized through the socialist transformation. In December 1955, just before the completion of the cooperative management of handicrafts, the 5th National Handicraft Production Cooperation Conference stated that there were about 10 million handicraft workers as a side job in the country. Among them, those whose main income was from handicrafts were organized into handicraft cooperatives. Those whose incomes from agriculture and handicrafts were equal, or whose income from handicrafts was not large but whose handicraft skills were relatively high, were organized into and worked for both agriculture and handicraft cooperatives. Those whose income from agriculture was high and whose handicraft industry was a non-commodity sideline were included in agricultural cooperatives (ZQSH, 1992: Vol. 1: 13). According to this statement, it is probable that the freedom for rural peasants to engage in handicraft textiles as household-side jobs were relatively restricted after 1956. Thus, organizing existing handicraft industries during the socialist transformation had a significant impact on the rural economy and the management of rural households.

(iv) Restraints on investment

While the textile industry was placed under governmental control with the formation of the socialist system described above, it suffered from the relative suppression of investment under the "heavy-industry-oriented strategy."

Figure 9.5 shows the changes in capital construction investment in the textile industry and some major heavy industries: metallurgy, machinery, and chemical industries. As seen in Figure 9.3, investment in the light industry was generally kept at a low level. Here, again, we can see that while there was a large increase in investment in the metallurgy, machinery, and chemical industry, the investment in the textile industry remained at a relatively low level of around 0.8–2 billion yuan consistently from 1953 to at least 1970. It suggests that the textile industry during the

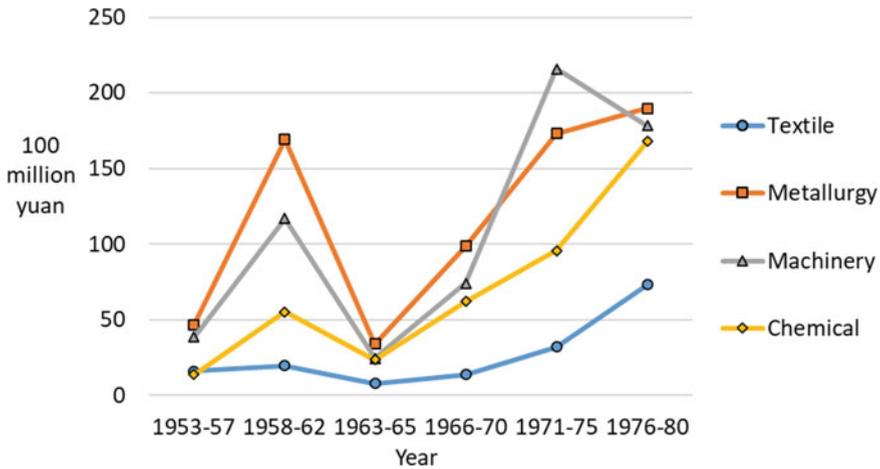


Fig. 9.5 Capital construction investment of main industries, 1953–80.

Source GTG (1987), pp. 88–89.

Note The figure of 1966–75 is an estimation

Mao era mainly relied on existing production facilities due to a lack of investment, and improvements in the level of technology were limited.

9.2.3 Contribution of the Textile Industry

While the socialist industrialization policy and the “heavy-industry-oriented strategy” in the Mao era had a great impact on the development path of the textile industry, we should not ignore the fact that the textile industry made a significant contribution to China’s socialist industrialization.

Figure 9.6 shows the profits of the textile industry (including the machinery industry that produces facilities for the textile industry) and the machinery industry in Shanghai, which was a major center of the modern sector of the textile industry, as well as the profit-fixed asset ratio, indicating the capital efficiency of the two industries. The chart shows: (i) the absolute amount of profits in the textile industry generally exceeded the machinery industry, except for some periods such as the Great Leap Forward (1958–60), and (ii) the profit-fixed asset ratio of the textile industry tended to increase throughout the Mao era, while the machinery industry remained stagnant, except during the GLF period.

Under the socialist system, the profits of state-owned and semi-state-owned enterprises became the fiscal revenue of the government they belonged to (in this case, the Shanghai municipal government) as the category of “enterprise profits” (Kajima, 2018). Therefore, high profits in the textile industry made a financial contribution of no less than the machinery industry. In addition, the increase in the profit-fixed asset

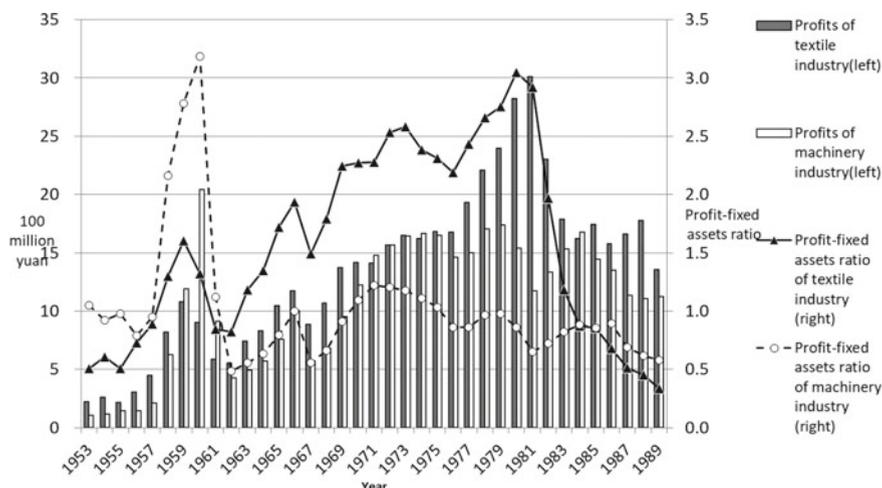


Fig. 9.6 Profits and profit-fixed assets ratio of textile industry and machinery industry in Shanghai, 1953–1989.

Source SFB (1998), pp. 278–284; SJB (1996), pp. 10–14.

Notes Fixed assets are depreciated value, and they are mid-term value which is calculated to average the year-end value and the previous year-end value in the original data

ratio of the textile industry shows that the textile industry earned profits by utilizing existing production facilities with limited investment, while the machinery industry was expanding its production with massive investment under the “heavy-industry-oriented strategy.” Naturally, the profit and fixed asset ratios of the machinery industry, which require large-scale investment in the initial stage, would be relatively low. However, it is also true that the textile industry played a role in financially supporting the promotion of the “heavy-industry-oriented strategy.”

Another important contribution of the textile industry was that its products became an important foreign currency earning export commodities for China during the Mao era. The export value of textile products was US\$280 million in 1957, accounting for 17.7% of total exports; US\$450 million in 1965, accounting for 20.3%; and US\$2.15 billion in 1978, accounting for 22.1% (DCB, 1984: 637; Tomizawa, 2019: 217). Taking cotton products as an example, these export products were mainly produced in Shanghai using imported raw cotton, and in the 1950s, the export destinations included the Soviet Union, Eastern Europe, and other socialist countries, as well as Hong Kong (presumably including re-exports), Indonesia, Myanmar, and other East and Southeast Asian countries. The United Kingdom, Australia, and other countries were added to the list in the 1960s (Tomizawa, 2019: 217–221). In the Mao era, foreign currency was valuable for importing production goods needed to promote heavy industrialization; therefore, the textile industry’s contribution to socialist industrialization was significant.

9.3 The Reform and Opening-Up Policy and the Long-Term Development of the Textile Industry

The reform and opening-up policy developed after 1978 led to the dismantling of the socialist system formed during the Mao era. The textile industry proceeded on a new way of development. This section examines the impact of socialist industrialization on the textile industry using long-term statistical data, including the period before 1949 and after the reform and opening-up policy.

Table 9.2 and Figure 9.7 show the number of production facilities and the amount of production of the cotton industry from 1936 to 1997. What can be seen here is that the production facility (spindles) and production amount of cotton yarn have not changed significantly around 1949, while those of cotton cloth has risen significantly since the 1950s. In addition, all indicators rose sharply in the 1965–78 and especially the 1978–89 periods.

Regarding the jump in cotton cloth production across 1949, it is possible that the traditional sector, which had been partially mechanized, was included in the statistics after 1949, while the figures for 1936 and 1947 cover only modern factories. The increase in all indicators for 1965–78 can be attributed to the increase in investment in the spinning and weaving industry after 1970, when the country emerged from the turmoil of the early years of the Cultural Revolution in 1966–69, and to the increase in exports of textile products due to Sino-American rapprochement in the early 1970s. Moreover, there was a development of the cotton industry led by local governments in areas other than the modern cotton industry concentration areas, such as Shanghai, during the same period (Tsuji, 2000: 442–443). However, the most remarkable rise occurred in the 1978–89 period, attributable to the rise of small-and-medium-sized enterprises, including township and village enterprises (TVEs), as discussed below.

The sharp rise in the number of production facilities and production amount in the cotton industry in the 1978–89 period is also shown in Figure 9.8, which indicates

Table 9.2 Facilities and production of machine-made cotton industry in China, 1936–97

	1936	1947	1952	1957	1965	1978	1989	1997
Facilities								
Spindles (10 thousand)	563.5	545.4	561.0	755.6	980.1	1,561.9	3,565.6	4,245.0
Looms (10 thousand)	5.8	6.6	...	42.1	30.9	49.7	83.8	75.3
Production								
Yarn (10 thousand bales)	203.9	149.7	361.8	465.3	716.4	1,327.9	2,656.1	3,123.6
Cloth (100 million m ²)	12.0	...	38.3	50.5	57.4	81.5	117.9	118.9

Source SMGTC (1950), p. 1, 3, 7; ZFNB (1983), p.196, (1991), p. 335, (2000), pp. 348–349, 364
 Note “...” means no data available

“Cloth” after 1957 is “all cotton fabric”, not including chemical fiber fabric etc
 1936 and 1947 only includes the figures of modern factories

The figure of cotton cloth production in 1947 is converted from the original data in “pi”(疋) at the ratio of 33.44508 m² to 1 pi

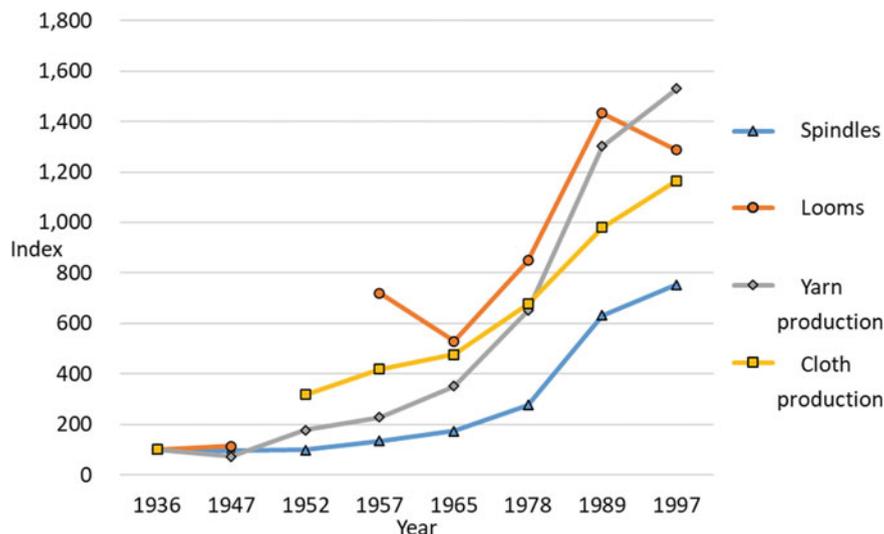


Fig. 9.7 Facilities and production of machine-made cotton industry in China, 1936–1997.

Source Table 9.2.

Note 1936 = 100

the trend in the number of workers in the textile industry. It should be noted that (i) the figures in 1933 include only workers in modern factories and not handicraft industries; (ii) those in 1952–78 include only SOEs belonging to the Ministry of Textile Industry; and (iii) those in 1989 and 1997 include TVEs that did not belong to the Ministry of Textile Industry. Despite taking these factors into account, the sharp increase in the 1978–89 period is impressive. Focusing on the breakdown by industry type, this increase in workers in 1978–89 consists of an increase in various textile industries, such as knitting and wool spinning, as well as cotton. Moreover, the increase in the garment industry in the period 1989–97 is also noteworthy as a new trend.

Much of this rapid growth in production facilities and product amount in the cotton industry and the number of workers in the textile industry in the 1978–89 period was mainly carried out by small-and-medium-sized textile enterprises, especially TVEs, which sprung up outside the existing planned economy through institutional changes following the reform and opening-up policy of 1978 (Naughton, 1995). TVEs originated from collectively owned enterprises belonging to the production brigades (a production organization consisting of approximately 200–300 farming households) and the People's Commune (an organization consisting of several production brigades), which were the production units of collective agriculture formed during the Mao era. The entry of these small-and-medium-sized enterprises in the post-1978 market economy brought about changes in the industrial organization of the textile industry dominated by large SOEs. Moreover, these small-and-medium-sized enterprises also absorbed the labor force in rural areas.

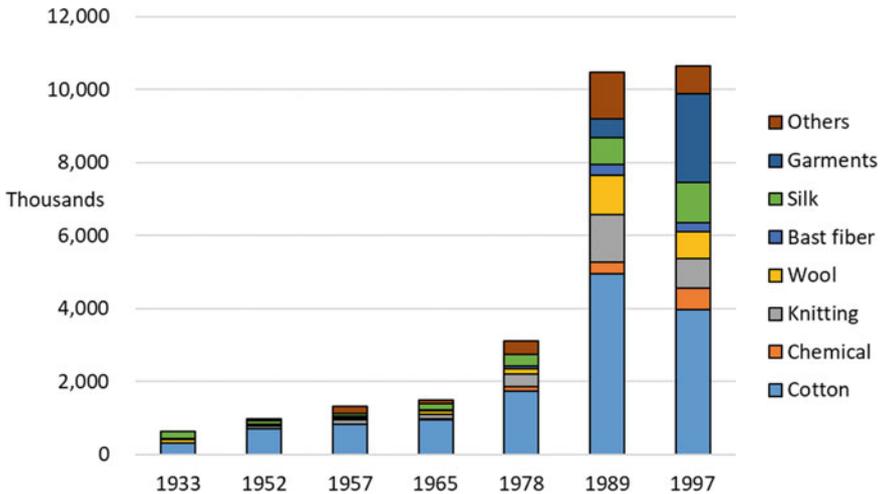


Fig. 9.8 The number of workers of the textile industry, 1933–1997 (year end).

Source Liu & Yeh (1965), pp. 426–428; ZFNB (1983), p. 191, (1991), p. 317, (2000), pp. 338–339, 355–356.

Note

The figures of 1933 only include the number of workers in modern factories, and those in 1952–78 only include that of staff and workers in state-owned enterprises which belonged to the Ministry of Textile Industry.

The figures of 1989 are the total of “textile ministry’s industry” and “rural and township textile and sewing industries” of the original tables

Table 9.3 shows the number of enterprises, employees, and the output value of the whole textile industry and the cotton industry by enterprise type in 1989. Notably, the ratio of rural enterprises to the number of enterprises is extremely high (74.1%) in both the textile and cotton industries. In terms of the number of employees and output value, the ratio of rural enterprises is only 23.0–29.6%. These figures suggest that there were countless small-and-medium-sized rural enterprises alongside the existing state-owned textile enterprises. It should be noted that “state-owned” in this table includes not only large SOEs but also small-and-medium-sized local SOEs. Furthermore, as shown in the note to Table 9.3, the term “rural” enterprises here is limited to enterprises run by the village or township and does not include private enterprises run by individuals.

As for the post-1978 expansion of the textile industry centered around small-and-medium-sized enterprises, Grove (2006) points out the continuity between development up to the early 1950s and the post-1978 revival, focusing on Gaoyang County in Hebei Province, which had an industrial cluster of cotton weaving before 1949. On the other hand, Kou (2003) argues that the cotton industry since 1978 has been in a state of “excessive competition” in which the number of participating firms is excessive and inefficient firms have not been able to exit, whereas the profits of the whole cotton industry have declined. If these discussions are interpreted from the

Table 9.3 State-owned and rural enterprises in textile industry and cotton industry, 1989

Textile industry	State-owned	Rural	Share of rural(%)
Number of enterprises	10,913	31,287	74.1
Number of Staff and workers (thousand)	7,359	3,100	29.6
Total output value (100 million yuan)	1,340	540	28.7
Cotton industry	State-owned	Rural	Share of rural(%)
Number of enterprises	3,569	10,223	74.1
Number of staff and workers (thousand)	3,724	1,229	24.8
Total output value (100 million yuan)	695	208	23.0

Source ZFNB (1991), pp. 355–356

Note “Rural” covers enterprises run by townships and villages, does not include individual firms

perspective of this chapter, it can be seen that the private economic activities before 1949 were temporarily halted under the socialist industrialization policy during the Mao era, resulting in a rapid expansion after 1978. The textile industry, suppressed under the socialist system, once again took on the role of absorbing rural labor as a labor-intensive industry in the market economy after the reform and opening-up policy.

Conclusion

In this chapter, we discuss the impact of socialist industrialization policies on China’s long-term industrialization process, focusing on the textile industry, a major light industry.

The textile industry was the core of China’s modern industry until 1949. Chinese and foreign companies, especially Japanese cotton companies, were mainly located in the coastal areas and developed. On the other hand, the traditional handicraft sector still existed, with hand-woven cotton cloth accounting for a relatively high share of the cotton industry. Overall, it can be summarized that the modern industrial sector was in the process of gradual expansion while the traditional sector existed in the first half of the 20th century.

With the establishment of the People’s Republic of China in 1949 and the introduction of a socialist system based on a planned economy and public ownership of the means of production throughout the 1950s, the textile industry was forced to undergo structural changes under the “heavy-industry-oriented strategy.” Major changes were seen in four specific aspects: (i) governmental control of raw materials and product distribution, (ii) nationalization and semi-nationalization of modern industrial sectors, (iii) reorganization of the traditional handicraft sector, and (iv) restraint of investment in the textile industry. As a result, the development of the textile industry was relatively suppressed in both the modern industrial and traditional handicrafts sectors throughout the Mao era. However, the contribution of the textile industry to the socialist industrialization policy by earning relatively high profits and foreign currency through export should not be overlooked.

From a macroscopic point of view, these structural changes in the textile industry during the Mao era reflected the socialist industrialization policy under the socialist system, which systematically divided agriculture and industry, light and heavy industry, and rural areas and cities, placing greater emphasis on the mutual division of labor between them. In the 1980s, small-and-medium-sized enterprises, including TVEs, played an important role in reviving the textile industry, absorbing much of the rural labor force. It can be seen as a compressed process of gradual modernization that had taken place in the textile industry before 1949. In this sense, socialist industrialization policies in the Mao era significantly impacted China's long path of industrialization since the latter half of the 19th century.

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