

Can a semi-feudal state meet the challenges of globalization?

by Analyst

Continued from last Sunday

In India the progress in bringing to book politicians has been extensive. The Courts in India being independent have played an important rôle in checking corruption by sending several important ruling politicians to jail. The cleansing of Indian public life is proceeding and the process seems irreversible. It's unfortunate that the same sentiments cannot be expressed with regard to our own country. We have courageous editors who have stood up to the government and attempts to cower them into submission have been resisted. They are the great heroes of democracy who have prevented a total collapse of freedom and police repression. But their efforts have not borne fruit like in India.

A similar decline in standards of the public service has taken place. Few public officials want to annoy the ruling politicians who can create havoc in their personal lives and careers. The result is that the public service has been transformed from being an impartial instrument of governance to an extension of the party in power. For those who fall in line the rewards can be handsome.

The West is trying to promote liberal democracy — not just multi-party politics but all the things that underpin it, such as respect for human rights, the rule of law, the elimination of torture and police repression. The West has clout because these countries are dependent on them for aid and for markets for their exports. But democracy hangs by a thread. The government is wary of exposing themselves to electoral risks and the opposition has no faith in free and fair elections. Is it possible for the State in the midst of deep division among the people to continue to exist as a democracy? Can we have a future as a democracy unless we develop a consensus about fundamental issues like the nature of the Constitution, the need to devolve power to the north & east, and about national identity? The participation of the opposition in talks on the proposed constitution is a good sign if it is carried forward. A similar consensus is required with respect to the economic problems facing us and the direction the economy should take.

Need for Economic Alternatives

The authorities now realize that the world economy is not working all that well. It is impossible to assume that the present type of development involving the use of raw materials and energy can go on without limit. Can the living

standards of Europe, North America and Japan be duplicated without causing severe environmental damage and depletion of natural resources? This is the case made by the environmental groups who oppose economic growth.

The other problem is the ever-widening gap in income & wealth between the rich & the poor within nations as well as between nations in the North and the South. All these protest groups converged in Seattle at the WTO sessions in late 1999. It is not that everybody there was opposing globalization. What they were demanding was that globalization should not be on unequal terms, not merely for the benefit of the developed countries.

There were trade unions from the developed countries along with environmentalists, those who opposed debt repayment and wanted debts forgiven to the developing countries that owed them to the developed world. There are many things wrong with the world system and here was the WTO introducing new structures like

TRIPS, (trade related intellectual property) TRIMS (trade related investment measures) etc. which paid scant attention to the interests of the third world. These agreements promote the interests of the trans-national corporations and gives monopolies through patents to such TNCs'.

The percentage of internationally traded goods with an intellectual property content is expected to rise considerably when the agreement comes into full force after 2004. TRIPS requires all countries to apply intellectual property protection over most biological products and processes from agricultural commodities to medicinal plants.

The barriers to development in the developing countries should be removed. Thus there is a strong case for forgiving the debts of all developing countries, not only those of the poorest of the poor, mostly in Africa. The pricing of primary commodities has created problems for these countries. Attempts to stabilize prices of primary commodities failed. But the importance of price stabilization cannot be underestimated. The USA uses its strategic buffer stocks to stabilize

the prices of goods produced by her. Recently USA brought pressure on the OPEC countries to increase their oil production and bring down the price of oil. Similar efforts are required for essential primary commodities.

The World Bank and other international institutions argue that foreign capital should be permitted freely most developing countries and treated as favourably as local capital. But this is to ignore the enormous power of international capital. It has been noticed that once foreign capital comes in as a joint venture, the local partner is bought out. Foreign capital also seeks to establish

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a monopoly position in the domestic market. So, unrestricted access to foreign capital is looked upon with suspicion by the developing countries.

The adverse effects of speculative capital was seen during the East Asian crisis of 1997 which provoked the Malaysian Prime Minister to accuse certain western capitalists to deliberately destabilize its economy. The enormous growth in speculative capital movement into and out of the domestic stock markets of the developing countries is a significant factor in the East Asian crisis. Over trillion dollars move across national frontiers every day in the foreign exchange and stock markets of the world. Many people now agree that such movements should be regulated. The Tobin tax has been suggested to levy a small tax on such capital transactions. But some countries like our own have become so desperate to attract foreign capital that they have given a plethora of tax concessions and provided free trade zones to them.

The error of the Communist countries was perhaps the doing away with the market alto-

gether and depending on central planning alone to fix prices and allocate resources on the priorities of the bureaucrats. The modern economy is too complex for that to be done even with sophisticated computers and advanced mathematical programming perfected during the war years in both the Soviet Union & USA. But alternative forms of economic organization have been tried out successfully at micro level in several countries.

There is the Grameen Bank mobilization of rural women to enhance their credit worthiness, the Islamic banking movement; community based economic production units etc. They are alternatives to the capitalist form of organizing production and exchange. These could be alternatives to the neo-liberal demand for deregulation of the processes of production and distribution. The establishment of regional free trade blocks such as NAFTA, the European Union, and Mercosur etc. are attempts to strengthen the bargaining power of individual countries that have to enter the globalization process.

Economic liberalization has had its cultural dimensions. The deregulation of the economy has led to the introduction of the many television channels, the Internet and satellite communication. The middle class has grown. This class consists of the salaried professionals in the manufacturing and service sectors, self-employed lawyers, journalists, designers, doctors, casino owners, illicit distillers etc. Most of this class is the children of independent Sri Lanka. Although educated in Sinhala, they, at least those in the urban centers, are disconnected from their traditional sources of culture. The regular exposure through the visual media to western lifestyles, has led to the blind acceptance of western culture with all its inherent contradictions with the traditional culture.

Here we have our own protest movements on Noracholai and Eppawala. The conflict arises because each side wants to allocate the same resource in a different way. These issues can and should be resolved by rational debate, following any argument to its logical conclusion. Many have warned the government about Eppawala phosphate resource being given to a multi-

national company. As Joan Robinson pointed out in "Freedom & Necessity" (1970) this system ensures for the management (trans-national corporation) a high degree of independence from bankers and governments — "The international companies perfectly correctly from their own point of view, arrange their investments around the world and manipulate the flow of production from one center to another to suit the requirements of their own profitability, not to promote the viability or growth of particular national economies".

We are already exploiting the phosphate deposits and since we are not suffering from a foreign exchange crisis, there is no urgency in rushing with the superphosphate to the world market through a trans-national, which will derive most of the benefits giving us a pyramide. Anyway why doesn't the government disclose the project report, which would have been prepared? As for Noracholai the issue is to ascertain what is lost by way of loss of fishing and/or agriculture. These losses must be quantified and set against the value added from the generation of electricity using coal. It is necessary to study alternative sites and select that which gives the best cost/benefit ratio. There is the question of the holy shrine. While this cannot be quantified, yet the Christians are broad minded enough to look at the issue rationally.

Protecting Democracy

Can we expect any development from the semi-feudal State we have in place? The politicians are above the law and it looks as if the Supreme Court must decide with deference to the President, never mind what the Constitution says which for the ruling politicians is only a scrap of paper anyway as expressed by S.B. Dissanayake, the Minister of Sport. Only a small minority of western educated people shares the moral & intellectual foundations of democracy. Even those coming out of the universities don't seem to share these values, judging by the discussion on ragging conducted over the Sinhala television media. However noble Lord Buddha's doctrine is, it hardly seems to affect the values of the modern generation. So the moral & intellectual foundations of democracy are weakening. Although there are a plethora of laws, nobody is interested in obeying them and the enforcement machinery has collapsed. The pernicious growth-killing behaviour of our politicians and bureaucrats must stop.