The metamorphosis of mercantile capital into industrial capital under globalization

by Linus Jayatilake
President, United Federation of Labour (UFL)

There are various interpretations and understanding of globalization among the elitist sections of the labour movement and the society in general in Sri Lanka. But there is a wide range of agreement on the basic understanding enunciated by the ILO which brings together the various dimensions of the globalization process.

Opening and integration
Technological innovation
Political reform

The basic concept that has evolved out at the 3rd quarter of capitalism is the lively existence of the global market. Even in the developing countries, we still have to experience at least a growing internal market. We still experience in rural Sri Lanka, not organized internal markets but feudal marketing systems. The biggest buyers of rice in the rural areas control the small village traders who in turn collect paddy from the farmers in exchange for the credit they have received. The farmers as a group are not organized to participate in the market and compete the powerful traders.

So it is in such a situation of an undeveloped market economy, if countries are opened up and if all obstacles are removed for the TNCs to exploit all the natural and human resources, with such a development strategy, global capitalism itself will wither away in the near future.

The WB and the IMF have been pontificating the abovementioned version of capitalism. They have been repeating the same mantrams after the collapse of East Asian countries and even Argentina.

The Bank and the Fund still want the state to play a secondary role and to relegate to the state the role of looking after the infrastructure. But as a model, everybody speaks of Singapore. But in the Singaporean economy, the state plays a vital role of a facilitator in all aspects of the economy.

In a globalized economy, protectionist policies will create havoc and destroy the poor and weaker economies. If the globalists are interested in a global market, they have to allow the market forces to interact on a global level. For the profit making and exploitative purposes, if protectionist measures are adopted, it will affect and bring disastrous consequences for the global economy.

An alternative policy of development has to be initiated in Sri Lanka and in all developing countries. The multinational companies *cannot* be taken as the only key-players in opening and integrating the economy.

We will have to think of the competitive role of our economies that are able to bargain, negotiate and build strong links with the global market.

We must be able to initiate local capital accumulation, long-term investments in the industrial and the agricultural base, investments in the social capital- in the workforce, professional groups, scientists and entrepreneurs.

If there is a complete metamorphosis of mercantile capital into industrial capital, then only we can think of a serious development of the countries of South Asia. For this transition, the state together with the private sector, has to play a key role in building the economy.

We have to create a sound balance between the rural sector and the industrial belt. Intensive research has to be done and the best local talents have to be utilized. All expert knowledge could be imported for this vital sector. The state has to become a strong facilitator in the serious transformation of the mercantile economy into an industrial economy.

In a globalized economy, protectionist policies will create havoc and destroy the poor and weaker economies. If the globalists are interested in a global market, they have to allow the market forces to interact on a global level. For the profit making and exploitative purposes, if protectionist measures are adopted, it will affect and bring disastrous consequences for the global economy.

The WB-IMF globalists hide their face when the American regime adopted the protectionist policies for steel and farm products. This will exacerbate the present recession. It will deliver a worse situation than the East Asian Crisis.

In the context of a global market and the functioning of the WTO, the poor countries cannot rely forever on protectionist policies. The only way out for the poor countries is to work seriously in depth to *transform* their economies from trade deals to serious industrial production. The South Asian countries have immense natural resources for agriculture. They lack oil and steel in a very big way. Of course, the development of agriculture becomes endemic in their development process. But the only way for agriculture is to build a viable internal market through consolidating the industrial base, both internally and in the South Asian Region.

Sri Lankan agriculture is in crisis. The small farmers who are 1.8 million in number are not able to survive due to the heavy prices of the inputs - chemical fertilizers, insecticides, herbicides, seeds and *machinery* which are the products of the multi-national companies. The privatisation of water resources are in the immediate agenda of the present government.

Instead of exporting primary commodities, heavy investments in industries for value-added production should be introduced. For example, Bogala - Graphite in Sri Lanka has been an excellent carbon production in the world market. It has been owned by the ancestral families for many years and later it became a nationalized venture. Today it has been sold to a German company which has been earlier doing all the marketing for Sri Lankan graphite. The so-called "Capitalist class" in Sri Lanka has not been able to invest in this mineral for value added production. Up to this day, their lifestyle has been to make a quick buck out of the natural, primary resources.

(1) We have to rethink the whole process. Our old ideals and targets have to be questioned and investigated.

(Continued on page 19)

02nd Sep. 2002 D.News

The metamorphosis...

(Continued from page 9)

(2) The trading class (*not a capitalist class*) in Sri Lanka and the South Asia region are not serious harbingers of change. If the American regime adopts protectionist measures what do we expect from our local traders.

(3) The working-people and the Trade Unions should undertake the huge mission to influence the process of transformation of the mercantile capital into industrial capital and to build a strong industrial capacity in balance with the agricultural base.

(4) The TUs are not hostile to the market. But the balance between industry and agriculture should be the base for building a strong, viable local and regional market.

(5) The market, labour and human rights are two interactive areas, the unions have to deal with. The field of negotiation for the working people with the employers of capital is within the market set-up. But those who are daily thrown out of this market-system will end up as the scum or the dust of the earth. It is only through the establishment of the market at this period of history, that the peasantry, the small and medium-scale producers and the poor could be salvaged.

(6) The cost of production of commodities cannot be safeguarded through protectionist policies. The problems encountered in the local and regional market have to be overcome through a restructuring i.e. complete transformation from mere trade to industrial, agricultural production.

(7) The state just cannot be an onlooker within the perspective that we have described. The state should be made responsible and accountable to the human development - the social capital.

If this alternative economic outlook to the WB, IMF is adopted, then the whole question of the organisation of the trade unions come into question.

The TUs have to become promoters of change and influence every aspect of economic and social fabric of our society.

The internal structure of the trade unions have to be revamped.