CHAPTER VII

Summary and Conclusions: Flexible Specialisation as a Model to Study Urban Industrial Development in a Third World Context

In the preceding chapters we have studied the processes of industrialisation in the three Indian towns, having links to the global markets. We provided in the backdrop the concept of flexible specialisation to study the towns. We also introduced the concept of regulation theory, so that the concept of flexible specialisation could be better understood. A typical case in the Third World is stagnancy in small towns growth and rise in the primacy of big cities. Here our work was about decentralised industrial location and prospects of equitable urban and regional development as its consequence. We were advocating decentralised industrial location not through artificially created EPZs or EOUs, but such decentralisation that bears characteristics of flexible specialisation – with total local involvement in the form of entrepreneurs, workers and institutions. Urban development may not be a sufficient condition for the formation of industrial district characterised by flexible specialisation. On the contrary, formation of such industrial district has a major role in urban and regional development (i.e. Tiruppur and Morbi). Industrial decentralisation can take place anywhere, it may be spontaneous (e.g. our towns) or spurred by policy effort (i.e. EPZs, EOUs). However, characteristics of flexible specialisation could be incorporated into any decentralisation model to have coherent and mature industrial districts. Our prime concern was how far the model of flexible specialisation could bring about the development of small towns, thereby creating a balanced pattern of urban and regional development.

We addressed all such propositions in our study related to the industrial spaces of the towns, where entrepreneurs, workers, social and trading institutions and government with their regulations were the main actors. It is the institutions along with the enthusiastic entrepreneurs who take the decisions in the production process to make the flexible accumulation regime successful.

Before raising few issues for policy purpose let us summarise the main findings from our empirical study.
VII.1 Summary

What factors assist in the growth of a particular type of industrialisation, urbanisation and social change? How far the role of local community, social institutions along with legislations and regulations of the state become critical as seen in the case of our towns? Indeed, to have a coherent mode of accumulation requires the fulfillment of the necessary conditions as mentioned above. The success of Tiruppur largely indicates the role of institutional and state regulations, along with the local entrepreneurial effort. Again Kannur, though not a fully developed industrial town, yet its handloom industry survived because of the individualistic efforts of some entrepreneurs. There were some forms of protected regulations by the government and interest to protect the working class by the labour institutions. In Morbi, we did not see much of government regulations nor was there any role of labour institutions to secure the well being of the workforce. However, individualistic efforts of the entrepreneurs were the mainstay in Morbi. It is the self-interest of the Tiruppur entrepreneurs, for the sake of their sustaining their enterprises, that they formed associations which allowed Tiruppur to progress. Through their association they have been able to manipulate or force government regulations to work in their favour. Though there are no such active association of entrepreneurs in Kannur, labour institutions were in position to serve the interests of the working class. To sustain the accumulation regime the working class must have reasonably good wages for the efficient reproduction of labour force. However, in Morbi we have seen that interests of the entrepreneurs were not reflected through any active associations among themselves as a community. This was true of the workers of Morbi as well. They were very poorly paid. Despite the fact that Morbi is a busy industrial town with a capacity to earn substantial foreign exchange through its linkages in the international market, yet the condition of Morbi is not envious. There was no collective activity on the part of the entrepreneurs in overseeing the well being of the town and of local people, as was true of Tiruppur.

To answer the question whether a regime of accumulation can sustain itself without appropriate social institutions, government interventions and regulations, we attempted to look at few other dimensions, namely a detailed
study of the labour market and of trust and cooperation under the regimes of accumulation. Earlier, in the Chapters we have argued that theoretically it is not possible to sustain an accumulation regime without regulatory mechanisms either from the government or institutions. In our second visit to Morbi in March 1998, there were many small clock manufacturing units closing down as compared to our first visit in March 1997.

We have tried to place these towns in specific industrial district model, according to their capacity for technological capability building for it to emerge as successful industrial districts. We looked at the towns from three dimensions namely, a local cooperative environment, based on internal resource mobilisation and the competence and adaptibility of entrepreneurs and workers with respect to technological changes as well as social and government interventions in the industrial space. We gave more weightage to the local cooperative environment for the successful functioning of the industrial space. Competence of the entrepreneurs and the blue-collared workers received the next weightage. We assigned least weightage to government intervention and regulations.

From our empirical experiences we observed the importance of collective efficiency for the development of an industrial space (Tiruppur experiences), apart from the inherent industriousness of the entrepreneurs. We also recognised that the towns have grown without much of support from the government. As a result, they could survive in the absence of any specific forms of governmental regulations. This is over and above the fact that these towns are now enjoying all incentives and facilities provided by the state for small scale units.

After considering these three criteria and placing relative scores on them, we found that Tiruppur had an excellent potential and Kannur and Morbi had good potential to evolve as an industrial district. Tiruppur reflected all the criteria that we had proposed i.e. a local cooperative environment, competent mix of entrepreneurs and workers and favourable forms of government regulations. We did not find a local cooperative environment among entrepreneurs and workers in Morbi and Kannur. Though Kannur has some handloom weavers cooperatives, most of them either not functioning well or dormant. They generally produce for the local market and also work as job working units for the private handloom
manufacturing firms. Kannur and Morbi have not diversified from the existing industrial activities that demand extensive networks and a cooperative environment. It may be the other way around given that the absence of a cooperative environment hampers the diversification of these industries. The model we have developed on the basis of all the three criterions can be applied to any industrial space whether it is in the artisan or in the advanced stages of production. As we have discussed in Chapter IV, our towns need not necessarily be fitted into an industrial scheme based on western experiences. Apart from some cognitive reasons for locations (cheap labour, raw materials) our towns have emerged mainly because of a conjunction of enthusiastic entrepreneurs and workers and of some government regulations. However, the location of Morbi clock industry is not supported by traditional location theories (raw materials for clock and traditional skills were not available at Morbi). Our towns also do not support the criteria set by Marshallian industrial districts and do not properly fit into other models (i.e. hub and spoke) as discussed in Chapter IV.

Unlike Tiruppur and Morbi, Kannur handloom industry does not demand sophisticated technology. Tiruppur has been able to adapt itself to the rapidly changing international knitwear technology. On the otherhand Morbi is still imitating the technology of clock industry which are now becoming obsolete. We found that the capability of the Morbi’s entrepreneur to adapt to technological changes is low, they are less enthusiastic. Innovation and adaptibility to recent technological changes is an important criteria for the successful growth of an industrial space. The reason being, in the present world of customisation and competition only innovative firms or within an industrial space can survive. Morbi produces very low priced products as compared to branded products (clocks) in the market. This is supported by low waged labour of Morbi which allows Morbi a monopoly over the clock industry. As such cutting labour costs becomes the basis of the competition.

We cannot say that there is a core region in these upcoming towns. Generally industries are located in the centre of the towns. However, for convenience and to avoid congestion some units have started relocating activities to the outskirts of the towns. Moreover, some of the units related to dyeing and
bleaching, manual printing require more space and are located outside of the towns. Such tendencies for dispersal do not affect the advantages of agglomeration in small towns or cities like Tiruppur, Kannur and Morbi.

Regarding the spatial dimension of inputs (particularly machinery) to the industries, Tiruppur and Morbi have gone international. Most of the machinery required for the Tiruppur knitwear industry are now being imported from advanced industrial countries of the world. Reduction in import duties on machinery goods by the government have also helped the entrepreneurs in establishing themselves. Sourcing of raw materials to Tiruppur knitwear industry was largely from the nearby hinterland only. Kannur handloom industry mostly utilised local raw materials and accessories. Apart from the electronic items, other raw materials and accessories for the clock industry of Morbi were available either within the state or from the nearby states. In general Tiruppur and Kannur have been able to have a local network for raw materials and producers services to keep the towns going. Market for the output from these towns are generally spread all over the world. Buyers of Tiruppur knitwear products were generally from the high income countries of the world. This was true of Kannur handloom products as well. However, we observed that low priced Morbi clocks have generally found the market in low income countries of the world.

We also looked at the conditions of the working class in these successful Indian industrial towns. We were interested to know whether they were skilled and innovative, adequately paid and enjoyed better working conditions (these are the characteristics of flexible specialisation). From our empirical study of the towns, we have seen that conditions of workers are better in Kannur than in Tiruppur and Morbi. We have seen that in Tiruppur and Morbi, labour market flexibility helped to clear a backlog of unemployment, except for a brief season. We have seen that trade unions were strong and active in Kannur than in Tiruppur. However, no such institutions exist in the case of Morbi. Kannur was able to create market niches for its handloom products, even though handloom is not much in demand, being a costly substitute to other types of clothing. Yet handloom industry of Kannur was able to pay better wages to its workers. Labour institutions had a major role to play in Kannur to ensure better wages for the working class. Tiruppur knitwear
industry has been flourishing in past fifteen years, yet the workers were not
getting competitively high wages commensurate with their skill contact. This is an
example of classic ‘sweatshops’ in Tiruppur. This is also reflected by the presence
of child labourers in Tiruppur. So we see that Tiruppur follows a ‘low road’
despite the presence of trade unions and government regulations. The case of
Morbi is worse still. There are no active labour institutions in Morbi. Workers get
only a minimum wage as determined by the government. In Vth Chapter we have
highlighted the role of institutions for assuring the well being of workers in an
industrial space. Kannur showed the relevance of institutions (trade unions and
banks) could how it be housed in a competitive economic environment.

In the Chapter VI, we have studied the implications of trust and
embeddedness in an industrial space. Trust and cooperation reduce the transaction
costs in the functioning of an industrial space. Drafting of a comprehensive
business agreement that attempts to account for all possible contingencies takes lot
of time, money and effort. If both parties trust each other and cooperate with each
other against opportunistic behaviour, they could save a lot of time and money. In
Tiruppur we found that all local business transactions were based on trust and on
verbal agreements. Very few go in for formal agreements for work contracts and
payments. Traditionally, Tiruppur entrepreneurs had developed such informal
work culture, through which transaction costs could be avoided. However,
business transactions are not so informal and flexible in Kannur and Morbi. Given
that, in the international markets all payments now-a-days are made through the
letter of credit system (LoC). In all of the three towns there is growing concern for
this kind of safe payment systems. Earlier the entrepreneurs used to conduct
transactions with more trustworthy systems like documents of payments (DP) and
documents on agreements (DA). With the present rise of extreme competition in
the towns, particularly to gain access to the market by firms have led to some
disputes among the entrepreneurs. Moreover, incidences of non-payments in
business transactions compel the entrepreneurs to think about the futility of
personal relationships. We found that institutions (social, trading or legal) can
provide assurance against such malfeasance apart from concrete personal
relationships.
Given that every relationship by its nature, both rivalrous and cooperative, calls for necessary institutional support for the smooth functioning of the industrial space. We appreciate the role of Tiruppur Exporters Association in this context. Many aspects relating to cooperation and competitions could be handled by associational tie. If personal relationships fail to solve some problems, institutions can help to resolve such disputes. If both fail then recourse to the role of law or legal institutions can be undertaken. Law can give space within which the firms can function. We have found from our study on the towns that contract law is now increasingly becoming necessary, particularly in a non-local marketing context. Moreover to our question whether geographical proximity enhances trust, very few entrepreneurs have said 'no'.

The question therefore arises whether personal and social relations in business transactions make way for more formal economic rationale? Is this appropriate for our industrial townships where local social relations had a major role in the growth of the industries? We shall pick up these points once again in the context of policy making in the third section of this chapter. Having identified these three towns, located away from the main industrial heartland of India, based on the growth of rapid population and their links with the international market, we assumed that they would carry at least some common features of flexible specialisation.

**VII. 2 Present Research Direction in the Third World Context**

This section will attempt to evaluate the issues relating to flexible specialisation, in the context of developing world. Many writers from the west, Kaplinsky, 1991; Storper, 1991; Hirst and Zeitlin, 1991; Holmstrom 1993; have conceived of flexible specialisation as an alternative development strategy in the Third World, where there is massive surplus of working population. Most of these studies were theoretical in prediction and took up issues of potential consequences of flexible specialisation. These studies proposed that the adoption of a more flexible product mixes and JIT inventory system can create new patterns of inter-firm relations, in which proximity and reliability of supply are of crucial significance. To some (Standing, 1989; Lawson, 1992) for reasons of improving
efficiency and enhancing growth prospects, governments need to be pressed to remove labour market regulations.

However, another group of researchers examined the consequences of flexible specialisation from the empirical experiences in the Third World (Schmitz, 1989; Filho et. al. 1989; Lima, 1989). Though flexible specialisation is not a major feature in the Third World, yet many countries are experimenting with JIT and TQC and these can be reaped with educated and qualified labour. Most of the above mentioned studies were visionary in terms of the prospects of development in the Third World and did not come out with suggestions or policies for the Third World. Moreover, in their study there was no intimation whether such model will face some limitations in practice.

Very few empirical studies have comprehensively brought out all the issues of flexible specialisation. Schmitz’s (1995) study on the success story from a country in Crisis (Sinos Valley of Brazil) clearly acknowledged the importance of small firm networks and of cooperative collective action of the local community in the development of the cluster. His study also brought out how local institutions influence perception of risk and investment decisions. Few other studies by Morris and Lowder (1992) and Crew (1996) found the importance of local institutions in the growth of an industrial space. However a few (Rebellotti, 1995) found that the role of institutions does not appear crucial in an industrial space. Some other studies in developing world showed how the absence of either of these factors, i.e. competent workers and entrepreneur’s ethnic solidarity (community effect) and lack of institutional support actually hampered growth.

Masinde’s (1994) study on motor industry of Kenya showed how despite efforts by the government, success was not visible because of the incompetent entrepreneurs. Ongole and McCarmick’s (1994) work on garment industry of Nairobi showed that the absence of local cooperation among ethnic groups hindered subcontracting and inter-firm networks. Romein’s (1995) study on Cindad Quesada in Northern Costa Rica showed how inability to adapt to new technology and low financial resources affected growth and turnover.
Therefore, we can comment from the findings of these studies that social institutions and local communities could play a major role in coping with the drawbacks and to make the accumulation regime more efficient.

Some studies on the Indian industrial towns advocate flexible specialisation for further possibilities of growth. Indian towns, such as Tiruppur, Tiruchengodu, Ludhiana, Morbi, Moradabad, Ferozabad bear some characteristics of flexible specialisation. Studies on these towns by Kundu (1994), Swaminathan and Jeyaranjan (1994), Das (1995a), and Das (1995b) emphasized the role of local institutions in the growth of these towns. However, most of these studies in India or in Third World context is silent on the labour dimensions of flexible specialisation. Standing (1989a) and Kundu (1994) advocated flexible labour force and the removal of government regulations for better flexibility. Here we want to differentiate labour market flexibility and flexible specialisation.

Most of the researchers have generally confused flexible labour force and flexible specialisation. Flexibility implies hiring or firing of or shifting of labourers from one place to another. This might lead to a worsening of the conditions of workers. However, flexible specialisation bears the characteristic of flexible labour, but only with better wages and working conditions, where workers gain incentives to be innovative and efficient. Most of the studies are not comprehensive (issues of trust and embeddedness of social relations were not included) and ignore or underplay the questions of vulnerability as a consequence of flexibility of the labour force. Flexible specialisation demand innovative, efficient, hardworking workforce. This calls for better wages and good working conditions. Workforce in an industrial space has a major role to play to turn 'passive pliability' to active versatility'. As such institutions have a major role to play in this regard.

In comparison to other studies, our study on Tiruppur, Kannur and Morbi tried to comprehensively cover all issues of flexible specialisation and attempted to bring out the issues of local embeddedness on social relations and the role of institutions (regulations) to provide a mature regime of accumulation.
VII. 3 Toward an ideal situation for policy making

Is it fair that flexible specialisation model which evolved in the western world could necessarily be applied to a Third World context? Do we need to consider the characteristics of flexible specialisation in our town context? Are the towns of our study developed by chance or are such small firm variant industrialisation developed as survival alternative without planning? We did not try to explain the growth of the towns with traditional locational theories. Locational factors helped to some extent in Tiruppur and Kannur. However, from the historical evidences (discussed in Chapter III) we can say that the evolution of the industries in the three towns, were mainly because of chance factor and of sheer entrepreneurial effort. We studied location of the firms or of the industry for a particular product specific to the towns. We have observed that these towns already bear some characteristics and features of flexible specialisation. We also came to know that these towns have some practical, structural drawbacks as posited by ‘text book’ flexible specialisation models. Should they follow a ‘high road’ path of development where the condition of working class is not precarious, and where entrepreneurs do not submit to external pressures of the market? Can our towns function and proceed properly without prescribing to a text book model?

Our findings on the towns studied show that they have some problems to identify themselves as a mature regime of accumulation. Despite the fact that they have been able to generate more employment and were able to earn foreign exchange from export to the international market, they were still plagued by structural bottlenecks. Some of the major problems faced by the towns being precarious, unstable working conditions faced by the working classes (in Tiruppur and Morbi) and the lack of enthusiasm or competence on the part of the entrepreneurs to adapt themselves to recent technological innovations (as in Morbi). Kannur has a typical case of extreme form of unionism. However, it did not affect the investment culture due to the overriding power of labour over capital, prone to strikes and disruption of work-days. One private entrepreneur reported that the workers in Kannur know their right and get those though the power of union. At the same time they know their duties, that to produce work. Handloom industry does not demand sophisticated technology and so high
investment. It seems immaterial that high wages affect the accumulation regime of Kannur handloom industry. In spite of having a good potential to develop and to generate employment, Kannur could not diversify the Tiruppur way. This is not because of the lack of competence of entrepreneurs or working class. It was because of the lack of enthusiasm and to consider handloom weaving as a dignified activity. One entrepreneur had told us that because of the shortage in the supply of labour force in sufficient numbers, they have not been able to diversify the handloom industry. All this is despite the fact that there is a regular demand for apparel and handloom clothings. We were told that a fourth grade government job is considered more dignified than a weaver’s job. A support from social institutions might help the weavers to conceive of weaving as a dignified job thereby improving the working conditions of the mill-hands. Will the industrial districts gain much with the improvement of workers condition and competence of entrepreneurs? If ‘yes’ then how?

A competent entrepreneur has the ability to exploit market niches and quickly respond to orders to suit the taste of customers with his skilled labour force. Whether one incompetent entrepreneur will simply submit to the outside pressure from the buyers and accept the cutbacks. On the other hand better working conditions and high wages can make the workers more innovative, enthusiastic and efficient. So institutions can play a major role to solve the minor problems in the towns i.e. worker-employee relationship problems, and of non-cooperation. Our suggestions for the policy making is clearly influenced by the role played by Tiruppur Exporters Associations for Tiruppur entrepreneurs and what labour institutions provided for Kannur workers. So, we suggest that institutions or Associations can play the role to turn ‘passive pliability’ or ‘low road’ of an industrial space to ‘active versatility’ or ‘high road’ path of development. We can call a regime of accumulation mature if, conditions of workers are not precarious, exploitative and the industrial space has the capacity to innovate or to adapt to recent technological changes. Our finding reflects that even though towns have the capacity and potential of considering the conditions of the workers, yet it is difficult to call these towns as mature regimes of accumulation.
Do we really need institutions for the well being of an industrial space? Are there other ways to solving the problem i.e. with personal efforts or relations. We shall come to this point in a short while. Do entrepreneurs deserve more for their hard work or for the reason that they were willing to take business risk? Can we say that more payments to the workers will affect the accumulation regime (investment in the industry) or it affects investment in ostentatious, vulgar spendings on luxurious bungalows or in foreign cars? Workers in Tiruppur and Morbi are not well paid, yet can say that they are earning more than the poorest Indian labourer. However, the working class of the towns are part of that accumulation regime of the town and for their hard work, they expect basic minimum courtesy from the entrepreneurs. Are the entrepreneurs willing to give them a fair share?

Very few workers have reported that they get monetary incentives from their employer for their work. They actually get what has been decided by the rules of the government or the rate compromised by the representatives of entrepreneurs and trade unions (labour institutions). In fact personal relations between entrepreneurs and workers have not contributed to the well being of the workers as seen from our study. Labour institutions have played a major role only in Kannur thereby providing better payments to the workers. Here labour institutions were housed in a competitive economic environment. Such institutions can also play a major role in Tiruppur as they are already in existence there without being functional. In Morbi no trade union movements were encouraged by the entrepreneurs. It is here that government can come up with regulations for better wages and other benefits for the workers. This will help to prevent the merciless exploitation of the workers.

Theoretically, flexible specialisation is a new competitive model. This model can create job opportunities in a labour surplus economy. However, flexible specialisation model has some limitation particularly in overlooking the vulnerability of workforce during lean season. Work principle under this model is that it invites workers when there is demand for the products and dismisses workers during the lean season. This is a fact we observed in Tiruppur and Morbi. If wages were not good during the production season, conditions of workers become vulnerable during the lean season (as with low wages they cannot
survive). This was true of Tiruppur. Actually in Tiruppur and Morbi, workers and entrepreneurs came to an agreement with mutual understanding that when there is no work workers can be retrenched. Such a mutual understanding (trust and cooperation) is held as a hallmark of FLMs to be prevalent. It is true that with the absence of such an understanding (trust) flexibility will be blocked. The workers are bounded by such a clause of their contract and end up co-operating with the entrepreneurs in the production process.

Even if we subscribe to such a flexibility in the name of globalisation, we call for protective, remunerative wages during the lean season. Or as in the case of Kannur, we can propose some minimum amount of dearness allowances during the lean season. All of these can be enforced by state regulations binding the entrepreneurs to certain norms of equity for the well being of the workers. After all efficiency of the firms will depend on motivated and well paid workforce. So we need an ideal situation. What can we propose from our theoretical study and empirical experiences of the towns? What do we need to address more specifically for the purpose of policy?

We consider flexible specialisation as an ideal decentralisation model, where importance is given to innovative capacity of entrepreneurs and workers, trustworthy and cooperative environment and favourable government regulations. Can we propose or consider free play of market forces in this model in the current phase of liberalisation and globalisation where global-local linkages play a major role? Flexible Specialisation is welcome, so far as it serves the purpose of an efficient production and clearing away the backlog of unemployment with stable work practices and wages. When do we need regulations? In our study we saw that all business transactions of the town, particularly in Tiruppur were based on trust and personal relations. Generally they were dependent on embedded nature of risk sharing and co-operation. This was basically because, it used to save transaction cost (discussed in Chapter VI) of the entrepreneurs. However, in our study we found evidences of minimisation of trust and a increasing tendency towards legal contacts. In the present world, rise of malfeasance, force and fraud cases compel the entrepreneurs to rethink about the futility of personal relationships. There is intense competition among the entrepreneurs to get access to the market and they often stick to negative practices like low price quotations.
thereby compromising on the quality of the product. Deterioration of quality can bring bad reputation not only to the firms but also to the product of the town as a whole. This can have serious effect on the accumulation regime. Even though in our sample not many had reported this point, in fact these were quite common in the towns and have become the main cause of litigation among the entrepreneurs.

The question is will regulation affect or assist embedded trust in business or economic relations? Based on our study, we can advocate that apart from concrete personal relations institutions can provide some kind of assurance or safeguard against malfeasance. Recourse to social and concrete legal instrumentality should be addressed as second and third alternative, when personal relations fail to provide smooth functioning of an industrial space in this complex world. Coming to Tiruppur example, in spite of the rising cases of force and fraud in business they are able do business, based on concrete personal relations and mutual understanding. Here, they have got the protective support of institutions like the Tiruppur Exporters Associations. Moreover, as a third line of defence they also take recourse to law or do business by contract law (i.e. letter of credit), so that there will be less of transaction cost with 'high road' condition for workers couple with better wages and benefits, without seriously downsizing the accumulation regime. It is sometimes said that if we pay high wage to workers there will be less left for re-investment. However Kannur example does not support this contention, moreover, theoretically also, a mature regime cannot accept this line of argument. Apart from this, the competence and innovative capacity of the workers and entrepreneurs to cope with the changing global demand for products would lead to a regime of mature accumulation or 'active versatility'.

From our empirical experiences, we saw that though towns have some drawback or limitations to call themselves as 'mature', yet they have the capacity to follow the path of 'active versatility'. We found that Tiruppur is more advanced and mature in this regard. Tiruppur is mature not because it is an older region than the other two towns. Rather, Kannur started off much earlier, in this century. Tiruppur and Morbi are almost contemporary (discussed in Chapter III). It is not true that older regions have more maturity and innovativeness than the newer ones. Is it the support from institutions (social, trading, government) that make an
accumulation regime mature and innovative? We are repeatedly arguing for the role of institutions and regulations for a mature regime.

In the Chapter II, we had discussed the importance of regulation theory. That an accumulation regime is actually based on the twin pillars of an accumulation system and a mode of social regulations (MSR). These include, customs, social norms and local and state enforceable laws. Such an MSE provides sustainabilty to the accumulation regime. Any crisis in the accumulation regime (towns or local industrial space in our context) could be solved with an appropriate MSR. Most of our towns have problems specific to their context. We propose that these be solved within the local MSRs, rather than as part of a common national MSR. Instead of imposing a national MSR in the specific town context, independent micro level local MSR have a major role to play in the accumulation regime or to sustain the flexible specialisation model in our context.

At the end, more specifically what can we say towards policy making? All characteristics of flexible specialisation can suitably be inserted to our study towns to build an ideal industrial district model. Regulation theory has the major role to play in a mature regime of flexible specialisation. We here refer to the role of social norms, customs, local and state enforceable laws or regulations, if personal relationship fail to achieve a 'high road' condition. High urban growth or urban development may not necessarily mean industrial development, even though we had chosen our study towns on the basis of high urban growth as one of the criteria. However, industrial development definitely means high urban growth and development (i.e. our towns).

Citing the example of Tiruppur, Kannur and Morbi we can propose an inductive model for the Third World context. Picking up all the virtues of the towns and accommodating features of flexible specialisations model, we can propose a model, which is replicable to other towns in the Third World. This will ensure a balanced pattern of urban and regional growth and development. So, it can disintegrate with extreme urban primacy. Finally, the industrial district model (based on the concept of flexible specialisation) can capture Third World reality and make local production system internationally and nationally competitive.