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THE MARXIST

Theoretical Quarterly of the
Communist Party of India (Marxist)

POST-'REFORM' GROWTH TRAJECTORY
OF THE INDIAN ECONOMY

Prabhat Patnaik

INDIA'S AGRARIAN ECONOMY AND
NEW CONTRADICTIONS
FOLLOWING LIBERALISATION

Utsa Patnaik

A STATISTICAL PROFILE OF
INDIAN ECONOMY

Sukomal Sen

Documents:

SOCIALISM:
A VIABLE OPTION

(*Inaugural Speech, International Workshop on
"Socialism towards the XXI Century," Havana*)

Jose Ramon Balaguer Cabrera

THE SOUTH AFRICAN REVOLUTION
IN ITS INTERNATIONAL CONTEXT

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ERRATA

Page 7, Para 2, in article titled "Post 'Reform' Growth Trajectory of the Indian Economy" by Prabhat Patnaik

Delete the Para: "We would argue. . . . working peasants". This para does not belong to this article.

Page 27, Para 2, Article titled "India's Agrarian Economy and New Contradictions Following Liberalisation" by Utsa Patnaik

The existing Para "We would argue. . . .working peasants" is from an earlier draft of the article and it has been inadvertently printed. Replace the para with the following para:

We would argue that with these developments, in India the contradiction between the Indian people and the new imperialism is becoming intensified. In the agrarian sphere the emerging new contradiction is now between all the peasant classes in rural areas on the one hand, and imperialism with its local landed collaborators on the other hand. The earlier contradictions have to be seen now as expressing themselves in new and more intensified forms in the context of the new imperialism and its assault on the economy. If imperialism in the shape of the Transnational Corporations co-opts the landed elites into its strategy — as it appears to be doing to a large extent — then the struggle against imperialism and the struggle for land are no longer separate but they begin to converge. For example, both the TNCs and the local capitalist firms engaging in the new agri-business want a rolling back of the legislation on land ceilings so that their enterprises can expand at the expense of the livelihood of the ordinary mass of farmers. This is where their interests converge with those of the landlords. All these groups engage in blatant land-grabbing and in private appropriation of common property resources. Any acquiescing to land ceiling exemption for these groups is equivalent to betraying the interests of the working peasants.

The errors are deeply regretted.

This issue of **The Marxist** is being brought out keeping in view the forthcoming 16th Congress of the CPI(M) to be held in October 1998. The draft political resolution for the Congress has already been published and it is being discussed throughout the Party. The current issue focusses on one specific area relevant to these discussions — the international and domestic aspects of liberalisation.

The articles on the Indian economic scene and the documents from the South African Communist Party and Cuba contribute to the ongoing analysis of the impact of neo-liberalism and structural adjustment programmes in India and around the world. There are, in some of the contributions presented in this issue, certain new points for debate. Going through this material should help the discussions on how to carry forward the struggle by the working class and the Communist movement against liberalisation and privatisation.

Editorial Board

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Post-'Reform' Growth Trajectory of the Indian Economy

Prabhat Patnaik

'Rolling Back' State capitalism

The economic regime under which capitalist development was sought to be promoted in the post-independence period had at least four important characteristics: the setting up of a State capitalist sector to plug gaps in the production structure, especially in areas involving high risks and long gestation periods, and also to expand the size of the home market; the cordoning off of the domestic economic space against the free imports of commodities from outside, so that the Indian bourgeoisie (and foreign capital already located in India) had priority access to it; close scrutiny and monitoring of MNC investments in the country; and State control over the sphere of finance, through the nationalisation of banking and insurance and the setting up of special financial institutions, to ensure that finance was made available at low interest rates (usually at negative real interest rates) and in a more even manner to the different sections of the ruling classes: the monopoly bourgeoisie, the landlords and the capitalist farmers.

We would argue that with these developments, in India the contradiction between the Indian people and the new imperialism is becoming intensified. In the agrarian sphere the emerging new contradiction is now between all the peasant classes in rural areas on the one hand, and imperialism with its local landed collaborators on the other hand. The earlier contradictions have to be seen now as expressing themselves in new and more intensified forms

in the context of the new imperialism and its assault on the economy. If imperialism in the shape of the Transnational Corporations co-opts the landed elites into its strategy ó as it appears to be doing to a large extent ó then the struggle against imperialism and the struggle for land are no longer separate but they begin to converge. For example, both the TNCs and the local capitalist firms engaging in the new agri-business want a rolling back of the legislation on land ceilings so that their enterprises can expand at the expense of the livelihood of the ordinary mass of farmers. This is where their interests converge with those of the landlords. All these groups engage in blatant land-grabbing and in private appropriation of common property resources. Any acquiescing to land ceiling exemption for these groups is equivalent to betraying the interests of the working peasants.

Underlying the earlier regime was the view that the assimilation of an economy into imperialist hegemony gives rise to stagnation and even retrogression, and that a relatively autonomous strategy of development is essential for rapid growth. The fact that this view found expression in a programme of *capitalist development* that did not undertake thorough-going land reforms but unleashed on the people a process of ruthless primitive accumulation of capital, because of which the rate of growth remained unimpressive, the impoverishment of the people persisted, and the economic regime itself became unsustainable, should not detract from the correctness of the view itself. Indeed, the experience of the economy since the introduction of the so-called 'reforms' whose objective is to assimilate it into imperialist hegemony is in conformity with this view. Not only has the economy become a victim of stagnationist impulses, and exposed to the caprices of international speculators, but the growth in inequality which is a necessary accompaniment of 'liberalisation' has resulted in an increase in the incidence of poverty and an undermining of the food security of the people. The cuts in social sector expenditures have made matters worse.

Growth of Production

Ever since the introduction of 'structural adjustment' the government has started manipulating official statistics to paint a rosy picture of the economy's performance. As a result, Indian statistics which were of a very high order of reliability until a few years ago,

based on a system which was among the best organised in the world, have become exceedingly unreliable. Perforce however one has to use these statistics bearing in mind their inherent bias. Even so, what emerges clearly is the slowing down in the economy's performance in all sectors. Table 1 gives the annual average growth rate of GDP at 1980-81 prices and of the real value added in the primary, secondary and tertiary sectors for the seventh plan (1985-90) and for the period 1990-1 to 1996-7.

The reason for taking 1990-1 as the base year for these calculations is the following. Because of the drastic deflation which was imposed on the economy immediately after the introduction of 'structural adjustment', taking 1991-2 or 1992-3 as the base years for comparison is illegitimate (since these were the deflation years). On the other hand 1990-1 was pre-deflation, and a good agricultural year like 1996-7, so that these two make legitimately comparable end-points.

Table 1 Average Annual Growth rates (1980-81 Prices)

	GDP	Agriculture	Industry	Services
Average VII Plan (1985-90)	6.0	3.4	7.5	7.4
1990-1 to 1996-7	5.2	2.5	6.0	6.8

Source: Calculated from the Economic Survey 1996-97.

It may be objected that one should not look at the period as a whole since within this period there are two phases, a phase of deflation during which the economy was being sought to be stabilised, and a subsequent phase of recovery, starting from 1993-4. This argument would have weight if the recovery had continued beyond 1996-7, in which case truncating our period at that date would indeed have been illegitimate. *But the economy's performance has been dismal in 1997-8*, when the main commodity-producing sector on which the hopes for an economic breakthrough are usually placed, namely industry, showed a remarkable slow down. Table 2 gives the annual growth rate in the index of industrial production (as distinct from secondary sector value added).

Table 2: Industrial Growth Rate (percentages)

1991-2	0.6	1994-5	9.4
1992-3	2.3	1995-6	11.8
1993-4	6.0	1996-7	7.1
1997-8	4.2		

The euphoria generated by the recovery since 1993-4 that the economy is on to a higher growth path has completely disappeared. It is now clear that this recovery was not due to some sustained new stimuli imparted to the economy by the policy of 'structural adjustment'; it was a result of transient phenomena, the stepping up of the fiscal deficit in 1993-4, and, even after the fiscal deficit had been lowered in the subsequent years, the satisfaction of pent-up demand for a variety of hitherto-not-available luxury consumer goods. Since the rate of growth of the demand for such goods, as opposed to the once-for-all splurge that the satisfaction of pent-up demand entails, is much lower, the stimulus which such demand imparts to industrial production evaporates quickly; and this is exactly what has happened.

If we take the entire quinquennium 1985-6 to 1990-1, the average annual growth rate of industrial production comes to 8.4 percent. On the other hand for the seven years 1990-1 to 1997-8, on the assumption that the growth rate observed during April-February of 1997-8 holds for the year as a whole, the annual growth rate would be 5.9 percent. The fact of the slowing down of industrial growth as a secular phenomenon, not just a short-term consequence of 'stabilisation' but an expression of the loss of expansionary stimulus that a 'liberalised' economy entails, through the decline of public investment, through higher interest rates, through the shrinkage of demand owing to import liberalisation, can scarcely be doubted.

But a slowdown is also in evidence in the agricultural sector, where the growth rate in the production of foodgrains in particular has declined sharply. For a long time now the Indian economy has experienced a secular growth rate of foodgrain production of a little over 2.5 percent per annum which was a little higher than the population growth rate. Even during the 12 year period 1978-9 to 1990-1 (both being good agricultural years are comparable), the

rate of growth of foodgrain production was 2.4 percent which was above the population growth rate. However, over the period 1990-1 to 1996-7 (again both good agricultural years), the growth rate of foodgrain production dropped to 1.4 percent which was distinctly lower than the population growth rate. Even the *Economic Survey's* growth rate based on the index numbers of foodgrain production comes to 1.7 percent. (And 1997-8 is expected to witness a 5m. tonne-decline in foodgrain output).

This conclusion is no trick conjured up through the choice of illegitimate end-points. Even if we take 1990-1 and 1994-5 (a peak year) we get a growth rate of 2.1 percent which marks a deceleration from the secular trend and just about keeps pace with population growth. We are therefore witnessing the emergence of a serious food crisis. The fact that despite this reduction in output growth rate there has been no actual food shortage till now is of little consolation. It merely shows that purchasing power among the workers, especially the rural workers, has increased even more slowly in real terms (i.e. when deflated by an index of the administered prices of foodgrains). The reason for this lies partly in the steep escalation in administered prices of food which occurred in the aftermath of 'structural adjustment' as a part of the so-called fiscal correction (for which subsidies had to be kept down), partly in the cutback in government expenditure in rural areas (on which more later) which has curtailed non-agricultural employment and hence purchasing power for this reason, and partly in the shift of emphasis towards export agriculture and away from food crops. Foodgrain production being generally more employment-intensive than the exportable commodities which substitute for it in terms of land use, such as prawn fisheries, orchards etc., a shift of acreage from the former to the latter that occurs as a sequel to 'liberalisation' has the effect of restricting employment growth. In fact this latter process explains *inter alia* both the decline in foodgrain output growth and the decline in employment growth.

There is however an additional factor behind the drop in foodgrain output growth. And this is the drastic decline in real public investment that has occurred in agriculture over a long period. Gross capital formation (at 1980-1 prices) under the aegis of the government in the agricultural sector was Rs.1796 cr. in 1980-1; it remained way below that level throughout the 1990s, reaching

Rs.1154 cr. in 1990-1 and only Rs.1310 cr. in 1995-6. The deceleration no doubt had occurred during the 1980s itself, but the 1990s have done nothing to boost public investment. During the 1990s there has no doubt been a step up in real private gross capital formation in this sector from Rs. 3440 cr. in 1990-1 to Rs.4991 cr. in 1995-6. But even if these figures are taken seriously, much of the increase in private investment has been in the non-traditional sectors of export agriculture rather than in foodgrains production. It is noteworthy that the growth rate between 1990-1 and 1996-7 shows a sharp decline not only for the coarse grains from which much land has shifted towards export crops like soyabean, but even for rice (1.52 percent compared to 3.35 percent for 1980-1 to 1995-6). This is symptomatic of a decline in investment in traditional food crops.

Capital Formation

But this is part of an overall picture of investment stagnation. According to official data gross domestic fixed capital formation as a proportion of GDP behaved as follows:

Table 3: GFCF as Percentage of GDP

1990-1	23.2	1993-4	21.5
1991-2	22.1	1994-5	22.5
1992-3	22.5	1995-6	24.3
1996-7	24.0		

Source: Economic Survey 1997-98, p.5-8.

These figures reveal a picture of stagnation; moreover, even the slight increase in 1995-6 was not sustained in the subsequent years: the growth of output of the capital goods industry which was 17.9 percent in 1995-6 dropped to 5.9 percent in 1996-7, and minus 1.8 percent during April-February 1997-8! Since the level of investment effort in an economy is reflected in the output of its capital goods and its net imports of such goods, a stagnation in the capital goods sector's output, such as what we are witnessing and which is certainly unmatched by any corresponding increase in net im-

ports, is indicative of a stagnation in the level of productive capacity. To be sure the output of what are labelled as 'capital goods industries' is not synonymous with total capital goods' output; nonetheless what is happening to the former gives some indication of the sluggishness of our investment effort.

There are reasons however to believe that even these figures represent overestimates. First, the method of estimating capital formation is to take some goods which are supposed to be used for capital formation and then see how much of such goods are used in a particular period. For commodities like automobiles, or 'machines' which are used both for consumption and for capital formation, the method is to assume that a fixed proportion of the amount used in a particular period is for investment purposes. As a result, in any period when consumer durables' purchase in the economy is going up, this would also boost the capital formation figures spuriously. Secondly, construction which is supposed to be a part of capital formation can boom without actually adding to the productive capacity of the economy. Anyone familiar with the real estate boom in metropolitan centres and indeed in urban India would know that much of this represents speculative investment or luxury consumption rather than any addition to the productive capacity of the economy. In short, the concepts and methods used for capital formation estimation in India are such that increased 'consumerism' would necessarily also get reflected as increased capital formation. Since the post-'liberalisation' period has been universally accepted as a period of increased 'consumerism', this gives an upward bias to capital formation estimates. And once we correct for this, the genuine investment ratio would show a decline in this period.

No economy can experience an acceleration in growth unless it steps up its investment ratio, i.e. unless it devotes a much higher proportion of its surplus value to productive capital accumulation. Countries in East and South East Asia which have witnessed extremely rapid growth in recent years, until they were hit by the currency crisis, maintained investment ratios of around 35 percent of GDP. China has an investment ratio of nearly 40 percent. By contrast the investment ratio in India barely reaches 25 percent. If the country is to step up its growth rate, then its investment ratio has to be increased appreciably. And the argument of the 'liberal-

isers' was that if only the policy of 'liberalisation-cum-structural adjustment' is pursued, then investment ratio in the economy would go up and our growth rate would accelerate. What is happening to our capital goods industries is a decisive disproof of this assertion. Not only are the capital goods industries facing recession, but our investment effort is languishing, which makes all claims about India stepping up her growth rate (and even reaching double-digit growth rates) utterly ludicrous.

The reason for the poor investment performance is not far to seek. The proposition that if only more surplus value is handed over to the capitalists they would automatically invest more is a myth perpetrated by the ideologues of capitalism. As a matter of fact capitalists undertake productive investment, i.e. add to the capital stock, only when they expect to be able to sell the ensuing larger output at a suitable rate of profit, i.e. only to the extent that they expect the market for their products to expand. No doubt the growth of the market is something to which their own investment behaviour *in the aggregate* is a major contributor; but obviously the whole investment process is supported, and has to be supported, by some additional stimuli. The three possible sustained stimuli which can play such a role in an economy like ours are: public investment (and expenditure in general), the growth of the home market arising from rapid agricultural growth, and the growth of exports *other than of primary commodities* (since larger primary commodity exports, as we have seen, may merely mean diversion of production from home use rather than larger production). Of these, exports, no matter how rapidly they grow (within the bounds of course of plausibility), can scarcely be of much importance as an investment stimulus for an economy the size of India. On the other hand the growth of the home market arising from the agricultural sector remains constrained by the absence of egalitarian land reforms, and, even within the existing agrarian structure, by the cutbacks in public investment that have been imposed of late. This last factor (and the general restriction on public spending of which it is a part) also eliminates the stimulus provided by public investment through the demand it generates directly or indirectly for a host of commodities. The 'rolling back' of State capitalism therefore, far from increasing the investment ratio, causes its stagnation and even decline.

The Crisis of Public Finance

The usual justification for cutting back public spending, which typically takes the form of cutting back investment and welfare expenditures by the State, is that the fiscal deficit must be cut, since it is a source of 'instability' of the economy. This is a false argument for a number of reasons: first, the main cause of 'instability' in the sense of either generalised inflationary pressures or an unmanageable trade deficit is an *excess of aggregate demand over aggregate supply*. The demand of the government is only one component of this aggregate demand in which the demand of the 'corporate' and 'household' sectors and of the 'rest of the world' constitute the other components. Hence the size of the fiscal deficit, which shows the net demand arising from the government, does not have anything to do directly with 'instability'. Secondly, the fiscal deficit has two components: there is the deficit in the revenue account which shows the excess of government current expenditures over its current receipts and to this is added the investment requirements of the government which have to be financed through borrowing. Now, borrowing to meet investment requirements is common practice and there is nothing wrong with it, but borrowing to meet current expenditures does require scrutiny (though it is not necessarily reprehensible, e.g. in a recession) since it is indicative of "living beyond one's means". If the focus was on a reduction of the *revenue deficit*, then it would make sense, but by emphasising the fiscal deficit as distinct from the revenue deficit, the IMF and the World Bank *deliberately try to negate the role of the government as an investor, i.e. to denigrate the public sector*, for which there is no justification. Thirdly, a reduction in the revenue deficit, or in the fiscal deficit, can be brought about in a number of different ways, the obvious one being an increase in direct tax revenue. Indeed in any third world economy where glaring poverty coexists with offensive opulence, increased revenue from direct taxes is urgently called for anyway as a means of reducing inequalities. But the Fund and the Bank *invariably underplay this avenue of deficit reduction and emphasise cuts in investment and welfare expenditures*.

Not only is the theory underlying such cuts invalid, but the fiscal deficit which is invoked to legitimise such cuts, *both acquires importance and gets aggravated because of 'structural adjustment'*. Since

inviting direct foreign investment by the MNCs becomes an overriding objective of economic policy, the rates at which they are taxed gets reduced in competition with other countries. This, for reasons of symmetry, means that direct tax rates on the rich as a whole are lowered, though spurious concepts like the so-called 'Laffer Curve' (which "show" that reduced rates bring in larger revenues) are invoked in justification of it. Since customs duties are cut as part of 'import liberalisation', and excise duties, again for reasons of symmetry, cannot be raised as a consequence, indirect tax revenues too suffer; and this is aggravated by the sluggishness in the growth rate that 'structural adjustment' engenders. While tax revenues cannot be raised for lowering budget deficits, *the increased interest rates, resulting in a larger interest burden on the government, which are another legacy of 'structural adjustment' add to the expenditure side.* Thus 'structural adjustment' which is imposed upon the country owing supposedly to the fiscal profligacy of the State, itself works to further aggravate the fiscal situation, through lower taxes on the rich and higher interest rates.

At the same time, a larger fiscal deficit does make the economy crisis-prone *if it is 'liberalised'*, irrespective of whether there is any theoretical rationale for it. This is because speculative finance capital, *believing in this false theory*, can precipitate a balance of payments crisis through capital flight if it thinks that the fiscal deficit can not be sustained without a depreciation of the currency. In other words, what matters in a 'liberalised economy' is not the actual relations but the perceptions of relations by the speculators. And because of this, governments, *once they are trapped into 'liberalisation'*, are forced into curtailing the fiscal deficit, for which the only available instrument is curtailment of investment and welfare expenditure. Putting it differently, it is not the case that a larger fiscal deficit necessarily leads to crisis for objective reasons; the claim that it does so becomes a self-fulfilling prophecy in a 'liberalised economy'. And its curtailment invariably impinges more on capital rather than on current expenditures, so that 'fiscal adjustment' leaves the size of the revenue deficit unchanged.

The Indian experience fully bears this out. Table 4 gives some information regarding fiscal developments:

Table 4: Some Fiscal Magnitudes as Ratios of GDP

	Revenue Deficit	Fiscal Deficit	Interest Payments	Subsidies
1988-89	2.7	7.8	4.0	2.2
1989-90	2.6	7.8	4.3	2.6
1990-91	3.5	8.3	4.5	2.5
1991-92	2.6	5.9	4.8	2.2
1992-93	2.6	5.7	4.9	1.9
1993-94	4.0	7.4	5.0	1.7
1994-95	3.2	6.0	5.1	1.5
1995-96	2.7	5.4	5.1	1.3
1996-97	2.6	5.2	4.7	1.3
1997-98 (RE)	3.1	6.1	4.7	1.4

Source: Economic and Political Weekly, Budget Number, May 1997; and the 1998-99 Budget Documents.

It is noteworthy that while the proportion of fiscal deficit in the GDP went down from nearly 8 percent prior to the imposition of 'structural adjustment' to 5.4 percent by the mid-90s, the proportion of revenue deficit remained unchanged. This implies: first, that the reduction in the fiscal deficit was achieved by compressing capital expenditures which is harmful for the economy in the long-run since it leads to shortages, especially in the infrastructure sector (and hence to supplication before MNCs for investing in this sector); and secondly, that the basic fiscal problem, which lies in the very existence of a revenue deficit, is by no means addressed by 'structural adjustment'. In fact since within current expenditure, the weight of interest payments has gone up owing to 'structural adjustment' the revenue deficit would have been even larger, and hence the fiscal problem even worse, if the squeeze on the people through reductions in welfare expenditures and administered price-hikes had not increased.

'Structural adjustment' in other words entails a very specific fiscal regime, whose purpose is to increase transfers from the State to rentiers in the form of interest payments, and to enforce larger fiscal burdens on the people and cuts in public investment (so that MNCs have to be wooed to step in).

Inflation and Poverty

The rise in prices during the 1990s has been a direct result of this. Since there has been a curtailment in the growth of public investment and a corresponding curtailment in the pace of growth of demand in the economy, inflationary pressures should have abated in this period. Instead we find that inflation actually accelerated in the post-'structural adjustment' period (Table 5).

Table 5: Increases in the Cost-of-Living Indices (percentages)

	Agricultural Labourers	Industrial Workers
1985-6 to 1990-1	47.1	53.5
1990-1 to 1995-6	71.6	62.2

Source: Calculated from various issues of the Economic Survey.

This acceleration of inflation in a period of 'slack' demand was essentially due to hikes in administered prices which were ordered by the government in order to curtail its subsidy bill, and thereby the fiscal deficit. The commodity whose price was most severely affected in this manner was foodgrains. There were steep hikes in the central issue prices of rice and wheat in December 1991, January 1993 and February 1994. As a consequence of these hikes, by February 1994 the issue price of the common variety of rice had increased by 86 percent compared to the immediate pre-'structural adjustment' level and of wheat by 72 percent. It is hardly surprising that the cost-of-living of the workers, both in urban and rural areas, went up so sharply, and that the cost-of-living of agricultural labourers, for whom food is an even more important item in the consumption basket than for industrial workers, went up more steeply than for the latter.

Of course during 1997-98 there was some slackening in the pace of inflation, though this itself has got reversed during the current year. This slackening however was no credit to 'structural adjustment', rather the contrary. Two factors were particularly responsible, among others, for the slackening of the pace of inflation in 1997-98. The first related to the fact that after February 1994

there was a long pause in raising the administered price of foodgrains which indicated that the earlier sharp squeeze on the living standard of the people had reduced the scope for any further *immediate* increase in the squeeze.

A second factor also contributed. And this was the struggle launched by the Left forces within the United Front to prevent, or moderate the extent of, administered price-hikes in a variety of commodities. The kind of boost which inflation would have got if these hikes had been carried out was therefore denied to it. It was thus the pause in implementing the 'structural adjustment' agenda in this regard which accounted for the pause in inflation.

But this pause itself is now over and inflation has started accelerating once again.

The nineties have seen both inflation squeezing the working people, and an accentuation of unemployment. The latter, as already mentioned, has been a result of the shift of acreage from food to non-food crops, of import liberalisation that has led to a demand-switch away from domestic producers, and above all of cuts in public investment and in public development expenditure generally. The Central government's total development expenditure as a proportion of GDP at market prices declined from 12.54 percent in 1985-6 to 8.08 percent in 1995-6 (RE) and 7.74 percent in 1996-7 (BE). Since government expenditure has a crucial employment generating effect, especially in rural areas, this reduction has been employment-contracting.

The *form* of such contraction has been a decline in the ratio of non-agricultural to agricultural employment in rural areas. The reason is obvious: since agriculture is a sort of "residual sector" towards which the unemployed and underemployed workers gravitate, fluctuations in development expenditure by the State resulting in corresponding fluctuations in employment opportunities (which are in a proximate and direct sense outside agriculture), manifest themselves through fluctuations in the ratio of non-agricultural to agricultural employment.

The rise in the prices of essential goods and the decline in employment opportunities have together meant an aggravation of poverty under 'structural adjustment'. The head-count ratio of poverty for rural India moved as follows for 1989-94.

Table 6: Poverty in Rural India

Jul 1989- Jun 90	34.30
Jul 1990- Jun 91	36.43
Jul 1991- Dec 91	37.42
Jan 1992- Dec 92	43.47
Jul 1993- Jun 94	38.74

Source: Utsa Patnaik and Abhijit Sen, "Poverty in India", CESP Working Paper, JNU.

A comparison of immediate pre-'structural adjustment' levels with those following 'structural adjustment' clearly shows an increase in poverty in rural India. Apologists for 'structural adjustment' deny this fact by using the following argument: apart from 1993-4 all the other figures are based on a "thin" sample on the basis of which no valid inferences can be drawn; but if we compare 1987-8 with 1993-4 which are two years of large sample surveys then we find a *decline* in rural poverty from 39.60 percent in 1987-8 to 38.74 in 1993-4. The problem with this argument is that 1987-8 was not only a drought year when the poverty ratio goes up anyway, but also too far back to permit any inference about the impact of 'structural adjustment' on poverty. For the latter purpose we have to take some immediate pre-'structural adjustment' years as the base for comparison. And since for these years we have only the 'thin' sample we have to make the comparison on the basis of the 'thin' sample. And the conclusions here are unambiguous. Since these conclusions are in line with the trends regarding per capita foodgrain availability which have declined *on average* between pre- and post-'structural adjustment' years and regarding prices and employment, as discussed earlier, they have to be taken as robust.

Accompanying this increase in poverty there has been a cut in the ratio of social sector expenditure to GDP (Table 7).

Table 7: Social Sector Expenditure of Union and State governments

	(Percent of GDP)	
	Education and Culture	Health, Water Supply and Sanitation
1989-90	3.36	1.26
1990-91	3.25	1.23
1991-92	3.12	1.19
1992-93	3.04	1.17
1993-94	3.04	1.19
1994-95 (RE)	3.00	1.17
1995-96 (BE)	2.84	1.12

Source: Alternative Economic Survey 1996-97

Vulnerability to Speculation

The effect of 'structural adjustment' is evident not just in the fact of stagnation or growing poverty and unemployment or the growing desperation in wooing MNCs to overcome the infrastructural shortages. It is evident above all in the increased vulnerability to speculation of the Indian economy. Notwithstanding all the hype about direct foreign investment, the actual inflows under this head have been minuscule: during the entire period 1991-2 to 1996-7 (both years included) the total DFI inflow has been \$ 7.17 billion, i.e. less than \$1.2 billion annually on average. On the other hand what has come in larger measure is speculative finance capital in the form of 'hot money': during the same period 1991-2 to 1996-7 the total inflow of portfolio investment (most of which is 'hot money') has been \$ 13.7 billion, or \$2.3 billion annually on average, which is double the rate of inflow of DFI. It is on the basis of such 'hot money' flows that our large foreign exchange reserves of \$ 24.5 billion (on June 12, 1998) have been built up. But as the experience of the East and South-East Asian countries has demonstrated, this speculative capital can totally destabilise the economy in a very short-time without there being anything objectively wrong with its performance. A credit-rating agency 'downgrades' the economy (for rea-

sons it alone knows!), or a rumour about an impending devaluation is floated, or a Finance Minister is changed, or a government announces some programme of expenditure, and 'hot money' starts flowing out, bringing the economy to a crisis, and heaping misery on the people.

The operation of speculative finance capital represents the ultimate irrationality of capitalism. It makes the livelihood of millions dependent on the whims and caprices of a few speculators. It sacrifices the livelihood of millions of people in order to appease a few speculators, so that their 'confidence' in the economy is not undermined. The real crime of 'structural adjustment' and of our domestic ruling classes who have embraced it under the directive of the agencies of international finance capital, such as the IMF and the World Bank, is that they have opened the economy up for the operation of these speculative tendencies, which essentially negates democracy, freedom, national sovereignty and the exercise of the will of the people.

The Alternative

Extricating the economy from this mire is as necessary as it is tricky. The advantage which India has is that our currency is not as yet fully convertible, thanks to the massive democratic opposition to convertibility that was built up in the economy even before the dangers of it became manifest in East and South East Asia. On the other hand however the very crisis afflicting the Asian economies puts pressures on our currency which makes the task of a regime change for insulating the economy against the depredations of speculators a tricky one, since any such attempt may itself start a speculative run against the currency and precipitate a crisis. The immediate task is to halt any further attempts towards financial liberalisation, autonomy for the Reserve Bank, and convertibility of the currency. Gradually the economic space available to the State can be widened.

The alternative economic strategy must be built on the basis of four main elements: egalitarian land reforms which, apart from their economic effects in terms of releasing productive forces in agriculture and expanding the domestic market, would mobilise the rural masses behind the new strategy; a revival of public investment, especially in infrastructure, which is designed to pro-

mote agricultural growth as a means to expand domestic food availability as well as the domestic market; vastly increased public expenditure on education, sanitation and health, which would eliminate illiteracy, provide free and compulsory primary education to every child, and ensure minimum health standards for all; and much greater accountability of the State which can be ensured *inter alia* through the devolution of decision-making and resources to elected local bodies functioning under direct popular scrutiny.

A revival of public investment, a substantial step-up in public expenditure on education and health would of course need resources, and these have to be mobilised essentially through direct taxation, apart from a lowering of interest rates and thereby of the interest burden on the State. Bourgeois economists and commentators who talk incessantly about the burden of subsidies, including food subsidy, do not say a word on the far more substantial transfer payments which are being made to rentiers in the form of interest payments. And yet while the subsidies have some productive or redistributive role, these transfers have no such justification. Likewise bourgeois economists keep hailing reductions in direct tax rates. *But India has the tenth position from the bottom among all the countries when it comes to the ratio of central government tax revenue to GDP.* (The inclusion of state government tax revenues would not make any qualitative difference to the picture). The nine countries below India are: China, which has a completely different fiscal system, four oil-rich Middle Eastern countries, which do not need tax revenue, and Myanmar, Burkina Fasso, Paraguay and Guatemala. Leaving out China and the oil-rich countries we are therefore fifth from below, the other four being abysmally poor countries. The proposition about India having high direct tax rates which "stifle enterprise" is a complete myth.

Foregoing tax revenues in the name of attracting direct foreign investment is the height of folly. Direct foreign investment comes in, if at all, only to those economies which are already growing rapidly. One can therefore say that public investment would "crowd in" rather than "crowd out" direct foreign investment, as it would domestic private investment. The reactivation of public investment in the context of an alternative strategy and on the basis of an alternative correlation of class forces is the need of the hour.

India's Agrarian Economy and New Contradictions Following Liberalisation

Utsa Patnaik

Introduction

Following Independence, the nature of the principal contradiction in the agrarian economy was fairly clear. The principal contradiction was that between the mass of the working peasantry and labourers on the one hand, and on the other hand the minority of landlords, traders and moneylenders who monopolised control over land and money-capital, thereby exploiting the peasantry through rent, interest and exorbitant traders' margins. This contradiction had indeed been present earlier too and had been part of the general contradiction between the Indian people as a whole and imperialism; but in the post-Independence period it came to the fore and determined the immediate agenda of the democratic struggle. The principal contradiction was no longer as earlier, that between the Indian people as a whole, and imperialism and its local comprador allies. While imperialism was by no means dead, it was on the retreat in the context of the post-War shambles that was the advanced world, and decolonisation allowed space for third world countries like India to try to de-link from the earlier international division of labour under which they had been completely open and liberalised economies geared to metropolitan growth, not national growth. They could now protect their economies and undertake state intervention in the interests of national development - in which they were helped by the existence and aid of the socialist

camp. The old liberalisers were silenced; the new liberalisers had not yet appeared.

In the agrarian sphere in India the resolution of this principal contradiction, namely that between the landlords and the mass of the peasantry, was tied up closely with the solution of a number of other important secondary economic and social contradictions. The principal contradiction implied that the need of the times was to break land monopoly by measures of effectively re-distributing land from the landlords to the land-poor and landless, to break the monopoly of credit and marketing through co-operative institutions of the peasants themselves on the one hand, and state intervention in channelling credit to the credit-starved and setting up non-profit marketing institutions between producer and consumer with the aim of stabilising prices for both. It was essential that the principal contradiction should be tackled boldly in order to resolve the other important and related contradictions.

The other important, related contradictions whose resolution depended on how the principal contradiction was dealt with, were many. There was the contradiction between the paucity of productive investment and hence the low level of productive forces in agriculture on the one hand — not because economic surplus was inadequate but because it was used unproductively — and the imperative need to increase the total grain output for feeding the rural population itself at higher levels, and at the same time to increase the commoditised portion of grain needed as wage-goods for the new industrial thrust, on the other. There was similarly the contradiction between the inadequate growth of raw materials and the need to continue some exports on the one hand, and the raw materials needs of growing domestic industry. There was the contradiction between the deep poverty — overwhelmingly rural in nature — and low standards of material life in the villages on the one hand, and the need to expand the internal mass market and make industrial expansion and overall development self-sustaining, on the other, which was only possible through measures increasing mass purchasing power. There was the contradiction between the continuing caste, class, gender and other social types of oppression in a particularly intense form in rural areas on the one hand, and the very constitutional basis of the Indian polity which considered every citizen to be equal and to have equal opportunities regardless of caste, class, gender and so on. The moment we

spell out these contradictions we can see the multifarious links between the principal and other contradictions, between the agrarian question and the question of national development free of imperialist pressures.

The non-left political forces, economists and planners in India however have consistently underestimated the role of effective redistributive land reforms for breaking the economic and social power of the rural landed minority, thereby widening the social base of rural investment, and raising the rate of growth of both retained and commoditised output. They underestimated its importance for laying the precondition of measures of mass poverty reduction and for providing an expanding market for industry, and its importance for reducing the old class, caste and gender based forms of inequalities which express themselves in high levels of illiteracy, declining sex-ratios, atrocities against dalits, and the persistence of child labour. Only in some states where the Left movement has been influential were some measures of land reform undertaken, with a very positive impact despite their relatively limited nature. While the achievements of forty years of planned development in India were in many ways substantial, its economic and social failures therefore have been equally glaring. These lay in the inability to substantially reduce mass poverty, which is particularly concentrated in rural areas; an insufficient growth of the internal mass market and hence the emergence of pressure to seek external sources of growth in collaboration with foreign capital. At the same time international developments leading to the re-emergence of finance capital as a dominating force over industrial capital in the advanced world from the late seventies, the relative political unity achieved by the national bases of this finance capital (by subordinating inter-imperialist rivalry, to common aims vis a vis the third world), the aggressive use by finance capital, of the super-national Bretton-Woods institutions for implementing its aims, and the collapse of the Soviet Union, have together led to a highly favourable conjuncture for imperialism, which is once again aggressively trying to re-colonise the third world and has substantially succeeded in many smaller countries. In recent years however tendencies of resistance to the dominance of finance capital have also started emerging in varied ways.

The new liberalisers arrived on the scene in Latin America and Africa many years ago; they have been stridently pushing the

theories and practice of the new liberalisation in India since the beginning of the nineties. The old imperialism was transparent because there was direct political control, while the new imperialism is less transparent and therefore in many ways, more dangerous. The new liberalisation differs from the old colonial liberalisation in at least two respects : it has a strategy of improving further the economic position of the third-world rich at the expense of their fellow-citizens, which has materially corrupted the elite of our country; and it has an ideological thrust in terms of wrong theories, which has intellectually suborned the same third world public figures and intellectuals who were earlier supporters of independent growth, but who now parrot the mantra of liberalisation they have memorised from their advanced country mentors. The new compradors are following anti-national theories and policies no less than the old compradors had done. It is extremely important for those who are within the Left movement to fight the revisionist tendencies creeping into the movement which lead to a 'soft' stance on liberalisation. To support any aspect of liberalisation even for pragmatic reasons is equivalent to political liquidationism.

We would argue that with these developments, in India the nature of the principal contradiction has started to change in recent years, and it is once again moving towards the contradiction between the Indian people and the new imperialism. We are not suggesting that the principal contradiction has already changed; our remarks are to be understood as indicating the direction of the new developments. In the agrarian sphere the emerging new contradiction is now between all the peasant classes in rural areas on the one hand, and imperialism with its local landed collaborators on the other hand. This does not mean that the earlier contradictions have ceased to be important but only that they have begun to move to a position where the way in which the principal contradiction is tackled, is now crucial for deciding the course of the other contradictions. If imperialism in the shape of the Transnational Corporations co-opts the landed elites into its strategy - as it appears to be doing to a large extent - then the struggle against imperialism and the struggle for land is no longer separate but they begin to converge. For example both the TNCs and the local capitalist firms engaging in the new agri-business as well as the anti-national elements of the landlords advocating liberalisation, want a rolling back of the legislation on land ceilings so that their enterprises can expand at the expense of the livelihood of the

ordinary mass of farmers. They engage in blatant land-grabbing and in private appropriation of common property resources. Any acquiescing to land ceiling exemption for these groups is equivalent to betraying the interests of the working peasants.

At the national level too the paramount question is whether there can be sufficient resistance to imperialism to salvage some degree of autonomy for following national development goals, or whether the long struggle for independence for which so many people sacrificed their lives and worked so hard, is to end in the Indian economy and society being forced to lie down in supplication before the advanced countries, to suffer the punishing regime of lowered real incomes, high unemployment, loss of its national assets, and loss of its food self-sufficiency, all to the benefit of international finance capital based in the advanced countries (as indeed the South East and East Asian economies have been forced into owing to their earlier unwise policies of excessive integration into world markets for goods and capital). Independence, or a financially dependent neo-colonial status : that is the question.

The impact on Indian agriculture of the new liberalisation, including subjection to GATT '94 discipline administered through the WTO, has to be analysed bearing the above context in mind. We will start with the question of foodgrains self-sufficiency and food security and then go on to illustrate the effects of liberalisation on cash-crop producers and on industry.

Food self-sufficiency and Food security Under Liberalisation

The advanced Northern countries have very limited agricultural production possibilities owing to their cold climate, which means there is only one natural growing season unlike the two growing seasons we enjoy in sub-tropical and tropical lands. All they can produce is cereal crops like wheat, barley and maize, root crops like turnips and potatoes, and some vegetables and fruit in their summer months. They can produce nothing in their winter months and before they colonised India and other tropical lands, their populations had a very poor, monotonous diet, no fruit and vegetables in winter, only harmful alcoholic drinks, and a limited range of clothing and furnishing materials because they could not grow cotton or hardwoods. The external expansion of the West

Europeans and their subjugation of other lands had a great deal to do with their own very poor resource base. After colonisation and forcing the third world countries to export their products, much of it as a form of tax hence without any payment, the advanced countries became 'advanced'. They could have a diversified diet, non-alcoholic and non-harmful beverages and stimulants (fruit juices, coffee, tea, sugar etc), a range of clothing materials using cotton and mixtures, and use of tropical hardwoods for furniture. The East European countries however which did not colonise or enslave anybody still have to this day a much poorer, less varied, local products dependent and seasonally constrained pattern of consumption.

The advanced countries have thus always been eager to use the rich, botanically diverse lands of countries like India to satisfy their own needs. But they have never put in investment to raise the yield of the foodgrains the local colonised people ate. They relied instead on converting the food-growing area (area actually already growing food or potentially capable of doing so) to the crops they wanted which were then imported by them, much of it without any payment in foreign exchange, as the commodity equivalent of taxes on colonised populations. As a result of such policies the food output growth slowed down, fell below population growth and the food available per capita fell disastrously in every colonised region without exception. Thus Java under the Netherlands saw a more than 25% fall in rice output per head between 1900 and 1945 while exported cash crops grew very fast. Korea under Japanese control saw a fall in domestic food availability because 65% of its rice was sent to Japan by the thirties. Food availability fell in India too by nearly 30% between the two wars (and by 25% comparing 1900 and 1950). The possibility of mass famine raised its head and actually took place in regions of the maximum availability decline.

The advanced countries today are equally keen as before that third world countries should produce crops not in accordance with their own needs but the needs of the advanced country populations. They want us to make our lands available for their own use : that is what their pressure for trade liberalisation and export promotion from agriculture in our country and in other third world countries, is all about. In short, they wish to recolonise our agriculture and are exercising pressure through debt-conditions to do so. They want their pound of flesh. Their own lands are as useless as

before and can only grow the products earlier mentioned, for no amount of capitalist growth and innovation can alter the fact that their fields cannot grow anything at all in the winter season, and cannot grow tropical crops at any time, not even in their summer. They therefore want to import from us not only the usual tropical crops but also in winter, their summer fruits and vegetables they are familiar with, which we can grow in winter and they cannot. This is necessary for them to avoid any seasonal variation in supply. They also want vegetable oils, animal feeds like soya cake, lean meat, prawns and seafood etc.

The advanced country supermarkets have today a year-round supply of fresh produce obtained from dozens of third world countries whose producers are under contract to the trans-national food companies based in advanced countries. An average supermarket in the USA or in W.Europe carries about 12,000 items of food in raw or processed form. Their consumers do not know what seasonal supply variation means. Moreover they want all this at the cheapest rates possible, so every developing third world country which is indebted is obliged by the IMF and World Bank 'conditionalities' to follow policies of agro-exports, and since there are at least 80 such indebted countries at any given time they are made to compete with each other to increase supplies. They are also told to devalue their currencies not once but repeatedly on a competitive basis so that dollar prices of the imports from developing countries into advanced countries get cheaper and cheaper. The advanced countries are as before not in the least interested in what happens to our food security or the food security of other third world countries as our lands are converted to the products they want. At the same time as they demand a complete liberalisation of our agriculture, through the Fund-Bank they put pressure on us to cut back on investment by cutting government expenditures. Investment in irrigation and crop research, vital for the traditional food crops in our country is stagnant or falling and grain yield does not rise enough to compensate for area decline with the shift to export crops. Total cultivated area has started falling from 1990 as the pressure of commercial and residential construction grows, and total sown area is also stagnating. We are now in this respect following China where total sown area had similarly started stagnating from the late seventies. Under such conditions of stagnant sown area, an export thrust means there is bound to be conversion of foodcrop area to export crops exactly as happened in colonial

times, and a decline in per head food production.

This has been precisely the outcome between 1990-1 and 1996-7 as the attached Table 2 shows. The population growth rate is around 1.9% and the foodgrains growth rate has fallen below this for the first time in thirty years, since the 1960's. We predicted in end-1992 that this was going to happen with liberalisation, on the basis of the experience of the Latin American and sub-Saharan African countries which have already seen a decline in per head food output, sharply so in the latter regions, and the emergence of famine conditions for local populations.

Food Price Inflation is inevitable with Liberalisation

The effects on food prices of the new policies under SAP were felt immediately after the minority Congress government assumed power in mid 1991, for it raised the issue price of foodgrains from the fair price shops to consumers, to a greater extent than it raised the procurement price paid to farmers, in order to cut the food subsidy. It kept raising issue prices steeply until 1994, so that wheat and rice price was 85% higher compared to 1990. The steep food price rise however backfired on the government because, not able to buy from the ration shops, a large segment of the consumers were priced out of the mis-named 'fair-price shops' and they moved into poverty; the number of poor people rose by at least 30 million. As may be checked from Table 3 the off-take dropped by 9 million tonnes between 1990 and 1995 and stocks built up even faster because procurement remained good. The cost of holding larger and larger stocks of grain meant that the subsidy was not going to the consumer but mainly to the FCI for stock-holding: from nearly 90% the consumer subsidy was down to 60% of the total by 1995. This was a case of the greatest bungling ever seen in the history of the PDS, and a direct result of the Fund-Bank pressure to cut subsidies. The storehouses were bursting with grain and at least 30 m. more people had been pushed from regular poverty even deeper into nutritional poverty.

Cutting subsidies on food, health and education which benefit the masses is part of the neo-liberal theology, and goes hand in hand with their advocacy of giving more spending money to the already well-to-do by way of lower taxes on them and making the latest consumer durables available to them. Shifting incomes,

however unequal they already might be, even more towards the well-to-do is part of the largely successful political strategy of the Bretton Woods institutions for winning the support of local elites in third world countries for 'austerity' measures, viz. policies of reducing state development spending and cutting social expenditures. Their policies may be summed up as austerity for the poor, and more spending money for the well-to-do. The economic rationale is very clear: more incomes in the hands of the top 10% or so constituting the elite of the given population means a larger market for the white goods, automobiles, cellular phones, processed foods etc. which Northern countries would like to sell, whether by exporting them to the third world country or by setting up units within the country for the local market. India on account of the large absolute size of its so-called 'middle class' is an attractive market and moreover most of the Indian elite has an ape-like propensity to imitate, in this case Northern consumption patterns and is thought to be amenable to the strident advertising campaigns which we have seen in recent years. Policies which increase the share of incomes going to the top 10% of the population and expand this market are thus pushed under the guise of other arguments derived from 'supply-side economics', (for example because it would allegedly raise the savings rate in the economy).

Mass income growth being reduced however is desirable from the Northern countries' point of view because they would like to see a larger share of India's highly bio-diverse land resources, being devoted to the non-foodgrain crops they cannot for climatic reasons produce in their own countries at all, or not in sufficient amounts and which they wish to import. If mass rural incomes rose faster, so would India's domestic demand for basic foodgrains. We had earlier estimated that with as egalitarian an income distribution and the same level of per head food consumption as China had in 1985, India would have needed at least 250 million tonnes of foodgrains to satisfy internal demand compared to the 150 million tonnes actually produced with which she had become 'self-sufficient'. With higher rural incomes and purchasing power, more land and resources would automatically be devoted to the foodgrains owing to the market mechanism itself.

But this is not a desirable outcome for the Northern countries' agenda: they pressure for policies to deflate mass incomes, to remove all barriers to export and import from third world agriculture, for a complete opening up in the same way that India was a

completely open economy in the colonial period. Complete openness means allowing the powerful magnet of international demand with its own particular commodity structure, to restructure the way Indian farmers utilise their land in terms of cropping, to meet the requirements of the handful of advanced countries which by now concentrate 83% of global purchasing power. The Indian rural masses with their non-expanding purchasing power cannot compete in the global market with the US and Japanese consumer with 80 times their per capita income, or the European consumer with 60 times their income. They see their own land being bid away for advanced country use; they are economically disenfranchised in their 'own' country.

This process had historically taken place by lowering basic foodgrains absorption of the masses of third world populations. The same mechanism of lowering mass staple grain consumption can be seen today in the countries of Sub-Saharan Africa and many countries in Latin America, as they follow an exports-first policy. Sub-Saharan Africa has had one of the fastest growth rates of agricultural exports in the last fifteen years, and has 'succeeded' thereby in lowering per head food production by over one-sixth. The countries worst affected in SSA are perpetually on the verge of mass famine and episodes of drought means more food aid, enmeshing the region even deeper into indebtedness and conditions of greater export thrust and of allowing even freer flow of international capital. Yet the gross facts are ignored by the Northern 'experts' on Africa; the preferred solution of the international aid and health organisations is to control African population growth alone while continuing to exploit the vast natural resources of the region for maintaining high Northern consumption levels. A similar reactionary exclusive emphasis on population control rather than output rise, lies at the heart of the neo-liberal health agenda for countries like India.

In fact the advanced countries want us to lose our food self-sufficiency and become increasingly import-dependent, to become markets for their foodgrains, of which they have a glut. They also have a glut of dairy products and expensive processed foods. The advanced countries organised in the OECD absorb only 66 percent of their own coarse grains output, for the rest they have to find export markets. They absorb only 80 percent of their own wheat output and have to export the remainder. Having in the early nineties lost large markets in East Europe and Russia owing to the

economic collapse of these regions, they had at that time targeted successfully the South East Asian countries as compensating markets for their coarse grains and wheat by pressurising governments, as in the Philippines, to give up their public distribution system and open up to trade. However in sheer size the Indian economy is most attractive for them. They had started targeting the Indian market from 1995-6 and are exercising pressure through WTO that we should phase out and remove all the quantitative restrictions on imports (of foodgrains, dairy products and other crops) much faster and hence much earlier than we were originally committed to doing by signing GATT in 1994.

Very recently the collapse of the South East Asian and East Asian markets for US and Continental cereals from 1997, means that the potential Indian market for foodgrains and processed food has become even more important to the advanced countries. The government team which has been negotiating the time-frame of removing quantitative restrictions (Q R s) finds that the USA in particular is absolutely obdurate in demanding a much shorter time frame for giving up Q R 's. Important cereals like rice have no previous 'tariff bindings' i.e. no minimum levels of tariffs on Q R s being removed; the tariffs will have to be negotiated, and we can expect intense pressure from the leading imperialist countries for nominal tariffs, viz. throwing the Indian economy open, as it was in colonial times.

Before proceeding let us cast a look over the policies followed in the phase of protectionism and state intervention for development. At Independence, the country inherited a war-time food-deficit situation and was dependent on net imports, which was on average 6% of domestic cereal production in the decade of the fifties. This dependence increased in the first half of the sixties to 8% ; naturally, therefore national policy put emphasis on raising food production and achieving food self-sufficiency. Varietal improvements in the commercial non-food crops and some rise in their yield did take place, but these were subordinated to the overwhelming attention given to increasing the yields of the cereal crops and raising output fast under the new strategy from the early sixties, which received a further impetus from the very poor harvest of 1965-66 leading to a large drop in per head food availability and to famine conditions in Bihar. The years 1966-70 saw the highest dependence ever by India on grain imports, nearly 10% of domestic output, the imports being mainly from the USA under its

PL480 provisions. (Table 1).

This was certainly an undesirable state of affairs; food is always used covertly if not overtly by donors as a political-ideological weapon, and retaining 'food sovereignty' is thus a very important part of political sovereignty. (We saw Bangladesh during its 1974 famine being blatantly pressurised not to trade with Cuba as the price for US food aid). Within a decade as the green revolution fructified in North India, however India achieved 'self-sufficiency', and indeed became a small net food exporter during 1976-80, though at the expense of greatly increased regional concentration of grain output and increased income inequalities. Per capita food availability is today about one-fifth higher than in 1950 (See Table 1). The decade ending 1996 has seen very small net import not exceeding half percent of domestic output. Needless to say this did not imply that nutrition needs of the poor were any better satisfied, since no broad-based land redistribution took place, so that income inequalities continued and increased further owing to the inability of any but the well-to-do cultivators to invest own and borrowed funds on the basis of reasonable interest rates. Nevertheless self-sufficiency has been an important positive development compared to earlier import dependence.

The green revolution brought in new class contradictions in the villages and a sharpening of old contradictions, owing to violent spates of small tenant evictions with the conversion of erstwhile feudal rentiers to capitalist landlords, resulting in the class of rural labourers growing as a share of rural population, and large-scale migration of low-wage labour to higher wage areas. The minority of well to do peasant farmers, having obtained some benefit from initial land reforms stalled and sabotaged further reforms to benefit the landless and really land-poor, except in a few states where committed left governments ensured registration and security of occupation as well as flow of institutional credit to the disadvantaged. Environmental and nutritional criticisms of the HYV mono-culture and the toxic fertiliser-pesticide technology of the green revolution point to the many adverse effects—excessive emphasis on cereals to the neglect of pulses resulting in a halving of pulse output per head, the destruction via HYV monoculture, of the earlier organic polyculture of a range of subsidiary and drought-resistant crops which enabled farmers to reduce risk, the reduced fish raising capacity of paddy fields sprayed with chemical pesticides, and so on.

Consumption data show that apart from the reduction or complete disappearance of a number of hitherto free nutrition sources, the physical intake of even the cereals by the poorest 30 percent of the population, which is overwhelmingly rural, has not gone up in 50 years; we may safely infer that the increase in the average per head grain availability which has taken place has basically gone to increase indirect grain consumption by the well-to-do in the form of conversion to animal products. The need to increase mass purchasing power to reduce hard-core poverty remains as urgent as ever.

In recent years, from the partial liberalisation of the late eighties and the active trade deregulation starting in 1991, we see the emergence of a new phase of 'exports-first' policies which are generating yet newer contradictions and in the agrarian sphere is marked above all by greatly reduced concern with grain self-sufficiency, thus jeopardising the only important positive achievement of agrarian policies in the preceding four decades. There is new controversy regarding the benefits or otherwise of integration into the global market, with the formerly strident pro-liberalisers now somewhat subdued after the shocking and continuing collapse of the South East Asian economies purely owing to their imprudently high degree of integration into volatile global markets for goods and financial capital flows. The potential dangers of such integration had been repeatedly pointed out from a decade ago by the Left economists; some very vocal pro-liberalisers like the NRI trade theorist Jagdish Bhagwati, who had earlier publicly ridiculed the Left critique, now with the example of the ASEAN countries' debacle before them are forced to come round to a more realistic assessment that capital account convertibility in a developing country benefits only Wall Street—rather as a doctor might pronounce, with a man already dead before him, that he is indeed dead. We in India surely do not wish to be in a situation where post mortem reports are written on the economy : the task of the economist committed to mass welfare is to foresee and help to prevent collapse, not to aid in that potential collapse by putting forward wrong theories and policy prescriptions and then to conduct post mortems once the collapse has taken place. These economists resident abroad like J Bhagwati and their domestic *chelas* still advocate full trade liberalisation; they still lack insight in not seeing the connections between integration into the global market for goods, and integration into the market for finance

capital : in the present world order, the one implies the other. A third world country cannot seek to penetrate advanced country markets and increase its share of world trade without acceding to advanced country pressures with regard to financial sector opening up and eventual capital account convertibility. There is no such thing as partial liberalisation. China does not provide an example relevant for the Indian situation : it has had high growth as a result of earlier egalitarian strategies of raising mass incomes and meets the advanced countries from a position of strength, not one of debt-conditional weakness.

As regards agriculture many economists continue to see agri-exports as an unambiguously positive development and are oblivious of any negative aspects whether with respect to higher raw material costs for domestic industry or higher foodgrains prices leading to real income decline. They have no excuse for their ignorant complacency because the experience of the last decade in our own country is before us.

There are two sources undermining food security from the supply side : conversion of food growing area to exportable crops as earlier mentioned, and direct export of foodgrains in particular periods of high world price. Both have been taking place. Quite rapid conversion of grain-producing area to commercial exportable crops has already taken place in the brief period of export-thrust policies from 1991 to 1997. About 4% of the total 1990 sown area, or over 4 million hectares formerly under cereals especially the coarse grains and pulses, is by now under soya, other oilseeds and cotton. There is every reason to think that India is falling into the 'primary exports trap' as the Sub-Saharan African countries and the Latin American countries have already done. The trap consists in exporting more and more physical volumes of products at falling unit dollar price so that the country has to run harder and harder to stay in the same place with regard to export earnings. Thus during 1985 to 1993 the developing countries export volumes grew at 9 % annually but their share in world export earnings fell and the purchasing power of exports growth, almost halved. At the same time in order to export more, scarce land is diverted from food crops.

As fast growing cash crops claim more area at the expense of grains, yield has not risen enough to compensate for area decline and the compound growth rate of foodgrains output in India has

dropped to only 1.7%, below the population growth rate, during the period 1990-1 to 1995-6 for the first time in three decades (Table 2). The decline of rice, coarse grains and of pulses have been especially sharp. We had warned of this outcome in an article written in end-1992, based on the experience of other third world countries liberalising trade, but it gives us no satisfaction to see that our warning was justified. In 1996-97 there was a large jump in total grain output to 198 million tonnes, but 'step-function' behaviour in agriculture is common, and as we had predicted (in the Alternative Economic Survey 1996-7) the output in 1997-98 has fallen below this peak (to 195 m.t. owing to continuing fall in coarse grains and pulses).

The Cotton story as a concrete illustration of liberalisation

The fastest growing individual exportable crop was raw cotton which had seen a violent export thrust during 1990 onwards. Thus exports jumped from an average of 35,000 units during the four years before 1990-1 to more than ten times higher at 374,000 units in that year, and maintained a high average of 2 lakh units in the next three years. Owing to the sudden jump in exports there was a domestic raw cotton famine, open market yarn price trebled and lakhs of handloom and powerloom weavers were badly hit. The unregulated raw cotton export thrust led to decline of industry as large numbers of powerlooms closed down. Despite this the Commerce Ministry gave the go-ahead to more exports in early 1997, resulting in further rise in raw cotton price and the closure of an even larger number of powerloom enterprises. Higher domestic raw material price reduced the competitiveness of our textile industry and exports of the raw material, cheap by world standards, pleased India's textile competitors. While raw cotton exports were reined in, yarn exports grew fast throughout the reform period. Not only raw cotton, but wheat and rice too was exported on a large scale by government itself during 1995 and 1996 as stocks piled up in FCI godowns and more people went hungry.

Suicides by Farmers: Did the raw cotton export boom benefit farmers growing the crop? The recent spate of suicides by cotton farmers in Andhra Pradesh, Karnataka and elsewhere provides the answer. The risk of producing a commercial crop is borne entirely by the grower, and the risk is greatly increased when the cash crop is grown on contract for export, according to the seed and fertiliser-

pesticide regime prescribed by the purchaser. The majority of cotton farmers are small farmers and most take land partly or wholly on lease. The Indian farmer is highly price-responsive and has been since colonial times. As the world cotton price improved and exports grew, hoping to improve their economic position many lakhs of such farmers rapidly expanded the area sown to cotton, taking large cash advances from traders and commission agents and loans from banks to meet the extra seed and input costs, on vast tracts of rain-fed land in Andhra, Karnataka and Maharashtra. Both dealers in uncertified seed and in sub-standard pesticides have a field day under such boom conditions of rapid area expansion with no state supervision as everything is left to the allegedly 'efficient' market.

The cotton crop is susceptible to a large variety of pests and the unholy trinity of commission agent/moneylender, pesticide dealer and seed-supplier all had a role to play in the debacle, as farmers purchased uncertified seed, spent large sums of money applying sub-standard pesticides to their pest-affected crop but could not save an iota of it. Had they grown their old drought and pest resistant local jowar and ragi they would have had something to eat: with reliance on cotton, they neither had anything to eat nor any prospect of clearing the large, unviable debts already incurred. Many were driven to the extreme step of ending their lives, leaving their families to face a harsh neo-liberal world. Of course, suicides have not been confined to cotton growers but have also occurred among growers of *tur dal* and chillies in northern Karnataka, producing for the domestic market. The point is that the small and middle farmers are highly vulnerable to risk, which exists for domestically consumed cash crops too, but which are increased greatly for an export crop. The grower can do nothing about the volatile global price of the export crop and neither can the national state. The current plight of rubber growers in Kerala facing crashing world price for rubber is again a case in point.

Once a farmer has taken loans to grow a cash crop requiring much higher cash outlays, as in cotton, even when he is not completely bankrupted and dead, he no longer has a choice about sowing land next to the food crop instead of cotton. The outstanding loans have to be paid, and to pay them he has to take the risk again of growing the higher value crop. Debt ties him to the new crop even where he has no formal contract to supply to the exporters' agents. It is quite wrong to think that the movement to cash

crops is easily reversible.

From the imperialist countries' point of view the beauty of the system is that via the Fund-Bank, the same policies of primary product export thrust can be urged successfully upon dozens and dozens of third world countries all producing the same tropical to sub-tropical products, so with about 80 exporting developing countries competing with each other to increase supplies the trend in dollar world commodity price cannot be anything but downwards. This is aided by pressure on indebted countries to devalue, not once but again and again, to remain 'competitive' vis a vis each other and this means much cheaper dollar cost of the same volume of imports for advanced countries. India too has repeatedly devalued the rupee in the last seven years, to no ultimate effect with respect to even the export growth rate.

The entry of transnational seed/pesticide/agri-business into cotton —the threat of BT-Cotton

The US transnational giant Monsanto has quickly seized upon the Indian cotton producers' distress to announce recently the introduction of their genetically engineered cotton variety, BT - Cotton, in India, which if adopted will be a new means of enslaving the farmer and a new ecological disaster. *Bacillus Thuringiensis* is a bacterium which produces naturally a toxin which kills some pests of cotton and other crops. Genes from *Bacillus Thuringiensis* have been inserted into the cotton plant to produce the genetically engineered cotton plant, called BT-Cotton, on which Monsanto holds the patent. The Company claims that since every part of this cotton plant is toxic to the pests, they are killed when they 'take a bite' of the plant. They have told the Indian press that the problems of Indian farmers with pests will disappear forever once farmers start using the BT -Cotton variety by purchasing seeds (at a high cost) from Monsanto. Newspapers like *The Hindu* of June 16, carried uncritical and glowing reports on the 'magic' cotton plant.

In reality, the plant is toxic for benign and necessary insects and not only for pests. Further, since the seeds of BT-Cotton cannot be replanted the farmer would have to buy the expensive seed every year from Monsanto. As is well known insect pests which have a short life, mutate fast over a few generations and within one or two years 'super-pests' emerge which have developed resistance to the toxin in BT -cotton and flourish by 'taking a bite' out of it

- much as pesticide resistant mosquito varieties have developed and led to a resurgence of malaria. Monsanto is already facing legal action from groups of farmers in the USA who have found that their expensive BT- cotton crop is attacked by pests and who have suffered losses.¹ This of course does not prevent this TNC from trying to fool the Indian farmers and acquire a stranglehold over them using spurious claims.

Unfortunately, they are likely to succeed unless a campaign is launched immediately to inform farmers regarding the spurious claims and the dangerous long-term dependence to which they will become vulnerable once they fall into the trap of a 'high-tech' solution to complex problems.

The Question of Subsidies in Advanced Countries

When globalisation and export orientation is being talked about, any half-way competent analysis must assess the subsidies enjoyed by the Indian farmers' global competitors if it is discussing Indian farm subsidies. Most economists in India appear to be quite unaware of the very high subsidy levels given by the USA, every West European country and Japan to their farmers, at the same time that representatives of these countries tell Indians and other third world countries that they must reduce their subsidy level which are 'distorting' the allocation of resources. The fact that an 80 times higher 'distorting' effect is being exercised on this logic, by the 80 times higher subsidy per farmer doled out by their own governments to their own farmers, does not appear to bother them.

While hypocrisy on the part of the advanced countries in their dealings with third world countries is to be expected on the basis of past experience and is part of their strategy of reducing third world competitiveness, the orchestrated hosannas which are being sung by third world economists themselves to the anti-national policies being advocated, need closer investigation. The hosannas are at present muted, but only temporarily, as the disastrous results of free trade and capital inflows in the South East Asian countries, in Korea and Indonesia in particular, continue to unfold before our eyes. Ruinous trade liberalisation continues apace, and the first act of the new government since assuming office six weeks ago has

1. Data on BT-Cotton are from publications of the Research Foundation for Science, Technology and Natural Resource Policy, New Delhi

been to announce that several hundred items of import including agricultural imports are to be placed on OGL.

To subject our farmers especially the poor among them to competition from agricultural imports is absurd given the scale of subsidies that foreign farmers enjoy. The advanced countries organised in the OECD, paid out 336 billion dollars of farm subsidies in 1995, (more than India's entire national income), to less than 20 million farmers. The USA alone paid 75 billion dollars out of its annual budget to its 2.7 million full-time farmers, or an average annual subsidy of \$28,00 per farmer, this subsidy alone being seventy times the income of the average Indian farmer. As we have explained at length elsewhere, without such heavy subsidy the North American and European farmer would be completely out-competed in the global market by the Punjab or Andhra farmer, who thanks to the low wages paid to labour, produces even without subsidy at a much lower cost per tonne than does the advanced country farmer. Owing to the heavy state subsidy they enjoy which at present comes to nearly half (precisely, 47%) of the international wheat price per tonne, North American farmers along with the West Europeans who get an even higher 80% subsidy per tonne of wheat, are able to dominate the global market in wheat (which is the only thing apart from coarse grains, potatoes and dairy products, that their temperate lands can produce). They wish to reduce the subsidy burden on their own budgets but do not wish to see countries like India and China emerge as global players, hence the unremitting insistence on the cutting of the relatively small subsidies which India has on power and on fertilisers.

The sum of the transfers that only two countries USA and Japan together paid in 1995-6 to their less than 6 million farmers, was \$167 billion, (\$92 billion in Japan and \$75 billion in US) and this was much more than the total global FDI flows of \$135 billion to developing countries that year, which according to the liberalisers is supposed to be bringing paradise closer for the over 4,000 million people of these countries. This comparison is given to drive home the truly staggering scale of farm subsidies in the Northern countries and the pittance that global direct foreign investment constitutes; (the paradox is that the entire macro-economic policy of developing countries—starting from high interest rates to real wage cuts and undermining food security—is being subordinated and shaped to the aim of getting these drops and dribbles of money

that advanced countries call 'investment in developing countries').

Unfortunately many persons concerned with the farmers' movement in India hold strong views and write copiously on the question of 'world prices' being the right of the Indian farmer, without knowing anything of the way that world commodity markets function, the level of advanced country subsidies going into determining the world price, and without understanding the real meaning of opening Indian agriculture to free exports. Just as PDS 'targeting' was put forward as a progressive sounding policy measure by the people and institutions whose real objective is to do away with the PDS entirely, similarly the slogan that 'the Indian farmer should get "world prices" for their products', is put forward as a pro-farmer sounding slogan by imperialist institutions who wish to prise away Indian agriculture from all protection and to economically decimate and pauperise the Indian farmer. Too many ill-informed 'friends' of the Indian farmer have swallowed the bait and are loud in demanding a measure which is profoundly anti-farmer, whether we are talking of the small peasant or the kulak.

A section of the Indian farmers is strongly for complete freedom to export while another section recognises the danger to food sovereignty and food security of the poor in particular, of unregulated exports under the aegis of the foreign transnational companies. Within the Left movement and the Kisan Sabhas too there is undoubtedly some confusion on these questions; many persons feel that when world prices are high the farmers who on average are poorer than urban residents, should be free to benefit from these high world prices by exporting. They do not understand that even the exporting farmers stand to lose in the long run from integration into the global market, owing to the high volatility of world prices. Again, freedom to export cannot be had without freedom to import, so there is the ever-present post-liberalisation danger of the dumping of cereals and dairy products onto our markets by advanced countries which are permitted to subsidise their farmers heavily under the clauses they have been careful to write in such a way into the GATT Agreement, that they will not attract anti-dumping measures.

We have earlier pointed out that there are two sources undermining food security from the supply side : conversion of food growing area to exportable crops, and direct export of foodgrains in particular periods high world price. Both have been taking place. For first time since the sixties, our food output growth is lagging

behind population growth, even after taking into account the recent peak harvest year. Domestic availability also fell owing to direct large grain export in 1995-6 and 1996-7 as world prices rose temporarily far above Indian prices; an idea of price volatility is given by the fact that world wheat price has collapsed this year to half the level of December 1995, and is now well below the Indian price.

The economists who look one-sidedly at the matter, see nothing wrong with declining domestic food output per head; they are for maintaining availability by importing food, paying for it out of the foreign exchange earnings from exports of commercial crops and aquaculture products. They have been derisively laughing at all our concern about food self-sufficiency, as showing an obsolete mind-set. They thereby unknowingly reveal their total incompetence as economists, for they never ask the absolutely vital question — if we lose food self-sufficiency and have to import food, what is likely to be the terms of exchange of our agro-products for foreign foodgrains? Suppose the terms of exchange move against us and over time we can only buy lower amounts of food on the global market for the same amount of agro-exports, because the price of our exports falls relative to the price of imported food, how can we then possibly ensure that our poor do not starve? This is not an abstract scenario. Over 80 developing indebted countries are being made to compete with each other to export the same products and to competitively devalue their currencies to cheapen their exports. Therefore all through the eighties and into the nineties there has been large absolute decline in the unit dollar price of the non-grain crops, while only global grain price has been trending upwards, for grain trade is completely dominated by the advanced countries. The Indian economy has not known anything of this disastrous decline in the external terms of trade experienced by the commercial crops export-specialised countries, because it has been insulated from the global market until recently. (Only farmers in high export-oriented states like Kerala have experienced something of the income-squeeze following recent collapse of world rubber and copra prices).

World Bank studies of international terms of trade explicitly project a continuing adverse movement for the primary products exporters, up to the end of the first decade of the next century. We can never hope to finance adequate food imports by specialising in cash crops exports.

Those who mistakenly demand world prices and liberalisation are therefore suffering from a false consciousness, a lack of understanding of the aims and objectives of the present imperialist thrust to dominate our agrarian economy.

Concluding remarks

It is in the interests of imperialism to restructure the land-use of third world countries to its own requirements, regardless of whether local poor populations are left with enough to eat or not. It is also in its interests to seek third world markets for its excess products. The demand for liberalisation of trade in agricultural goods, the demand for the removal of all restrictions on the pattern of land use which exist in many parts of the country for ensuring food self-sufficiency, and the demand for the abrogation of ceiling laws are all related to these objectives of imperialism. In pushing these demands through its agencies, the Bretton Woods institutions and the WTO, imperialism also seeks and often obtains the support of the domestic landlords and capitalist farmers, and even, on occasions, of sections of the peasantry who are misled into believing that free trade would enrich them through higher prices. Free trade, however, would not only mean higher food prices and lower living standards for the urban and rural workers as well as for large sections of the peasantry which are net buyers of food-grains from the market, but it would not even benefit the bulk of the rest of the peasantry. Sharper price fluctuations, growing indebtedness and income insecurity would be their lot. This is already clear from the recent experience of the cotton farmers. Thus many of the very farmers who are today clamouring for free trade would become its victims tomorrow. The contradiction arising owing to the recent developments following liberalisation, is a contradiction which pits the interests of the vast masses of the Indian people, workers and peasants, against the interests of imperialism. It provides, in other words, the opportunity to enlarge greatly the sweep of the struggle in the countryside. A major task, however, is to educate those who today, unwittingly and owing to misinformation, are falling into the trap set by the ideologues of the imperialist countries' interests and are demanding trade liberalisation without any understanding of its adverse implications.

Table 1
Annual per capita output, imports and availability of foodgrains

Net Period	Annual Availability		Net Cereals	Net Imports	
	Cereals			Pulses	Total Output
1951-55	129.13	23.59	152.72	122.74	6.06
1956-60	135.93	24.84	160.77	121.48	8.30
1961-65	146.32	22.12	168.44	135.02	10.99
1966-70	140.94	17.78	158.72	129.83	12.45
1971-75	140.54	15.47	156.01	135.48	6.17
1976-80	145.79	15.63	161.42	147.13	0.57
1981-85	151.95	14.34	166.29	153.19	2.30
1986-90	158.16	14.61	172.79	155.95	0.65
1991-95	162.85	13.66	176.52	164.94	0.41
1995-96*	169.31	12.45	181.31	161.48	- 1.72

Source: Calculated from Economic Survey, 1996-97. Read 1951 as 1950-51 and so on, except last row * which gives the individual year figures.

Note: Net output is gross output less 12.5% on account of seed, feed and wastage. Net availability is net output plus net imports minus net increase in government stocks (last item not shown here).

Table 2
Annual growth in foodgrains production

Year	RICE	WHEAT	PULSES	FOOD
GRAINS				
Compound Growth Rate				
1967-68 to 1995-96	2.90	4.72	0.93	2.67
1980-81 to 1995-96	3.35	3.62	1.21	2.86
1990-91 to 1995-96	1.52	3.62	1.07	1.70

Note: Growth rates are based on index numbers, base triennium ending 1981-82.

Source: Government of India Economic Survey 1996-97 Table 8.6

Not every country's elites are imitative consumers. Japan even though it was not colonised had to sign unequal trade treaties in the 1850's under which she had to remain open to imports from advanced countries and could not raise any tariff above 3%. But the Japanese elite adhered to a traditional personal life-style and started using modern consumption goods only when they could produce them independently.

A Statistical Profile of Indian Economy

Sukomal Sen

The consequences of so-called economic reforms which began almost a decade back at the behest of IMF and World Bank are now for all to see. The main pillars of the new economic policy — liberalisation, privatisation, retrenchment of workers and indiscriminate use of high technology are quite in tune with the globalisation of the capitalist economy. Unbridled entry of multinationals, import liberalisation and devaluation of currencies constitute the key to the process of globalisation.

Labour is the biggest casualty in this globalisation process. According to the reports of World Bank, one of the promoters of the globalisation, it is resulting in wider disparities between the richer sections and the poorer sections of the people in different countries and it is particularly more conspicuous in the developing countries.

So far as the Indian economy is concerned, the disastrous consequences of the new economic policy and tying it to globalisation are substantiated by even the facts and statistics published in the government's reports and statements furnished to the Parliament in reply to the question raised by the members. The purpose of this treatise is not to elaborate the subject by our own analysis and words, but to quote the official statistics to substantiate the fast declining aspect of Indian economy and the growing disparity between the rich and the poor.

The pre-budget Economic Survey 1997-98 itself presents a

dismal picture. According to the *Economic Survey* for 1997-98, the GDP growth is 5 percent, a big climb-down from the average 7.5 percent over the preceding three years. Industrial production has grown at 4.2 percent, against an average of 9.5 percent over the preceding three year period. Domestic production as well as imports of capital goods have suffered an absolute decline as a clear indication of grossly depressed investment climate. Growth in agricultural production is a negative 3.7 percent as compared to an average 3.5 percent over the preceding three years. The slump in export growth which started in 1996-97 has worsened. Export growth in 1997-98 has come down to 2.6 percent. Over the three year period from 1993-94 to 1995-96, the growth of exports hovered around 20 percent. Severe infrastructural bottlenecks, particularly in power, is hurting industrial production and investment.

Further, the Survey admits of the capital market remaining sluggish. The reserves mobilisation through primary issues in 1997-98 was only one-third of the 1996-97 level. The fiscal deficit rose to 6.5 percent of GDP as against the original target of 4.5 percent set earlier for 1997-98. The rupee has depreciated by more than 15 percent over the past one year and in August 1998, one US dollar was equal to Rs. 43.25. (See also *Economic and Political Weekly* of July 18-24, 1998). And presently, the inflation rate has reached a new high and the union Finance Minister has left it to market forces.

Figures are more eloquent than words. So, let us illustrate the points through official statistics. The following table furnished by the *Economic Survey* 1997-98 provides the key indicators of Indian Economy: (See Table 1)

Declining Rate of Industrial and Agricultural Production

The *Economic Survey* of 1997-98 admits that Indian industry registered a modest growth rate of 7.1 percent in 1996-97, which is much lower than the 12.1 percent growth in 1995-96. The weaker performance of industry in 1996-97 is principally attributable to the mining and electricity generation sectors which recorded meagre growth rates of 0.7 per cent and 3.9 per cent respectively. Mining was badly hampered in 1996-97 by the poor performance of crude oil (-6.5 percent). Hydroelectricity generation registered negative growth (-5.4 per cent) in 1996-97. Thermal power (including nuclear) also recorded lower growth of 5.9 per cent in 1996-97

Table I
Key Indicators

	1994-95	1995-96P	1996-97P	1997-98P	1994-95P	995-96P	1996-97P	1997-98P
	Absolute Values				Per cent change over previous period			
Gross national product (Rs. thousand crore)								
At current prices	854.9	992.8	1135.4Q	NA	18.7	16.1	14.4	NA
At 1980.81 prices	252.3	271.0	291.9Q	307.0A	7.8	7.4	7.7Q	5.2A
Gross domestic product (Rs. thousand crore)								
At current prices	868.0	1006.3	1149.2Q	NA	18.9	15.9	14.2Q	NA
At 1980-81 prices	257.7	276.1	296.8Q	311.8A	7.8	7.2	7.5Q	5.0A
Agricultural production(1)	165.2	160.7	175.7	169.2	5.0	-2.7	9.3	-3.7
Foodgrains production (million tonnes)	191.5	180.4	199.3	194.1	3.9	-5.8	10.5	-2.6
Industrial productio(2)	253.7	284.5	304.6	317.3	9.4	12.1	7.1	4.2
Electricity generated (Billon, KWH)	351.0	380.1	394.5	420.2	8.5	8.3	3.8	6.5
Wholesale price index(3)	285.2	299.5	320.1	336.2	10.4	5.0	6.9	5.0
Consumer price ndex for industrial workers(4)	293.0	319.0	351.0	380.0	9.7	8.9	10.0	8.3

(Continued on next page)

	1994-95	1995-96P	1996-97P	1997-98P	1994-95P	1995-96	1996-97P	1997-98P
	Absolute Values				Per cent change over previous period			
Money supply (M3)(5) (Rs. thousand crore)	531.4	604.0	700.9	820.3	22.3	13.7	16.0	17.0
Imports at current prices (Rs. crore)	89971	122678	138919	151554	23.1	36.4	13.2	10.8
(US \$ million)	28654	36678	39133	40779	22.9	28.0	6.7	5.8
Exports at current prices (Rs. crore)	82674	106353	118817	126286	18.5	28.6	11.7	7.5
(US \$ million)	26330	31797	33470	33980	18.4	20.7	5.3	2.6
Foreign currency assets(5) (Rs. crore)	66006	58446	80368	102507	39.6	-11.5	37.5	27.5
(US \$ million)	20809	17044	22367	25975	38.1	-18.1	31.2	16.1
Exchange rate (Rs/US \$)+	31.40	33.45	35.50	37.16	-0.1	-6.1	-5.8	-4.5

Note : Gross national product and Gross domestic product figures are at factor cost.

P-Provisional; Q-Quick estimates; A-Advance estimates; NA: Not available

+ Per cent change indicates the rate of appreciation/depreciation (-) of the Rupee vis-a-vis the US dollar.

1. Index of agricultural production (principal crops) with base triennium ending 1981-82=100.

2. Index of Industrial Production 1980=100

3. Index with base 1981-82=100

4. Index with base 1982=100.

Source : Economic Survey, 1997-98

compared to 14.6 per cent in 1995-96. Deceleration of industrial growth has continued in 1997-98 as well.

The decline is visible from the following table:

Table 2
Annual Growth Rates in Major Sectors of Industry
(Per cent)

Period (Weights)	Mining (11.46)	Manufacturing (77.11)	Electricity (11.43)	General (100)
1981-82	17.7	7.9	10.2	9.3
1982-83	12.4	1.4	5.7	3.3
1983-84	11.7	5.7	7.6	6.7
1984-85	8.9	8.0	12.0	8.6
1985-86	4.1	9.7	8.5	8.7
1986-87	6.2	9.3	10.3	9.1
1987-88	3.8	7.9	7.7	7.3
1988-89	7.9	8.7	9.5	8.7
1989-90	6.3	8.6	10.8	8.6
1990-91	4.5	9.0	7.8	8.2
1991-92	0.6	-0.8	8.5	0.6
1992-93	0.5	2.2	5.0	2.3
1993-94	3.5	6.1	7.4	6.0
1994-95	7.5	9.8	8.5	9.4
1995-96	7.4	13.6	8.1	12.1
1996-97	0.7	8.6	3.9	7.1
Apr-Feb.				
1993-94	3.6	6.2	7.1	6.1
1994-95	7.7	9.9	8.7	9.5
1995-96	7.9	13.7	8.3	12.2
1996-97	1.0	9.3	3.8	7.7
1997-98	4.7	4.2	6.8	4.6

Source: Economic Survey 1997-98

Decline in foodgrain production is perceptible from the following tables:

Table 3
Foodgrains Production

(Million Tonnes)

Crop	1993-94	1994-95	1995-96	1996-97		1997-98
				Target	Estimated	
Rice	80.3	81.8	77.0	81.3	83.0	83.5
Wheat	59.8	65.8	62.1	69.3	68.5	66.4
Coarse Cereals	30.8	29.9	29.0	34.3	33.5	31.1
Pulses	13.3	14.0	12.3	14.5	15.0	13.1
Foodgrains	184.3	191.5	180.4	199.3	200.0	194.1
Kharif	100.4	101.1	95.1	104.4	105.5	103.7
Rabi	83.9	90.4	85.3	94.9	94.5	90.4

Table 4
Production of foodgrains — Average Annual Growth
(Million Tonnes)

Year	Rice	Wheat	Coarse Cereals	Pulses	Total Foodgrains	Compound Annual Growth (Percent)
1950-51	20.58	6.46	15.38	8.41	50.92	
1960-61	34.58	11.00	23.74	12.70	82.02	3.22
1970-71	42.22	23.83	30.55	11.82	108.42	1.72
1980-81	53.63	36.31	29.02	10.63	129.59	2.08
1990-91	74.29	55.14	32.70	14.26	176.39	3.54
1997-98*	83.52	66.38	31.15	13.08	194.13	1.73

*Estimated

Source: Economic Survey 1997-98

There has been a fall in commercial crop production also. The following table gives an indication:

Table 5
Commercial Crop Production
(Million Tonnes)

Crop	1993-94	1994-95	1995-96	1996-97		1997-98
				Target	Estimated	
Groundnut	7.8	8.1	7.6	9.0	8.9	7.5
Rapeseed/ Mustard	5.4	5.7	6.0	7.0	6.7	6.2
Soyabean	4.8	3.9	5.1	5.2	5.9	6.5
Other six Oilseeds	3.5	3.6	3.4	3.8	4.0	3.5
Total nine Oilseeds	21.5	21.3	22.1	25.0	25.5	23.7
Cotton*	10.7	11.9	12.9	14.3	14.8	11.4
Jute & Mesta**	8.4	9.1	8.8	11.0	9.8	9.8
Sugarcane	229.7	275.5	281.1	277.3	280.0	260.2

* Million bales of 170 kgs each

** Million bales of 180 kgs each

Source: Economic Survey 1997-98

Rising Fiscal Deficit

While the industrial and agricultural productions are on the decline, the fiscal deficit of the Central government is registering a steady rise. There has been a sharp deterioration of the grain fiscal deficit from the budget target of 4.5 percent of GDP to 6.1 percent during 1997-98 (Revised estimate). The following table provides a clear picture in this regard.

Table-6
Components of Gross Fiscal Deficit of the Central Government

	1980-81	'90-91	'91-92	'94-95	'95-96	'97-96	'97-98 (B.E)	'97-98 (R.E)
	(Rs. crore)							
1. Fiscal Deficit	7733	44632	36325	57704	60243	66733	65454	96345
1.1 Interest Payments	2604	21498	26596	44060	50045	59478	68000	65700
1.2. Primary Deficit	5129	23134	9729	13644	10198	7255	-2546	20645
1.21 Primary Deficit Consumption	1310	6358	1306	3982	-147	-2363	-10130	6675
1.22 Primary Deficit Investment	3819	16776	8423	9662	10345	9618	7584	13970
	(As per cent of GDP)							
1. Fiscal Deficit	5.7	8.3	5.9	6.0	5.4	5.2	4.5	6.1
1.1 Interest Payments	1.9	4.0	4.3	4.6	4.5	4.7	4.7	4.6
1.2 Primary Deficit	3.8	4.3	1.6	1.4	0.9	0.6	-0.2	1.5
1.21 Primary Deficit Consumption	1.0	1.2	0.2	0.4	-0.0	-0.2	-0.7	0.5
1.22 Primary Deficit Investment	2.8	3.1	1.4	1.0	0.9	0.8	0.5	1.0
Memorandum items								
(a) Interest Receipts	1795	8730	10933	15797	18419	22106	24092	25327
(b) Dividend and Profit	82	564	708	1216	1748	2354	3513	3362

Note : 1. Primary deficit consumption=Revenue Deficit-interest receipts+dividend & profits
2. Primary deficit investment=Capital expenditure-Interest receipts-Dividend & profit-recovery of loans-other receipts.

Source : Economic Survey, 1997-98

Disappointing Foreign Investment

The government completely opened the country's economy to the multinationals and foreign financial institutions. But so far as foreign investment is concerned, there is no reason to be jubilant by the government and the protagonists of the globalisation.

In case of foreign investment flow by different categories, though the direct investment has marginally increased in 1997-98 compared to the earlier year, portfolio investment has drastically gone down.

It may be mentioned that FDI inflows into the developing countries continued in 1996. FDI into developing countries increased from US \$ 96 billion in 1995 to an estimated US \$ 119 billion in 1996. India's share has gone up from 0.6 percent in 1992 to only 2.2 percent in 1996, while China was the main attraction for FDI inflows as will be clear from the following table:

Table 7
FDI of Host Region
US \$ Million

	1992	1993	1994	1995	1996
China	11,156	27,515	33,787	35,849	40,180
India	277	550	973	2,144	2,587

Source: Economic Review 1997-98

So far as the other categories of foreign investment is concerned, the following tables provide the actual picture.

Table 8
Foreign Investment Flows by Different Categories

	1991-92	'92-93	'93-94	'94-95	'95-96	'96-97	'97-98*
A. Direct Investment	129	315	586	1314	2133	2696	3197
a. RBI automatic route	—	42	89	171	169	135	202
b. SIA/FIPB route	66	222	280	701	1249	1922	2754
c. NRIs (40% & 100%)	63	51	217	442	715	639	241
B. Portfolio investment	4	244	3567	3824	2748	3312	1601
a. Fils#	—	1	1665	1503	2009	1926	752
b. Euro equities@	—	240	1520	2082	683	1366	645
c. Offshore funds & others	4	3	382	239	56	20	204
Total (A+B)	133	559	4153	5138	4881	8006	4798

* Provisional.

Figures represents fresh inflows of funds by FIIs.

@ Figures represents GDR amounts raised abroad by Indian Corporates.

Source : Economic Survey, 1997-98

Table 9
Foreign Direct Investment : Actual vs. Approvals

	1991	1992	1993	1994	1995	1996	1997*	Total (91 to 97*)
Approvals								
Rs. crore	739	5256	11189	13590	37489	39453	53643	161359
US\$ million	325	1781	3559	4332	11245	11142	14858	47242
Actual Inflows								
Rs. crore	351	675	1786	3009	6720	8431	11155	32127
US\$ million	155	233	574	958	2100	2383	3105	9508
Actual Inflows as % of Approvals								
(In US \$ Terms)	47.7	13.1	16.1	22.1	18.7	21.4	20.9	20.1

* Upto November, 1997.

Note : The approval and actual inflows figures include NRI direct investments approved by RBI.

Source : Economic Survey, 1997-98

Table 10
Net Investment by FIIs*: 1992-93 to 1997-98

Period	Amount (US \$ Million)	Percent variation
1992-93		
Jan-March	4.3	—
Total	4.3	
1993-94		
Apr-June	47.7	—
Jul-Sept	176.2	—
Oct-Dec	599.1	—
Jan-March	811.1	—
Total	1634.1	
1994-95		
Apr-June	706.9	1382.0
Jul-Sept	441.0	150.3
Oct-Dec	205.8	-65.6
Jan-March	174.6	-78.5
Total	1528.3	-6.5
1995-96		
Apr-June	244.4	-65.4
Jul-Sept	510.0	15.6
Oct-Dec	262.4	27.5
Jan-March	1018.9	483.6
Total	2035.6	33.2
1996-97		
Apr-June	1078.7	341.4
Jul-Sept	511.5	0.3
Oct-Dec	442.6	68.7
Jan-March	392.7	-61.5
Total	2432.1	19.5
1997-98		
Apr-June	790.5	-26.7
Jul-Sept	587.0	14.8
Oct-Dec	-23.8	-105.3
Jan-March	295.7	-24.7
Total	1649.4	-32.2

* Foreign Institutional Investors

Source: Economic Survey, 1997-98

Rising Rate of Inflation

In the price front, the distinct upward trend was seen in primary product prices pushing up the annual inflation rate close to 6 per cent level by mid-January, 1998. The current financial year 1998-99 started with an inflation rate of 4.9 per cent by the end of April 1998, it rose to 5.4 percent. By August 1998, it has further risen. But official figures do not give the actual picture as the method of calculation of the price index is wrong. The following tables will give the picture of the rate of inflation as per official statistics.

Table 11
Annual Inflation Rate Based on
Wholesale Price Index
 (in percent)

Year	End of year (Point to point)	52 weeks average
1992-93	7.0	10.1
1993-94	10.8	8.4
1994-95	10.4	10.9
1995-96	4.4	7.7
1996-97	6.9	6.4
1997-98*	5.0	4.8
1998-99*	5.4	4.7**

* Provincial

** As on April 1998

Source: Economic Survey 1997-98

Table 12
Annual Rate of Inflation in Essential Commodities
(per cent)

	Weight (%)		Annual rate of Inflation Feb/Feb			
	CPI	WPI	CPI Based		WPI Based	
			1997-98	1996-97	1997-98	1996-97
GENERAL						
INDEX	100.00	100.00	9.1	10.8	5.2	7.9
Rice	12.45	3.69	4.7	10.7	1.3	14.3
Whole wheat	4.43	2.25	-3.8	38.7	-3.8	35.9
Wheat atta	1.75	0.76	1.2	38.1	-8.5	39.9
Jowar	0.46	0.42	-5.8	7.8	-7.8	20.5
Bajra	0.16	0.18	3.6	-0.6	-3.6	4.1
Moong	0.53	0.20	8.1	5.9	2.8	2.7
Gram	0.08	0.41	47.3	36.1	40.6	50.0
Masur	0.41	0.05	-10.6	10.9	-9.9	7.0
Arhar	1.69	0.27	-2.3	-4.1	-1.2	-2.7
Urad	0.35	0.15	-3.5	-4.4	-8.2	1.9
Coconut oil	0.09	0.17	-25.5	49.5	-17.1	48.5
Groundnut oil	2.27	0.53	4.0	-3.3	3.6	-1.2
Mustard oil	1.44	0.28	3.1	-4.9	1.4	-6.4
Vanaspati	0.78	0.52	0.7	-1.8	-0.7	-0.2
Goat meat	2.12	0.52	5.5	13.8	-0.4	20.0
Fresh fish	1.31	0.51	9.8	6.2	18.6	-2.4
Milk	5.52	1.96	5.1	9.5	10.4	1.7
Salt	0.15	0.04	0.6	8.7	10.9	-8.8
Chillies	0.63	0.32	-16.2	-12.5	-6.7	-9.5
Onions	0.67	0.16	190.1	12.5	179.0	9.2
Potatoes	1.23	0.47	-10.3	4.4	-13.5	11.0
Sugar	2.24	2.01	13.7	5.5	11.0	9.4
Gur	0.47	1.75	18.6	22.0	34.4	8.4
Tea leaves	0.82	0.56	26.1	5.9	86.8	9.7
Soft coke	0.80	0.35	3.7	25.4	0.0	41.1
Kerosene oil	1.82	0.87	18.4	13.1	0.0	1.1
Matchboxes	0.23	0.23	3.3	28.4	2.9	5.5
Washing soap	1.33	0.59	3.4	-22.5	4.6	8.3
Long cloth	0.20	0.36	13.0	6.3	0.0	4.0
Dhoties	0.35	1.19	7.7	7.0	2.7	11.3
Sarees	2.05		12.8	9.2		
Essential commodities	48.83	21.77	6.6	10.1	7.7	13.2

Table 13
Movement of CPI(IM) —Major Commodity Groups

(Percent Change)

Major	Weight %	1997-98				1996-97			
		April- Jun-	Jul- Sept.	Oct- Dec.	Apr- Feb.	Apr- Jun.	Jul- Sept	Oct Dec.	Apr- Feb
General	100.00	1.1	1.7	3.0	8.8	4.4	3.3	1.7	9.7
Food	57.00	0.8	1.9	3.4	9.1	6.5	3.0	2.2	10.6
Pan, supari, tobacco	3.15	4.7	0.8	1.5	9.3	2.4	2.4	2.1	8.3
Fuel & light	6.28	1.9	1.3	4.3	8.9	2.6	5.0	2.4	13.9
Housing	8.67	0.0	2.1	0.0	15.2	0.0	4.1	-0.0	7.4
Clothing, bedding, footwear	8.54	1.4	0.4	1.4	4.3	1.5	1.9	-1.8	1.9
Miscellaneous group	16.36	0.0	3.6	4.0	8.3	2.0	3.2	2.5	9.5

Source: Economic Survey 1997-98

Exports and Balance of Payment

Despite government's exuberance for globalisation, India's exports remain at a very low level compared to the Selected South-Asian countries. The following table No. 13 shows India's dismal performance.

And because of this very poor performance in exports, the balance of payment position of the country remains constantly negative. Table 14 below clarifies the position so far as balance of payment is concerned.

Table 14
Exports of Selected South-East Asian Countries
(in US \$ Billion)

COUNTRY	1992	1993	1994	1995	1996	1997@
China	84.94	90.97 (7.1)	121.05 (33.1)	148.80 (22.9)	151.20 (1.6)	129.12
Indonesia	33.97	36.82 (8.4)	40.06 (8.8)	45.42 (13.4)	49.81 (9.7)	39.50
Philippines	9.75	11.09 (13.7)	13.30 (19.9)	17.50 (31.6)	20.42 (16.7)	18.42
Thailand	32.47	36.78 (13.3)	45.13 (22.7)	56.46 (25.1)	55.72 (-1.3)	42.71
India	19.56	21.55 (10.2)	25.08 (16.4)	30.76 (22.7)	33.05 (7.4)	25.85
Developing Ctys.	1083.07	1146.74 (5.9)	1335.97 (16.5)	1622.56 (21.5)	1718.60 (5.9)	1335.75
World	3735.00	3730.60 (-0.1)	4243.00 (13.7)	5083.90 (19.8)	5271.30 (3.7)	4007.80

Source: Economic Survey 1997-98

Table 15
Balance of Payments: Summary

(In US\$ million)

	'90-91 (P)	'91-92 (P)	'92-93 (P)	'93-94 (P)	94-95 (P)	'95-96 (P)	'96-97 (P)
1. Exports	18477	18266	18869	22683	26855	32311	33764
2. Imports	27915	21064	24316	26739	35904	43670	48063
Of which: POL	6028	5364	6100	5753	5928	7526	10067
3. Trade balance	-9438	-2798	-5447	-4056	-9049	-11359	-14299
4. Invisibles (net)	-242	1620	1921	2898	5680	5460	10638
Non-factor service	980	1207	1129	535	602	-186	2407
Investment income	-3752	-3830	-3423	-3270	-3431	-3205	-3250
Pvt. transfers	2069	3783	3852	5265	8093	8506	11071
Official Grants	461	460	363	368	416	345	410
5. Current Account Balance	-9680	-1178	-3526	-1158	-3369	-5899	-3661
6. External assistance(net)	2210	3037	1859	1901	1526	883	1109
7. Commercial borrowings(net)	2248	1456	-358	607	1030	1275	1009
8. IMF (net)	1214	786	1288	187	-1143	-1715	-975
9. NRI deposits (net)	1536	290	2001	1205	172	1103	3536
10. Rupee debt service	-1193	-1240	-878	-1053	-983	-952	-727
11. Foreign investment (net) of which	103	133	557	4235	4807	4604	5834
(i) DFI (net)	97	129	315	586	1228	1943	2524
(ii) FIs	0	0	0	1665	1503	2009	1926
(iii) Euro-equities and others	6	4	242	1984	2076	652	1384
12. Other flows (net)	2284	101	-245	2800	2604	-2235	-307
13. Capital account total (net)	8402	4563	4224	9882	8013	2963	9479
14. Reserve use (-increase)	1278	-3385	-698	-8724	-4644	2936	-5818

(P) Preliminary Actuals.

@ Figures include receipt on account of India development bonds in 1991-92 and related repayments, if any in the subsequent years.

* Include, among others delayed exports receipts and errors and omissions. For the 1992-93, it also includes errors and omissions arising out of dual exchange rates applicable under the liberalised Exchange Rate management System (LERMS).

Source: Economic Survey, 1997-98

Increasing External Debt

The economic policy has resulted in rapid increase of India's external debt. According to official figures, presently it stands at around 93 billion US dollars. The following tables 16 and 17 show the position India's external debt outstanding.

Table 16
India's External Debt Outstanding

Categories	End March					End Sept.		
	1991	1992	1993	1994	1995	1996	1997P	1997P
	(In millions of US dollars end of period)							
1 Long-term debt	75257	78215	83683	89068	94739	87165	85498	87046
2 Short-term debt	8544	7070	6340	3627	4269	5034	6726	5837
Total external debt:	83801	85285	90023	92695	99008	92199	92224	92883
Short-term as % of total debt	10.2	8.3	7.0	3.9	4.3	5.5	7.3	6.3
External Debt to GDP ratio	30.4	41.0	39.8	35.8	32.3	28.2	25.9	23.8

*End-September 1997 debt as a ratio of estimated GDP at market price for 1997-98

P: Provisional

Table 17
India: External Debt Outstanding by Creditor Categories

(US Dollar millions)

	End March						End Sept.	
	1991	1992	1993	1994	1995	1996	1997P	1997P
I Multilateral	20900	23090	25008	26263	28542	28571	29148	29139
II Bilateral	14168	15466	16154	17450	20270	19008	17347	17261
III IMF	2623	3451	4799	5040	4300	2374	1313	946
IV Export Credit	4301	3990	4322	5203	6629	5220	5392	6451
V Commercial Borrowings	10209	11715	11643	12363	12991	12748	13775	14615
VI NRI&FC(B&O) Deposits	10209	10083	11141	12665	12383	11011	11012	12039
VII Rupee Debt	12847	10420	10616	10084	9624	8233	7511	6595
A Total long-term debt	75257	78215	83683	89068	94739	87165	85498	87046
B Short-term debt	8544	7070	6340	3627	4269	5034	6726	5837
Grand Total	83801	85285	90023	92695	99008	92199	92224	92883
i) Share of official creditors* (%)	60.3	61.5	62.9	63.5	63.4	63.1	60.0	58.1
ii) Share of private creditors* (%)	39.7	38.5	37.1	36.5	36.6	36.9	40.0	41.9

* The term official creditors here includes Multilateral, Bilateral, IMF and Rupee debt.

P : Provisional

Source: India's External Debt, A Status Report, May 1998, Government of India

India ranks 8th among top fifteen debtor countries in world.

Table 18
International comparison: Top Fifteen Debtor Countries, 1996

Sl. No.	Countries	Total Exteranal debt (Us \$ Billion)	Debt to GNP percent	PV of debt (US\$ billion)	Ratio of PV Debt to GNP percent	PV of debt to Exports of goods & Services %	debt service ratio percent	Short Term debt/ total external devt %
1.	Brazil	179.05	28.0	167.56	26.0	293.0	41.1	19.8
2.	Mexico	157.13	47.0	148.46	44.0	154.0	35.4	19.1
3.	Indonesia	129.03	67.0	124.37	64.0	236.0	36.8	25.0
4.	China	128.82	19.0	116.54	17.0	76.0	8.7	19.7
5.	Russian Federation	124.79	34.0	91.62	25.0	97.0	6.6	9.5
6.	Argentina	93.84	33.0	88.07	31.0	323.0	44.2	13.1
7.	Thailand	90.82	56.0	90.82	56.0	131.0	11.5	41.4
8.	India	89.83	28.0	70.61	22.0	152.0	24.1	7.5
9.	Turkey	79.79	49.0	76.36	47.0	184.0	21.7	25.7
10.	Philippines	41.21	54.0	38.62	51.0	116.0	13.7	19.3
11.	Poland	40.90	36.0	35.14	31.0	102.0	6.4	0.2
12.	Malaysia	39.78	49.0	41.67	52.0	50.0	8.2	27.8
13.	Venezuala	35.34	54.0	33.57	51.0	147.0	16.8	8.2
14.	Algeria	33.26	81.0	29.15	71.0	228.0	27.7	1.3
15.	Nigeria	31.41	121.0	29.39	114.0	240.0	16.0	18.1

Source: Global Development Finance, 1998 (Vol. I&II), The World Bank, quoted in India's Economic Survey, 1997-98

Note: The PV ratios are based on 3-year averages.

Table 19
India's External Debt Service Payments

(US Dollar millions)

	1990-91	91-92	92-93	93-94	94-95	95-96	96-97P
1. External Assistance*	2315	2447	2541	2968	3186	3691	3283
Repayments	1187	1329	1443	1645	1748	2192	1922
Interest	1128	1118	1098	1323	1438	1499	1361
2. External Commercial							
Borrowing#	3414	2830	2707	3232	4290	4578	5626
Repayments	2004	1677	1525	1978	2812	3176	4303
Interest	1410	1153	1182	1254	1478	1402	1323
3. IMF	778	697	614	387	1368	1860	1061
Repayments	644	459	335	134	1146	1715	975
Interest	134	238	279	253	222	145	86
4. Non-Resident India Deposits							
Interest	1282	1036	918	905	1046	1247	1627
5. Rupee Debt Service	1193	1240	878	1053	983	952	727
Total Debt							
Service (1 to 5)	8982	8250	7658	8545	10732	12328	12324
Repayments	5028	4705	4181	4810	6689	8035	7927
Interest	3954	3545	3477	3735	4043	4293	4397
Current Receipts	25478	27307	27839	33629	41988	49636	54591
Debt Service Ratio(%)	35.3	30.2	27.5	25.4	25.6	24.8	22.6

* Inclusive of non-Government account figures supplied by the office of Controller of Aid Accounts & Audit, Ministry of Finance.

Excludes accrued Interest-on India Development Bonds (IDBs). For 1996-97, only that component of principal repayment on IDBs is taken as debt service which is redeemed in foreign exchange.

Source: India's External Debt, A status Report, May 1998, Govt. of India.

Table 19 shows a very worrisome situation so far as India's debt service payments are concerned. India is almost on the verge of a debt trap. India's debt to GNP ratio and debt service to exports of goods and services is also very high in comparison to many other developing and erstwhile socialist countries. The following table makes an international comparison.

Table 20
International Comparison 1996

Sl. Ranking No. Country	Total External Debt (EDT)	Total Debt- Service (TDS)	Debt to GNP ratio	Debt Service to exports of goods and service
	(In millions of US dollars)		(In per cent)	
1. Brazil	179047	23157	24.5	41.1
2. Mexico	157125	35350	48.9	35.4
3. Indonesia	129033	19926	59.7	36.8
4. China	128817	14944	16.0	8.7
5. Russian Federation	124785	6010	28.9	6.6
6. Argentina	93841	12649	32.3	44.2
7. Thailand	90824	6449	50.3	11.5
8. India	89827	11342	25.6	24.1
9. Turkey	79789	9711	43.4	21.7
10. Philippines	41214	4972	47.3	13.7
11. Poland	40895	2547	30.5	6.4
12. Malaysia	39777	7171	42.1	8.2
13. Venezuela	35344	3751	53.7	16.8
14. Algeria	33260	3991	76.7	27.7
15. Nigeria	31407	2461	100.9	16.0
<i>South Asia</i>	29901	2672	46.3	27.4
Pakistan	16083	595	50.5	11.7
Bangladesh	7995	353	58.3	7.3

Source: Global Development Finance, 1998 (Vol. II), The World Bank

Note: S. No. 1 to 15 is the rank of the country in terms of total indebtedness.

The following table shows the key debt indicators.

Table 21
India: Key Debt Indicators

(in per cent)

Year	Debt GDP	Debt to to current receipts	Debt Service to current receipts	Interest Payments to current receipts
1990-91	30.4	328.9	35.3	15.5
1991-92	41.0	312.3	30.2	13.0
1992-93	39.8	323.4	27.5	12.5
1993-94	35.8	275.6	25.4	11.1
1994-95	32.3	235.8	25.6	9.6
1995-96	28.2	185.8	24.8	8.7
1996-97	25.9	168.9	22.6	8.1

Memorandum items

World Bank criteria for indebtedness:

Severe	>50'	>275	>30	>20
Moderate	>30	>165	>18	>12

Source: Based on data contained in Table 1 and 8 of the Status Report
World Bank uses CNP whereas the Indian debt ratios have conventionally used GDP as the denominator. For analysis purposes, the World Bank benchmarks have been applied to the GDP-based ratios.

Population, Labour Force and Employment

The Economic Survey 1997-98 gives the following statistics about population and labour force.

Table 22

Year	Population	Labour Force (above 15 years of age) (in millions)
1978 (a)	637.6	262.6
1983 (b)	725.8	289.1
1994 (a)	893.7	367.4
1997 (c)	949.9	397.2

(a) As on 1st January

(b) As on 1st July

(c) As on 1st April

Total number of women workers in the country according to Census Report of 1991 stood at 89,767,563. According to Lok Sabha starred question No. 114 of 30 July 1997, the total number of agricultural workers stood at 74,597,744 (excluding J&K) and according to 1991 Census Report, the total number of cultivators in the country stood at 110,702,346.

According to Rajya Sabha unstarred question No. 2564 of 14 August 1997, the total number of child labour in the country stood at 11,285,349 in 1991. The same unstarred question indicates that 1,08,783 child labour employed in hazardous jobs.

The overall position of employment in industry, employment, exchange statistics and industrial disputes are given in the following tables.

Table 23
Overall Employment in Industry

Financial Year	Manufacturing	Small-scale	(million persons)
			ASI Factory
1990-91	32.70	12.53	8.16
1991-92	33.10	12.98	8.19
1992-93	33.40	13.41	8.71
1993-94	33.80	13.94	N.A.
1994-95	N.A.	14.66	N.A.

Table 24
Employment Exchange Statistics

	Number of exchanges*	Registrations	Placements	Applicant on live register*
1971	437	5,130	507	5,100
1981	663	6,277	504	17,838
1985	800	5,882	389	26,270
1990	851	6,541	265	34,632
1991	854	6,236	253	36,300
1992	860	5,301	239	36,758
1993	887	5,532	231	36,276
1994	891	5,927	205	36,692
1995	895	5,858	215	36,742
1996(March)	895	1,266	59	36,825**

* At the end of year form 1981 onward University employment, Information & Guidance Bureau

** Figures for March 1998 not available, but obviously it has further risen. Thus there are about 4 crores of urban unemployed.

Table 25
Industrial Disputes

	Number of strikes & lockouts	Workers Involved	Mandays lost due to		
			Strikes Mn.	Lockouts	Total
1971	2,752	1.6	11.8	4.7	16.5
1981	2,589	1.6	21.2	15.4	36.6
1985	1,755	1.1	11.5	17.8	29.2
1989	1,786	1.4	10.7	22.0	32.7
1990	1,825	1.3	10.6	13.5	24.1
1991	1,810	1.3	12.4	14.0	26.4
1992	1,714	1.3	15.1	16.1	31.3
1993	1,393	1.0	5.6	14.7	20.3
1994	1,201	0.8	6.7	14.3	21.0
1995	815	0.6	3.9	7.3	11.3

Note: 1990 onwards figures are provisional

Source: Annual Report of the Ministry of Labour & Social Welfare 1997

Widening disparity between the rich and the poor

The net result of this economic policy and the process of globalisation of capitalist economy is widening disparity between the rich and the poor in India where the rich are becoming fantastically richer and the poor becomes abominably poorer.

According to unstarred Rajya Sabha question No. 1043 of 27 November 1997, the government provided the following definition of 'poverty line':

The incidence of poverty is based on the poverty line adopted by the Expert Group on Estimation of Proportion and Number of Poor which defined the poverty line at national level as monthly per capita consumer expenditure of Rs. 49.09 in rural areas and Rs. 56.64 in urban areas at 1973-74 prices corresponding to a basket of goods and services anchored on a norm of per capita daily calorie requirement of 2400 in rural areas and 2100 in urban areas. This way of deriving poverty line focuses on the purchasing power needed to meet the specific calorie intake standard with provision for non-food consumption needs such as clothing, shelter, health etc.

According to that definition, the number of persons below poverty line in India stood as follows:

Table 26
Number and Percentage of Population Below Poverty line

Year	All India					
	Rural		Urban		Combined	
	No. of Persons (Lakh)	% of Persons	No. of Persons (Lakh)	% of Persons	No. of Persons (Lakh)	% of Persons
1973-74	2613	56.4	600	49.0	3213	54.9
1977-78	2642	53.1	646	45.2	3289	51.3
1983	2520	45.7	709	40.8	3229	44.5
1987-88	2319	39.1	752	38.2	3070	38.9
1993-94	2440	37.3	763	32.4	3204	36.0

Source: Planning Commission

By the end of 1997, the Planning Commission revealed that percentage of persons below poverty line by then rose to 39%. What a grim picture!

But comparing the enrichment of the rich during these years, one gets an extremely shocking picture of heaven and hell disparity. The following table shows the assets of top fifty monopoly houses of the country as to how it gallopingly increased during the period from 1969 to 1997.

Table 27
Assets of Top Fifty Monopoly Houses

The Top Fifty: 1939			The Top Fifty: 1969		
Rank	Group	(Rs. in crore) Assets	Rank	Group	(Rs. in crore) Assets
1	Tata	62.42	1	Tata	505.36
2	Martin Burn	18.02	2	Birla	436.40
3	Bird	12.42	3	Martin Burn	143.06
4	Andrew Yule	12.38	4	Bangur	104.31
5	Inchcape	10.70	5	Thapar	98.80
6	E D Sassoon	9.56	6	Surajmull Nagarmull	95.61
7	ACC	8.68	7	Mafatlal	92.70
8	Begg	5.57	8	ACC	89.80
9	Oriental Tel. & Elec.	5.60	9	Walchand	81.11
10	Dalmia	5.51	10	Shriram	74.13
11	Jardine	5.33	11	Bird Heilgers	68.62
12	Wallace Bros.	5.33	12	J K Singhanian	66.84
13	Birla	4.85	13	Goenka	65.34
14	Wadia	4.70	14	Sahu Jain	58.75
15	Duncan	4.54	15	MacNell & Barry	57.28
16	Finlay	3.84	16	Sarabhai	56.72
17	Scindia	3.66	17	Scindia	55.99
18	Killick	3.51	18	Lalbhai	51.20
19	Kilburn	3.23	19	Killick	51.08
20	Sarabhai	3.00	20	ICI	50.06
21	Brady	2.82	21	Andrew Yule	46.75
22	Rajputana Textile	2.80	22	TVS	43.83
23	Steel Bros.	2.77	23	Kirloskar	43.02
24	Macleod	2.67	24	Parry	41.93
25	Walchand	2.61	25	Jardine Henderson	40.19
26	Lawrie	2.55	26	Mahindra	38.58
27	Thackersey	2.56	27	Bajaj	35.28
28	Mafatlal	2.45	28	Simpson	32.92
29	BIC	2.38	29	Seshasayee	32.72

The Top Fifty: 1939

30	Lalbai	2.33
31	Kettlewell	2.23
32	Gillanders	2.16
33	Sriram	2.16
34	Swedish Match	2.05
35	Octavious Steel	2.00
36	Shaw	1.95
37	C. V. Mehta	1.90
38	Mangaldas	1.80
39	Daga	1.67
40	Forbes	1.59
41	Harvey	1.50
42	Dunlop	1.42
43	Spencer	1.38
44	Williamson	1.23
45	Harrisons	0.89
46	Henderson	0.63
47	C Jehangir	0.42
48	Turner	0.39
49	Provident	0.32
50	J. Warren	0.22

The Top Fifty: 1969

30	Gillanders Arbutnnot	29.02
31	Kilachand	27.22
32	J Dalmia	26.72
33	G. V. Naidu	26.41
34	Shapoorji Pallonji	26.36
35	Turner Morrison	23.15
36	Riua	22.40
37	V R Naidu	21.55
38	A & F Harvey	21.33
39	Wadia	20.56
40	Shaw Wallace	20.14
41	Murugappa	20.07
42	Modi	19.38
43	Rama Krishna	18.79
44	Chinai	18.36
45	Jaipuria	18.24
46	Kamani	18.05
47	Rallis	17.94
48	Thackersey	17.19
49	Thiagaraja	16.55
50	Swedish Match	15.70

The Top Fifty ; 1997

Rank	Group	(Rs. in crore)	Rank	Group	(Rs. in crore)
		Assets			Assets
1	Tata	37,510.80	2	B K -K M Birla	19,497.94
3	Ambani	19,345.59	4	R P Goenka	9,664.12
5	Riua	9,593.78	6	O P Jindal	5,456.10
7	M A Chidabaram	4,782.10	8	L M Thapar	4,434.09
9	M L Mittal	4,425.35	10	Rai	4,210.87
11	Lalbai	4,112.44	12	Dhoot	3,737.87
13	Gupta	3,705.27	14	Bajaj	3,415.87
15	B. M. Khaitan	3,351.62	16	H S Singhanian	3,275.80
17	K K Birla	3,094.90	18	Mehta	3,077.23

Rank Group		(Rs. in crore) Assets	Rank Group		(Rs. in crore) Assets
19	Hinduja	2,967.20	20	Mafatlal	2,862.94
21	Murugappa	2,840.62	22	Nanda	2,642.22
23	Mahina	2,633.70	24.	G.P. Goenka	2,630.43
25	G. P. Birla	2,530.32	26.	Kirloskar	2,622.61
27	Raju	2,511.54	28.	J.P. Gaur	2,440.88
29	Loha	2,440.88	30.	Mallya	2,414.65
31	Kalyani	2,395.29	32.	K.M. Sheth	2,357.59
33	A Oswal	2,342.36	34.	Wadia	2,334.97
35	M R Chhabria	2,286.02	36.	T.S. Santhanam	2,214.06
37	S K Birla	2,080.11	38.	V. Singhania	1,979.88
39	H S Ranka	1,967.85	40.	M.M. Thapar	1,963.47
41	Ranbaxy	1,875.71	42.	Bharat Ram	1,863.26
43	P P Chhabria	1,712.73	44.	Godrej	1,695.97
45	Nambiar	1,691.57	46.	V.L. Doshi	1,519.89
47	B K Jhawar	1,514.06	48.	J.L. Oswal	1,412.76
49	S P Oswal	1,282.40	50.	R.M. Sanghi	1,268.75

(Source : Business Today, Aug., 22- Sept. 6, 1997)

And these are the grave consequences of the IMF-World Bank dictated new economic policy and globalisation of capitalist economy on the poor and common people of India!

Socialism: A Viable Option

Inaugural speech by Jose Ramon Balaguer Cabrera, Member, Politburo of the Communist Party of Cuba at the International Workshop: "Socialism towards the XXI Century". Held at Havana on October 21-23, 1997 to commemorate the thirtieth anniversary of the martyrdom of Che Guevara.

1. Contemporary Capitalist Society

Once again the bells announcing the victorious finale of capitalism are tolling, this time in the name of the superiority of 'globalisation', a term in vogue, to explain and justify a whole lot of things. In academic discourse, as also in the documents of governmental and international organisations, this intricate and multi-faceted process, having its basis in the globalisation of world economy, is being acknowledged.

With the idea of a future "global village", which brings to our memory the positions of super-imperialism prevalent in the beginning of the century, a new world economy — brought about by the end of the Cold War — is being spoken about wherein an ambience of permanent harmony prevails inside and between countries. Moreover, it is assumed that the Nation States are almost dissolved, national sovereignty has lost its meaning by virtue of certain universal tendencies which have made the functioning of the system uniform.

It is true that there has been an enormous growth of world trade, of international mobility of capital and especially of financial

flow at a greater rate than that of production. Also it isn't necessary to reiterate that there is a greater degree of inter-penetration in national economies owing to the revolution in the means of transport and communication and transmission of information, further integrated by a global network and woven by a capital with greater international mobility in comparison to the last century.

After all, Marxism had warned us long ago that the structure of international economic relations is the objective process of capitalism. The international flow of capital — one of its definitive features — facilitated the establishment of a world system as one of the aspects of capitalist domination — the first of its kind in the history of mankind. This very international mobility assisted by the colossal scientific and technological advancements has resulted in an extremely high level of internationalisation of capital.

But perhaps, as it is insistently proposed, does globalisation signify the universal and definitive triumph of capitalism or the abolition of contradictions between social classes or between countries or regions, or the elimination of the crisis of the system or the cancellation of revolutionary upheavals or the inevitable adoption, in the manner of straightjacket of a certain code of conduct by all countries in their internal and external policy?

The reality is too dramatic to give credit to such fantasies of the ideology of globalisation.

We are witness to a crisis situation in the capitalist system which is evident in the tendency of slow growth rate in economic activity in the long term as well as marked cyclic movement which includes profound drops in the middle of the 70s, and the beginning of the 80s and 90s. Scarce investment, general indebtedness, unsustainable levels of unemployment and the fall in profit margins are some of the symptoms of the fragile health of the economy.

The volatility and instability represented by enormous bulk of capital flowing erratically without effective regulation and with great destructive capacity capable of overthrowing national economies and governments within few hours cannot be overlooked. The vertiginous separation of speculative capital from the real productive base as an expression of the parasitic state of capitalism has its limits.

On the other hand, globalisation does not signify an automatic solution to the contradictions and heterogeneity accompanying the development of capitalism. Neither does it mean the end of

history. Rather, the disappearance of the socialist camp, the re-evaluation of economic and political aspects defining the strategies of international relations by industrialised countries and the present, discernible development of economic blocs and the competition between them are aspects which, as a whole, seem to be shaping a new stage of inter-imperialist rivalry.

Unequal development is evident, more than ever before, with the consequent tendency to reproduce on an even larger scale the North-South differences that have historically accompanied the development of capitalism. Only that now, the contradiction between high levels of scientific and technological growth — which explain the need for social use and control — and private appropriation and control give rise to not just class struggles but also the struggle for the survival of species in social relations and continuity of life in a tenable ecological environment.

Our Latin American and Caribbean region together with Africa and a part of Asia constitute an extreme case of marginalisation with respect to the world economic dynamics, loss of presence in the global functioning of the system and international penetration, which, in practice, does not go beyond debt-servicing to international private banks.

Neo-liberal economic policies, which follow the prescriptions of the IMF, have played an indubitable role in designing this pathetic and unequal picture. Almost the whole of the underdeveloped world has been homogenised in the same practice of total privatisation and commercial opening at any cost, as if these were the only possible formulae for economic success. Nevertheless, those who praise it while speaking and propose these formulae from government, academic and international economic forums are carefully disassociating from them.

The consequences of this intellectual and political capitulation, which has forgotten the efforts to postulate development theories and policies from the point of view of underdeveloped countries, for the Third World are impossible to quantify but the tragedy is visible; there is too much poverty, hunger and inequity in the wake of privatisation and the "save yourself if you can" slogan of the perfect market.

Today, one is witness to an abysmal gap between the rich and the poor, not only between developed and underdeveloped coun-

tries, but also in parts of the Third World. Such a gap is increasing in all developed economies as well, furthered by, among other things, the migration of the poor, and this is sought to be stopped by fuelling the fire with racism, xenophobia and repression.

In 1960, the top 20% of the world population in terms of wealth received 30 times higher income than the bottom 20%. Today, the top 20% gets 60 times more. This comparison takes into account the distribution between developed and underdeveloped countries but if one takes into account the unequal distribution within countries, then the top 20% gets at least 150 times more than the bottom 20%.

Another way of expressing this tragedy is that the top 20% corners 82.7% of total world income, while the bottom 20% receives just 1.4%.

In Latin America, the favourite ground for experimentation of neo liberal policies, there are about 8.1 million destitute in a state of poverty difficult to overcome. This means that even after 15 years of sustained application of neo-liberal policies purportedly to eradicate state inefficiency and allow free market and private initiative to bring development, almost one in five Latin Americans is statistically classified as destitute.

Neo-liberal globalisation has not succeeded in establishing political stability after the disappearance of the erstwhile USSR and so-called real socialism.

On the contrary, the strong wave of ethnic explosion, territorial disputes and religious fundamentalism, the elimination and surfacing of states in the uproar of local wars emphasise that the momentary triumph over socialism has not eliminated the inherent conflicts in the capitalist system, and that this has surfaced from its profound nucleus of exploitation, exclusion and inequity, in new, surprising forms as well as old and dangerous forms like the rebirth of fascism.

It is not merely a question of an unstable, disintegrated and politically more explosive world but also the destruction of our environment. It wouldn't be difficult to demonstrate that environment pillaging and neo-liberal capitalist globalisation inexorably move hand in hand because they have greater interest in getting the most out of the market than in reason.

2. The Collapse of Socialism in East Europe and USSR: Some Assessments

Under these conditions, there is not the least doubt that there are only two ways out — either the continuation of the barbaric capitalist system or the search for an alternative to this state. For us, Cubans, and for millions of people, socialism continues to be the alternative.

It is not socialist truth that failed. Those who bore the historical responsibility of carrying it forward, of incorporating it in our everyday lives and our personal experiences were the ones who went wrong. It is a sensitive issue since the future of humanity is at stake.

Without intending to stop and analyse the collapse of socialism in Eastern Europe and the USSR, I can remind that the so-called domino effect did not reach our country.

The fall of socialism in Eastern Europe and the USSR had its historical, socio-economic and political causes, which we have been elucidating from time to time. But what has been demonstrated very well is that this European process did not mean the failure of socialism as a system.

Neither does it imply the incompetence of Marxism-Leninism as guides for our actions. It does, however, signify the disintegration of dogmatic and vulgar Marxism, which gained strength in these countries as official theory and while it buried many central principles of our classics, it elevated others, which are without a scientific basis and only served to justify political positions.

Everyone knows that the classics did not design a scheme of socialist society, they only evolved a basic thesis. The socialism, which succumbed, had been distancing itself from the socialist ideals conceived by Marx, Engels, Lenin and other Marxists. Their model was mechanically copied in the countries associated with the CMEA, borrowing schemes which were valid perhaps for one kind of situation, but not for another, thus completely ignoring national realities and traditions.

At the time of the fall of socialism in Europe and the USSR, the revolutionary forces had reached an ebb, which had international repercussions, and Cuba was passing through a process of rectification of errors and negative tendencies initiated in 1986 under the Party's direction. We had reached the conclusion that the model of

the direction of the economy, copied in good measure from the Soviet experience, had to be submitted to fundamental changes.

That model which permeated Cuban social life had led us to mistakes and negative tendencies, which had led to deviations in the construction of socialism towards unrevolutionary paths.

We began the rectification process on the social scale, which ranged from the economic sphere to the political life of our country, with a view to rectify and perfect our socialism from socialist positions.

The process of perfection of our socialism was obstructed due to the disappearance of socialism in Europe and the USSR, and a new stage, not known hitherto, started when a world with which we had 75% of our foreign trade and from which we received fuel and other raw materials for our industry and agriculture and finance for our development amongst other advantages disappeared. Thus, a completely new phase began for us, in which we adopted an ensemble of economic policies with the objective of saving our Motherland, the Revolution and Socialism.

Today, the progressive forces are faced with a new geopolitical situation, where imperialism, specially the United States, is trying to establish a new world order in which the principles and values of capitalism would prevail and through which the United States would impose its hegemony making the rest of the world surrender to its decisions, managing the world according to its whims.

3. Socialism as a System

In the present international conditions, it is reasserted for us that socialism is an imperative not only as the logical consequence of the development of productive forces at an international scale but, moreover, as the only alternative to guarantee human survival. Today, the constant worsening of global problems, on an ever larger scale, manifests the historical limitation of capitalism.

It is evident that today, global problems — factors that influence at an international scale — together with the internal class struggles stimulate the fight for a new social regime. The struggle between capital and workers is increasingly internationalised, forcing us to closely look at socialism beyond national frontiers and contradictions, and ratify the currency of the slogan of classical

Marxism: Workers of all countries, united. And that far from losing its validity, it incorporates other social sectors and movements which suffer the consequences of capital.

This aspiration necessarily transcends the existing framework of classes, national borders and becomes a necessity for the international community.

The afore-mentioned must signify not falling into the old error of designing a unique abstract model of socialism for all the countries. This aspiration must be for developing a socialism based on the specific characteristics of each nation or region.

In the wake of a generalised crisis of values throughout the world, demonstrating the possibility, viability as well as the desirability of socialism while creating new emancipating projects becomes indispensable. There would be no social change if the objective values, which such a modification must generate, were not subjectively assumed beforehand as desirable values.

We assume that socialism is the only real option to improve ethics in social relations and must not slacken in its effort to demonstrate, theoretically and practically, its clear superiority in moulding the highest human values: namely, justice, equality, equity, liberty, democracy, respect for human rights, national sovereignty and solidarity.

Such a society continues to be the clear alternative not just to capitalism but also to the frustrating experiences of Eastern Europe and the USSR. Similarly, it is a fact that the errors, deviations and excesses that took place there in the name of "real socialism" together with the exaggerations of transnational channels of information have extraordinarily devalued the image of socialism in the eyes of the workers and the oppressed of the world.

It is necessary to project a new and fresh image of socialism based on a just and free society, which, while catering to the specificity of each case, would present an adequate correlation between plan and market, equality and efficiency, centralism and democracy, which would promote a true feeling of ownership among the workers with respect to the means of production, which would respect and take into account differences, which would preserve the natural environment and which would be a genuine expression of popular will.

In a nutshell, it would be what our comrade Fidel had stressed

when he said, "for me socialism is a total change in the life of people, establishment of new values and a new culture, which must be founded on the solidarity between men and not on selfishness and individualism".

Socialism will not appear in historical perspective to be a modernisation of present society but a revolution in its dominant structures. In this sense, the question of capturing power remains a basic requisite although it assumes different forms varying with the conditions of different countries or regions.

The socialist alternative has never been so necessary, but it is a paradox of our times that capitalism knows how to make the most of the recent defeats, and still has a consensus that must be reversed by the forces of the Left.

4. The Cuban Revolution and Socialist Development

In our history, which is the living memory of past events, marked by heroism and resistance, we, the Cubans, first fought against Spain for Independence and to free ourselves of colonial slavery, and almost simultaneously we confronted the United States to oppose their intervention and interference. Patriotism and anti-imperialism have been two organic forms of struggle present during the course of the Revolution since 1868 when the first movement for emancipation began.

Marti, in his political testament, came forward to denounce American expansionist designs and warned against the dangers lurking over the people of our America.

The long years, some of them very crucial, of our country's history reveal the dimensions of the combat that has been waged to liberate the Cuban people from this powerful neighbour, who has not stopped at attacking, dominating, occupying it by force, destroying its riches and culture; and, despite all this, has not been able to bring it under its control, nor has it been able to conquer it with economic, psychological or biological wars.

A hundred years have passed since the first imperialist war, in which the Yankees deprived our freedom fighters of their right to govern, imposed the Platt Amendment curtailing the country's sovereignty and forcibly set themselves on a piece of our national territory, which remains till today an insolent naval base, in Guan-

tanamo.

Obviously, in the patriotic consciousness of the Cubans, anti-imperialism became an opportune expression for the defence of the Cuban nation and its identity in the face of the threat of complete extinction.

Socialist Cuba broke away from the fatalistic scheme of "Manifest Destiny" of the Western Hemisphere. Cuba will not be forgiven for this historical challenge, which for some of its distinguished academics was "a policy mistake of the North Americans in dealing with the uprising coming down from the Sierra Maestra".

On the 1st of January 1959, the actions of the guerrillas in the mountains and the combatants in the cities resulted in the revolutionary triumph of the uprising amidst the most intense class struggle, but then power rested with the working people and its Rebel Army.

The oligarchy and its supporters were left without an audience, its press had no readers, and the multiparty regime of the bourgeois latifundist bloc collapsed definitely without any legal intervention.

The leaders of the Revolution warned that the most difficult and dangerous moments of that process were yet to come, as confrontations with the Yankee imperialists and counterrevolution had begun.

Under such circumstances, the unity of the revolutionaries became even more imperative and urgent, and they agreed to the formation of a single Party as a means to guarantee the unity of the people.

The triumphant revolution not only united the nation around its national and social programme, but also unleashed the forces of real human heroism in society, unprecedented enthusiasm and complete revolutionary zeal characteristic of a society which was forging ahead through its history of struggles and combats.

The Cubans have firmly defended their sovereignty and independence and their right to self-determination, this universally valid principle for all States, which is sought to be taken away from Cuba through peaceful transition to capitalism. Terrorism and other aggressive acts are used to impose this.

The basis of the politics of the Cuban Revolution has not

changed. Far from going back, Cuba continues to transform itself, amidst the escalation of North American hostility and blockade, without renouncing those principles, which, it, as a sovereign nation, opted for advancing towards greater social justice and to create the foundations to build a socialist society.

Enriched with the best tradition of revolutionary thought, the Marxist-Leninist ideology sustains the thought and actions of Cuban revolutionaries, and together with the universal ideas of Marti, it constitutes the ideological strength of our people and Party.

Along with the socialist seed, which forms the root of Cuban revolutionary thought, internationalism — an expression that identifies with the struggles of the exploited in other corners of the world — is inseparable from the projections of the Cuban revolution. There are ample examples, but it is sufficient to remember two beautiful examples of this sentiment in our peoples: among others, Marti and Maceo did not conceive Cuban independence without the independence of Puerto Rico, and the Cuban Revolution responded to a historical debt towards the brotherly African peoples.

In the task of educating the new generations in these ideas, the action and the message left behind by Ernesto Che Guevara acquire exemplary and imperishable significance.

Patriotism, internationalism and socialism, whether it is historical tradition or the canons of our ideals, are founded and transformed into inseparable concepts, which express the strength of the society we construct and defend.

The ideals of human dignity, decorum and social equality, in short, the aspiration to construct a more just and advanced society is a right claimed by Cubans in the midst of so much scepticism, imperial pressures and ideological confusions prevailing in today's world.

The redeeming message of our history has the ideological support of socialists of the stature of Carlos Balino, founder of the Martian party and Julio Antonio Mella of the first Cuban communist party.

These ideals grew out of the ideological strength of the working class and other progressive sectors during the neo-colonial republic. When the Cuban Revolution triumphed in 1959, the ideas of socialism were alien neither to the historical process nor to the

main protagonists. Our socialism is a result not of an imported model, it was not imposed on us by external forces. The society we constructed was based on Cuban reality, the level of development of our material conditions and the spiritual life of our peoples.

In the Cuban conception of socialism, revolutionary humanism creatively applied to all stages according to the concrete conditions has been and is a fundamental aspect. We continue to be loyal to Che who characterised our society as "... a Marxist, socialist, congruent or approximately congruent system, in which man is in the key position, the individual is spoken of, man is spoken of and the importance he has in the revolutionary process."

Without deviating from the socialist essence, in our country, we have introduced capitalist and market elements, which signifies a risk we know to face in an intelligent and moderate manner, without being led astray by the false recipe of neo-liberalism.

In the present conditions, despite the difficult economic juncture, the essential socialist principles are preserved. Social property, social justice and policies benefitting the majority are given importance. The unwavering direction exercised by the Party on society; the structure and functioning of the Socialist State, of the mass organisations in order to promote economic development, to improve living conditions, renewing social development programmes, in short the struggle to preserve and consolidate the values of material and spiritual life of socialist society.

The reforms introduced in the Cuban economy have not meant retrenchment of workers, privatisation, abolition of social security, or closure of schools and hospitals, although we all know the price the people have paid in terms of deprivations and scarcities of all kinds. The market harms certain values, encourages individualism and self-centredness against which we fight by reinforcing patriotic and socialist consciousness which characterise our revolution.

For the Communist Party of Cuba, building socialism also involves the search for the singularity or specificity of every region of the country. The possibilities of success lie in this and not in copying. Therefore, we think that there is no single or exclusive road to build a new society, and thus we respect everybody's experiences, which we must study in order to choose the most appropriate one.

In our socialism, the role of politics, ideology, ethics, along

with the necessary gradual attention to the social sphere, depending on the economic possibilities, constitute the moments of dialectical development of Cuban society, thus making it different from other societies overcome by injustices, bereft of human solidarity, immersed in misery, subject to political corruption, ungovernability and victims of a brutal oppression at the hands of trans-national capital.

If socialism — said Fidel — is the science of example, ethics guides the tendencies in men and women to improve in life and society. Che contributed, as few did, to this effort and Fidel, under his influence, and the Party have, in its organisational and educational work maintained that ethics is an essential branch of revolutionary resistance.

Ernesto Che Guevara is the paradigm of human perfection, which Cubans aspire for (there are those who are willing to lay down their lives to serve as examples of this paradigm). He contributed significantly to analyse, study and interpret our Revolution with a new, fresh and autochthonous understanding, endowing it with enriching thoughts and actions.

The concept of this new man became possible due to the impressive result of the Revolution, and doctors, teachers, leaders of workers, simple comrades, students, scientists, professionals and intellectuals draw inspiration from his work and emulate him in their daily work with grand gestures of sacrifice and heroism. These are people who think — and they are right in doing so — that Che lives on within us.

There is a very simple yet impossible question for the capitalist system that Cuban socialism gives utmost importance: "to uphold human dignity and to make it, as Marti announced, the principal law of society."

We are proud to be able to depend on a new people, where new men and women are being formed, not as an impossible ideal or belonging to a faraway future, but as a possible ideal through social consciousness transforming into revolutionary practice.

Revolutionary unity has been a decisive factor in reaching this point. Thanks to this solidarity with the Party and its leaders, the Cuban people have been able to face, with admirable resistance, the conditions imposed by the disappearance of European socialism and the Soviet Union, made even more oppressive because of the criminal and genocidal blockade.

Our unity is based on a political system established with true democratic principles. They have a genuine socialist character like for example, the most important political, social, economic and juridical decisions of the State are taken in consultation with civil society and its organisations; popular participation in government at all levels and the elections of the candidates and representatives of the people. Our Party neither puts up, nor does it choose or revoke the elected representatives. This is the people's right. An example of this democracy has been the elections held last Sunday and its results, where the people, by their vote, have clearly supported our Revolution, because the people form the main principle of this Revolution.

Democracy is another element which characterises and strengthens our socialism. Nothing can express the principles of our democracy better than Fidel's ideas embodied in the statement that: "Democracy, for me, means that governments are closely linked to the people, emerge from them, have their support and are wholly dedicated to work and fight for the people and their interests. For me democracy is the defence of the rights of all citizens, among these, the right to independence, freedom, national dignity, honour, for me democracy means fraternity between men, true equality of men, and equal opportunities for all men, for every human being born in this world and for every human mind."

This conception, which has taken shape in the Cuban Revolution, is being discredited by our enemies, and at the same time, they want to impose on us the spent scheme of representative democracy, which will only mean a return to capitalism.

5. In Search of a Way out of the Present Crisis

Dear Comrades,

Apart from the national situation of a country, world politics is characterised by discredited, repressive executive and legislative sanctions, which has increased the contradictions within parties and political streams, thus leading to factionalism, growing mistrust in electoral systems and processes, high expenditures on recently elected leaders, increase in absenteeism, proliferation of corruption related scandals, growth of production and trafficking of drugs, aggravation of delinquency and institutionalised violence, marginalisation of vast social sectors, use of demagoguery as a

means of capitalising on the frustration and desperation of the masses and other phenomenon leading to what is defined by some as "the crisis of governance". This crisis is reflected in the increase in social and popular movements often without leadership from any political party, as well as the unprecedented increase in fraud and corruption.

As an expression of concern by the dominant elite for the worsening situation, diverse initiatives have proliferated for designing a social model of control capable of neutralising the effects of the socio-economic crisis. Some of these propagate maintaining the neo-liberal pattern of accumulation, while others seek to find alternatives from within the system.

The increasing transfer of sovereignty and shift in decision making towards the centres of world power and transnational organisations is provoking a power void in underdeveloped and half-developed Nation-States. Politics and its institutions are reduced to a homogeneous system, which increasingly does away with the identity of parties, while many of the Left organisations are forced to work within "variables" and "norms", which only allow them slight divergences from established capitalist criteria.

The power of Nation-States, one of the objectives for which revolutionary war is waged, is beginning to get undermined. Therefore, it is our priority to reconsider the question of power struggles, as well as how to evaluate the instruments and forms of popular Left participation in society. From now onwards, revolutionary struggles would have an internationalist component and changes will be impossible without a confrontation with groups and institutions which are taking the decisions today.

At the same time, the change to intensive production, concentration and contraction of capital and increasing retrenchment of salaried workers along with social fragmentation, political and cultural segmentation, brought about by the actual process of change in capitalism is giving rise to profound transformations in the social and class composition of our society, which, in turn, bring about a variation in popular class composition, apart from relativising some spaces and formulae of political alignment among the Left. These days, the growth of the working class is not noticeable, rather a growing exclusion of the work force is taking place, and those excluded are often reduced to an informal and marginalised status.

Progressive parties as well as other political and economic institutions are subject to the effects of the imposing international relations, which hinders political, economic and social transformation so essential for overcoming dependence and underdevelopment.

The left is faced with a qualitatively different situation owing to the disappearance of so-called "real socialism", the changes in world capital and mutations in the societies where struggles are going on.

One of the most important questions in present left politics is the politics of alliance as a condition to respond to neo-liberalism. Though every party and organisation must evaluate, in their respective countries and regions, the situation, the aspects to be included in the formation of alliances in consonance with the characteristics and peculiarities of their reality.

In our opinion, the coming together of revolutionary forces with other sectors around short, medium or long term objectives should be a process in which the parties are allowed to pursue their main interests. It isn't acceptable that one renounces socialism or revolutionary positions in order to be accepted. Therefore, firstly and most importantly, it is necessary to define the objectives and the basis of the alliance.

Unlike the permanent transactions of traditional parties, an alliance in which revolutionary organisations participate must not be reduced to negotiations between the elite, leaders and national executives. It doesn't serve any purpose to promote agreements, which will weaken us or contribute in undermining our internal unity and political stability of our organisations. The support and understanding of our mass following is essential for success. Including their criteria and interests is necessary and possible. There cannot be a solid alliance without the support and participation of the popular sectors. The essence of any alliance, which wants to have left perspectives, is that it is built from, by and for the downtrodden.

It is logical that coming together means negotiation, in which the sides give in on some questions and are favoured on others. But the only thing that a revolutionary cannot negotiate is the principles.

If our immediate objective is to defeat neo-liberalism, it is necessary to make efforts to incorporate or influence all those who

oppose the model and not just some of them. Alliances between two parties to exclude the third force will only take us in the direction of the old tradition of sectarianism, which have proved to be ineffective in fighting against imperialist domination.

The development of conflicts and contradictions in the system are engendering a large diversity of new social sectors and are renewing the profile of others, all of whom are excluded from the model. This is creating the conditions and potential for a broad politics of alliance — ecologists and farmers, the landless and the roofless, those fighting for health and social protection, politically autonomous groups organised along gender, religion, race and ethnicity. It is also important to include the marginalised, unorganised sectors, which can help in creating a new emancipating force.

On the other hand, the unfolding contradictions in the model, especially its concentrated and exclusive character, is modifying the projections of some sectors, which were earlier in favour of capitalism and are no longer so. This is the case of a part of the middle class, the small or medium sized companies, for whom the growing polarisation leaves no space. It also includes patriotic and nationalist army personnel as well as other affected sections, which must be included in anti neo-liberal projects.

In the IV Forum Meeting in Sao Paulo, Fidel expressed the view that: "The defeat of neo-liberalism means creating a hope for the future, to preserve conditions for progress because the limits to our progress lie in capitalism, and there can be no human progress without challenging it. This would be a task for another moment, if not for other generations.....". At the same time he insisted that equanimity and sagacity are necessary for defeating neo-liberalism, as it is possible to emerge victorious only "without recourse to any kind of extremism, with a broad based movement, while uniting forces and forming alliances in order to win the battle against the enemy, which is creating tremendous and unbearable social conditions".

Comrades,

The sessions of our V Party Congress concluded only a few days back. It was a process which began months ago, beginning from the grass roots, where the fundamental theses not only for members but also for the people were analysed. It has moreover been an example of democracy in our Party.

The Congress concurred that the path adopted in the IV Congress in 1991 was the correct one, that the Revolution has been able to resist, that we are here defending Socialism and our independence, and ready to achieve economic development of Socialism.

As laid down in our Congress, imperialist ideas are discredited and cannot convince anyone, the world order they want to impose is not viable and has no future. They can buy, corrupt, but they cannot conquer the hearts and minds of the people.

Despite the enormous difficulties which our country is facing, with an economic war imposed and reinforced by imperialist North America, we corroborate that our economic recuperation is in progress and it is irreversible.

Cuban communists analysed that, in the wake of the ideological campaign unleashed by capitalism that the State must desist from participating in the economy, the most revolutionary thing we can do is to demonstrate that a socialist venture can function very efficiently.

As our First Secretary Comrade Fidel announced, the key task before the Party in the coming years is to ensure that inefficiency is an exception and not the rule. Thus, we, the Cuban Communists, proclaimed that we would work to show that socialism, with social justice as an essential component of its principles, is efficient and that this is the only viable option for the genuine happiness of the people.

Thank you.

(Translated from Spanish by Vijaya Venkataraman)

There is a risk that is mistaken in this way of presenting matters. For most of its existence, the apartheid regime (like the minority regimes before it in South Africa) was not isolated from the world. On the contrary it was, in its way, an integral part of a broader world system. Far from, therefore, deciding our fate, the world ANC-led liberation movement was characterised, in fact, in an

The South African Revolution in its International Context

Excerpt from the Discussion Document "Build People's Power, Build Socialism Now" Tenth Congress of the South African Communist Party, 1-5 July 1998.

1. The End of Isolation!

From its launch in 1921, the Communist Party in South Africa has committed itself to an international perspective. We have always sought to understand the interconnectedness of our own struggle with socialist, working class, democratic and liberation struggles around the world. We have also seen the propagation of the values of internationalism within our country as a core Communist Party task. The SACP is, today, convinced that internationalism is more relevant than ever before.

A strategic understanding of present international forces is central to developing a clear programme for the South African transformation struggle. A failure to develop such an understanding will lead to many illusions and mistakes. Coming to terms with the place of the post-1994 Africa within the world has proved to be an area of considerable uncertainty, if not plain confusion. Justified pride in our successful political transition and the genuine respect it has inspired around the world have also instilled illusions about global realities, and our place within them.

In many quarters the ending of apartheid has been presented, unproblematically, as an "end to our international isolation".

There is much that is mistaken in this way of presenting matters.

For most of its existence, the apartheid regime (like the minority regimes before it in South Africa) was not isolated from the world. On the contrary, it was, in its way, an integral part of a broader world system. For many decades our Party and the wider ANC-led liberation movement, characterised minority-rule in our country as a variant of colonialism - as colonialism of a special type (CST).

By invoking the concept CST we were not just referring to the colonial origins of modern South Africa in the phase of industrial imperialism. We were referring to the specific path of capital accumulation pursued in South Africa, which was forged, with the active backing of British imperialism, around the colonial alignment of class forces and the national oppression of the majority. It was around this colonial alignment of class forces that South Africa was integrated into a wider imperialist system that was, at once, economic, political and military in character. As late as the 1970s, successive United States administrations pursued the deliberate strategic decision to back white minority rule in South Africa, in the context of intensifying a Cold War struggle in Southern Africa. The apartheid regime was seen as an important regional gendarme, as a component, therefore, of a broader imperialist bloc.

Partial sanctions were only imposed, reluctantly and belatedly, on the apartheid regime by the major imperialist powers following all-round international popular pressure, and also a growing perception that apartheid was no longer a necessary or even viable regional political dispensation from an imperialist perspective. These perceptions were reinforced by:

- * the growing instability within South Africa, including the systemic failure of the imperialist inspired coercive-reform measures, introduced by the apartheid regime through the late 1970s and 80s;
- * the weakening political and military capacity of the Soviet Union and its broader bloc in the 1980s; and
- * the increasing capacity of imperialist forces to dominate Africa through the management and manipulation of the debt crisis. In the course of the 1980s, by way of harsh structural adjustment programmes, many post-independence development gains were rolled back in progressive African countries. African economies were opened up to the predatory incursions

of transnational corporations — in a very real sense Africa was re-colonised, not by armies, but by financial institutions.

In short, the usefulness, for imperialism, of a white minority-based regional gendarme had diminished by the late 1980s.

South Africa is not emerging from decades of isolation. Moreover, insofar as there were partial sanctions on the apartheid regime, they were imposed at the behest of the liberation movement and with the support of active anti-apartheid solidarity movements around the world. It is patent nonsense to speak of the ending of these partial sanctions, as if “we” were now emerging from that isolation.

Failure to correctly characterise (or even vaguely remember) the recent past, produces many distortions in the way in which our present place within the international system is understood. The world “imperialism” has virtually disappeared from the vocabulary of our liberation movement, as if the collapse of the Soviet bloc, and the ending of the Cold War, also resulted in the evaporation of the powers and consequences of imperialism. In fact, the global power of the most developed capitalist countries and of the major capitalist transnational corporations has grown immensely, not diminished, in the decade of the 1990s. In 1915, Lenin distinguished several defining features of imperialism — the immense strengthening of a handful of capitalist corporations, extending their operations across the globe; the growing inequality within countries, and especially between different regions of the world; and the marginalisation of whole regions, even continents. In the last quarter of this century we have seen a new phase of imperialism unfolding.

Forgetfulness about the immediate past, and confusion about the present lead, in turn, to a naive understanding of how South Africa should now engage with international realities. This engagement is often presented as a simple “return” to the “family of nations”, as a programme to “integrate” ourselves as fully and as rapidly as possible into a generally benign global order. The means for achieving this rapid integration are held up as a set of universal laws. There are “rules of the game”, we are repeatedly told, and if we want to be an international player, then we must loyally observe these rules.

To better understand all of the above, it is important to look more closely at what is commonly, if loosely, referred to as “globalisation”.

2. Globalisation

Tendencies towards the economic integration of the world have been a feature of the capitalist system from the beginning. This process was greatly intensified in the last quarter of the 19th century, with the export of vast quantities of productive capital from the industrial heartlands in Western Europe. The industrialisation of South Africa, around the mining industry was, at this time, part of this early globalising tendency.

Over the last two decades there have, however, been major quantitative and qualitative developments within this general tendency. We have been living through a new phase of imperialism. The key factors in this have been:

- * Rapid technical advances in information and communications technology, which have enabled, and in turn have been impacted upon by:
- * The vast quantitative growth and qualitative global integration of financial markets; and, above all
- * The increasing trans-nationalisation of capital, in which major capitalist corporations increasingly organise their production processes, and their concentrations of power trans-nationally, resulting in new power blocs and the relative (but not absolute) reduction of power of national states, including the major imperialist states.

There have also been key political factors at work. For nearly three decades after the defeat of fascism in 1944/5, a balance of class forces prevailed, especially in the most industrialised countries, that favored working people. These three decades saw the consolidation of the Soviet bloc of countries, major social democratic advances in the more developed capitalist countries, and a wave of decolonisation. From the early 1970s capitalist forces, partly in the face of internal capitalist difficulties, sought to restructure the conditions for renewed profitability. Since then, there has been a prolonged offensive against the welfare state in the developed capitalist countries. In the developing south, the debt crisis has been exploited to roll back the developmental gains of the post-colonial period. And, through the 1970s and 80s, increased pressure was brought to bear on the Soviet bloc, partly through an intensification of the arms race. Between 1989-1991 this former Soviet bloc disintegrated. This bloc had been relatively, but never

entirely, de-linked from the globalised, capitalist economy. Former Soviet-aligned societies are now all, in differing degrees, more thoroughly integrated into this globalised economy. Those developing societies that turned to this bloc as a counter-weight now have fewer options.

But while the term "globalisation" might well describe certain realities, it is also used prescriptively. Indeed, neo-liberal ideologues like to blur the difference between description and prescription. Globalisation is presented as a process driven by irrepressible market forces and irrepressible technological determinism — in this way, proponents of neo-liberalism seek to intimidate the rest of us, and block any critical analysis or independent thinking. There are simply "no alternatives" in their perception of things.

Contrary to this argument, the present global expansion of economic processes is being actively and consciously shaped by leading capitalist forces, organised through powerful political and economic institutions. In asserting this we are not indulging in a conspiracy theory. There is no conspiracy — but there is a strategy.

Moreover, despite the purported absence of alternatives there are major disjunctures between what is claimed for globalisation (the supposed "rules of the game") and what is actually practised.

2.1. "Rules of the game" and the actual realities

Globalisation is supposedly promoting an integrated world system, encouraging outward expansion for developed countries, and export-led growth for developing countries. The facts are less straightforward. While poor, developing countries are urged (and coerced) into integrating their economies into what is supposed to be an open, competitive global economy, the last fifteen years have seen the consolidation and strengthening of some significant countervailing realities:

* **Managed trade — and not free trade** — contrary to neo-liberal claims, world trade is not always characterised by the free flow of commodities within globally open markets. According to an UNCTAD calculation, fully two-thirds of international trade in goods and services actually takes place within the same transnational corporation, or by way of special arrangements between firms. A large proportion of international trade is, therefore, not

subject to the "discipline" of free competition.

* **National unilateralism** — powerful countries like the US continuously attempt to impose unilateral, often political agendas, upon what is supposed to be multi-lateral, free-trade global order. An obvious example of this is the ongoing attempt of the US to punish third countries trading with Cuba. This is a blatant attempt to enforce US laws extra-territorially, in complete disregard for the many claims made by the very same US for a new, multi-lateral world trading order.

* **The unilateralism of exclusive clubs** — in a broader context, the claims for transparent and multi-lateral global economic dispensation are continuously contradicted by the practice of the most industrialised countries in meeting together for global strategising and decision-making within exclusive clubs — like the G7 (now G8) and the OECD. It is within the OECD, for instance, that the industrialised countries are formulating their own Multilateral Agreement on Investment (MAI). The MAI initiative deliberately flies in the face of alternative processes under discussion in the WTO. In a similar way, the "free" global market is dominated and manipulated by:

* **Powerful regional economic blocs** involving the most advanced capitalist countries — in particular the European Union and the North American Free Trade Association (NAFTA). These regional blocs enable the most powerful economies within them (the US and German economies) to subordinate their neighbours to their own needs (countries like Mexico), and at the same time to confront wider global realities from the base of a large, often relatively protectionist, region.

* **Regulatory controls on capital movement, commercial and other economic operations** also continue to characterise many economies. These include the economies of the most developed capitalist societies, which are, nonetheless, the most vociferous in demanding liberalisation from others. Among the more significant of the non-market protectionist measures are:

* **Agricultural subsidies** going to farmers in developed economies, like those of the EU. The producer subsidy equivalent for European Union agricultural products is 50% compared to 15% in South Africa. These subsidised EU products compete with those from South Africa not only in the EU countries, but also in third country export markets even in our own domestic South

African market. It is this kind of reality that recently prompted United Nation Development Programme to observe that: *"in the real world, as distinct from the imaginary one inhabited by free traders, survival in agricultural markets depends less on comparative advantage than on comparative access to subsidies. Liberalising local food markets in the face of such unequal competition is not a prescription for improving efficiency, but a recipe for the destruction of livelihoods on a massive scale"* (UNDP, 1997, p. 86).

* **Protection of intellectual property originating in the developed countries, but not of industrial capacity located in the developing countries** — there are many other inconsistencies in the way in which the supposedly liberalised global economic rules of the game operate. The most developed capitalist economies are waging an intense campaign to protect and control access to "intellectual property" — like technology and scientific and technical processes. Measures like the Trade-related Intellectual Property Rights (known as TRIPs) are enforced with vigour against developing countries. On the other hand, there is little sympathy for developing countries seeking to protect their own domestic industrial capacity. Domestic industrial capacity has to be exposed, by way of liberalisation, deregulation and privatisation, and regardless of job losses, to the cold winds of global competition.

* **"Free movement of all factors of production" — but not labour.** An even greater inconsistency in the supposedly free-trade, global dispensation, lies in the contrast between the free movement of many financial, technical and management factors, on the one hand, and the tight controls on the movement of labour. The former factors of production tend to originate in the industrialised countries, while labour tends to be "exported" from the less developed countries. Numerous national policies restrict the movement of unskilled and semi-skilled labour from the most populous and poorest regions into the richer and more developed regions. Once more the supposedly "liberalised" and integrated global system unveils its class biased and oppressive nature — labour mobility is controlled, capital mobility is liberated.

* **Democracy and the "free global market"** — the governments of the more developed industrialised countries and donor agencies are now increasingly linking formal multi-party democratic elections to free trade and markets, and they are insisting on "democratisation" and "good governance" as an extra condition-

ality for financial and technical assistance. The hypocrisy of these new conditionalities is generally very clear to the people of developing countries. They have, after all, not forgotten the recent decades in which they suffered under the imposition of pro-imperialist, military and other authoritarian regimes. Despite the hypocrisy of these measures, the SACP naturally welcomes all moves towards deepening democracy and a culture of human rights. However, we also note that:

- * Democratisation and good governance are often reduced to formal, multi-party arrangements, and to "technical" competency and answerability to donor nations and agencies. Answerability to the social needs of one's own population, and to one's electoral mandate is seldom seen as the core concern of democracy and good governance;
- * "Good governance" and transparency are demanded of the governments of developing countries, but seldom of the transnational and national private sector corporations that are often at the root of corruption, and are often the principal beneficiaries;
- * The multi-party democracy conditionality is enforced upon developing countries with a great deal of selectivity. It is clear that it is often not democracy as such that is the prime goal, but the removal or weakening of governments in developing countries that are perceived to be hindrances to the global interests of transnational corporations and the major imperialist powers.
- * Above all, while belated democratisation measures are being enforced upon developing countries, there is, simultaneously, the vast growth of undemocratic global power — power that is unelected and unanswerable to all but the tiniest constituencies. According to UNDP calculations, fifty of the hundred richest "economies" in the world today are actually transnational corporations (UNDP, 1996). 500 of the largest transnational corporations account for 30% of global output.

2.2 Deepening inequality, oppression and instability

Like all social and economic processes dominated by capitalism, the current phase of imperialist restructuring is highly contra-

dictory in character. It is, partly, driven by innovative and progressive technical advances that greatly expand the potential integration and capacity of human societies. But it is also driven by the insatiable pursuit of private profit. It is marked by deepening inequality within countries, between countries, between classes, and by the exploitation and deepening of gender oppression. It often afflicts the young, and marginalises the disabled. It is accelerating the destruction of our environment, and it is associated with unpredictable and often volatile economic instability.

Among the most significant imbalances and contradictions in this new phase are:

* **Sectoral imbalances, the global casino** — there has been a massive and dangerous international shift of resources and power from industrial and other productive sectors to the global financial sector, and especially to speculative stock market and currency transactions. It is estimated that the electronic "movement" of speculative currency transactions is now anything between one and two trillion US dollars daily. This volume of speculative activities completely dwarfs the international flows of more stable foreign productive investment. It is as if the parasite that lived off a functioning organism had completely overgrown and overwhelmed its productive host.

* **Growing polarisation** — despite the claims for vastly expanded global trade flows, the sources of and gains from such flows are still heavily biased towards the richest countries and their transnational corporations. Fully 84% of all foreign direct investment (FDI) comes from the industrialised countries. What is more, almost 60% of global FDI in 1996 was still moving between the most developed industrialised countries of North America and Europe. Fully 87% of all transnational corporations are headquartered in the US, EU and Japan. In 1996, 88% of their "foreign" assets were actually located in each other's economies.

* **And absolute marginalisation** — while many of the economies of East Asia, parts of Latin America, and of a restructured Eastern Europe undergoing "shock therapy" can be considered as peripheries of the imperialist core (constituted by the the US, EU and Japan), other zones of the world have been more or less totally marginalised. This applies to most of Africa. The difference between peripheralisation and absolute marginalisation can be illustrated by reference to FDI flows. According to UNCTAD calcula-

tions, while only 37% of all global FDI goes to developing countries, this 37% is very unevenly spread. More than one third of it went to China alone in 1996. By contrast just over 4% (of this 37%) came to Africa — a mere \$5.3 billion. The African Development Bank estimates that Africa's share of FDI going to the developing world has declined from an average 16% in the 1970s, to 10% in the 1980s, to a mere 5% by the mid- 1990s. Africa's growing marginalisation is also reflected in its miniscule and declining share of total global trade — from 3% in the 1950s to barely 1% in 1995.

* **Growing inequality and poverty** — there has been a systematic assault on working people over this past quarter of a century. In the richest and most "successful" economy in the world, the US, the ratio between the wages of blue collar workers and top management was of the order of 1:41 in 1975. It had widened to 1:189 in 1994. On a global scale, in the 1960s the richest 20% of the world's population were 30 times better off than the poorest 20%, but by 1996 the richest 20% were 61 times better off than the poorest 20%. According to the UNDP, 3.9 billion of the world's 6.5 billion population live on less than the equivalent of R10 a day — and 70% of those are female. Meanwhile, the richest 20% of the world's population control or absorb 83% of the world's income.

* **Intensifying and reproducing gender oppression** — the impact on women of the current "globalisation" phase of imperialism has been particularly harsh. Neo-liberal globalisation has exploited gender inequalities, and deepened and reinforced them in several ways:

- * Women have been forced to become the shock absorbers of the rolling back of the social gains won in the post-1945 period. Over the last two and a half decades government budgets for such things as health-care, education and pensions have been slashed — whether in the context of rolling back the welfare state in Europe, or by SAPs in Africa, or by way of "shock therapy" in Eastern Europe. These measures have thrown millions of women back into the invisible realm of "private", unpaid, reproductive labour — like the care of the young, aged and sick.
- * Parallel with this has been a process of the increasing feminisation of productive labour. In the 1970s and 1980s, as globalising capital ran away from unionised work-forces in the core imperialist economies, productive capital was invested in

certain developing economies, like those of South East Asia. Here environmental, health and labour market regulations were minimal, particularly in the export processing zones (EPZs). During this period, when EPZs specialised in labour intensive production, up to 80% of the workforce was female. South East Asian governments even advertised the "docility" of their female labour force. Multinational electronics corporations, in particular, relocated to these areas in pursuit of cheap, female workers. In the 1990s, as production has become more capital intensive in the South East Asian EPZs, female labour has been replaced once more by skilled male labour. Hundreds of thousands of rentrenched women workers gained nothing from globalisation except a few years of highly exploited work.

* Globlising capital, in its offensive against workers, has also increasingly sought to make the labour market and production processes more "flexible". Particularly in the clothing and textile industries, production has been shifted increasingly out of the factory to the homes of poor people, where isolated and non-unionised workers are not covered by unemployment insurance or pension funds. Home-working, like this, and other vulnerable, "flexible" work, like casual, part-time, contract and seasonal work, is overwhelmingly borne by poorly paid female workers.

Cultural imperialism and fundamentalist reactions — The present process also has significant cultural outcomes, reinforcing, as it does, the global cultural hegemony of imperialist media conglomerates, and their world-view. Through the vastly expanded communications networks neo-liberal values, including the extolling of US militarism, chauvinism against women and third-world peoples, and a narrow consumerist culture, are propagated. At the local and national level, this intensified imperialist cultural hegemony often results in reactive, and sometimes reactionary, xenophobic retreats into religious and ethnic fundamentalism.

Destruction of national sovereignty and the fragmentation of national states — These tendencies are also reinforced by the selective, enclave approach to investment by the transnational corporations in much of the developing world. Imperialist oil companies, for instance, are not interested in the all-round national

development of a Nigeria. Foreign powers often foment ethnic, and other sectional movements, militias and political forces, the better to gain access to economic resources without the hindrance of sovereign national governments. The past decade of intensified globalisation has seen the dismantling of national states — from Yugoslavia to Africa.

3. Engaging strategically with contemporary international realities

So how, as South Africans, do we engage with these global realities? The first challenge we face is to analyse clear-headedly the main features of the present international reality. We have sought to sketch these features above.

The second challenge we face is the strategic, moral and practical battle against TINA- the gospel of "There Is No Alternative".

The two challenges are linked. The harsh realities of the present global situation can easily lead to one of three attitudes. On the one hand, there is the danger of despair and demoralisation. Alternately, there is the voluntaristic attempt to go it alone, to build a high wall around South Africa, and pursue our own development in splendid isolation from the world.

In the face of these equally hopeless postures, there is another mistaken tendency, to make a virtue of necessity. Since we are part of a globalising world, so the reasoning goes, let us close our eyes, hold our noses, and smile. Like performing seals in a circus, we will earn applause (and growth and prosperity) by outdoing all our rivals in following the rules of the global game to the letter.

South Africa has, since its formation, been an integral component of international economic realities. We cannot escape from the world, we have to engage with it, but without assuming that the precise character of global integration is pre-ordained. Our engagement with global realities needs to be intelligent, strategic and guided by a clear programmatic perspective that prioritises our own reconstruction and development objectives. But how?

* **Consolidating national sovereignty** — over the last two and a half decades there has been a prolonged offensive against progressive states (national democratic development states in the South, welfare states, and, of course, the states of the former Soviet

bloc), but this should not be construed as an neo-liberal offensive against the state as such. Indeed, integral to the neo-liberal agenda, is the attempt to reconfigure the state, to make it an effective apparatus to manage the integration of economies into the imperialist-dominated global economy. Far from desiring weak states, the neo-liberal agenda often calls for "tough-minded" states ("lean and mean") capable of enforcing harsh conditionalities on their respective societies. In the face of this agenda, we need to strengthen the capacity of our new democratic state around its reconstruction and development agenda. This capacity is not merely a technical capacity, the new democratic state must have the will to pursue its electoral mandate.

For this, it requires also to be strengthened by a strong civil society, and particularly by active working class organisations (notably trade unions). Our state needs to be strong, not despite, but because it is democratic. The strength of our democratic state must also be related to its ability to build social cohesion around a clear developmental plan, in which human development and a clear industrial policy are central.

* **The importance of correct phasing** — exposing one's industrial sector to international competition can, indeed, compel certain efficiencies, which, in turn, might result in lower prices for consumers. However, the mechanical application of this approach can wipe out hundreds of thousands of jobs, and result in a situation where there are few consumers left to benefit from lower prices. The developing countries that have coped best with globalisation are those that have prioritised, over several decades, the development of their skill base and physical infrastructure. While a "free" market might promote efficiency, it does not promote the development of capacity. It is precisely the lack of effective human capacity, and the uneven nature of our physical infrastructure, that lies at the heart of South Africa's underdevelopment. The RDP vision of prioritising development, including the development of our human resources, is both morally and economically correct. The contrary, neo-liberal perspective of prioritising market-led growth first, by focusing on export-led growth, is doomed to perpetuate underdevelopment in South Africa, and it will accelerate our marginalisation internationally.

* **Strengthening the southern African region** — the fate of South Africa's reconstruction and development effort is inextrica-

bly linked to the development of our region. Once again, those developing countries that have done relatively well in the present international context, are those that have operated within an effective regional context. Our own region is one of the poorest in the world. Yet the Southern African region has potential market in excess of one hundred and thirty million people. There are major natural resources within the region, and important complementarities between different countries of the region. Co-operation, and collective regional engagement with the rest of the world make much sense. We need to sustain the numerous multi-lateral efforts presently under-way within the context of SADC. We need also to pursue the several spatial development initiatives that link the infrastructure of our region's countries together. The development of our region is also linked to the deepening of democracy. There can be no sustainable, people-centred and people-driven development in societies in which bureaucratic elites continue to dominate. Strengthening our region requires, then, also active party to party, and party to social movement relations that help to sustain solidarity efforts in the struggle for democratisation and development.

* **Towards an African Renaissance** — our alliance partner, the ANC, has recently adopted resolutions endorsing the perspective of an African Renaissance, invoking earlier, pan-africanist visions from the first-wave of decolonisation in the 1950s. The SACP, for its part, warmly endorses the struggle for a continental renaissance. Indeed, in our 1962 Programme, *The Road To South African Freedom*, the SACP devoted a full chapter to "The African Revolution". However, the struggle for an African Renaissance needs to be rooted in a scientific analysis of the challenges, and in a class conscious approach to these challenges. Simplistic arguments that the next century will automatically result in an African Renaissance 'because Africa's time has come', as if there were some kind-hearted referee overseeing world history, will only result in disappointment. As South Africans we need, also, to guard against the danger of acting, in the name of a "new African Renaissance", as the witting or unwitting agents of an imperialist (and specifically US-led) reconfiguration of the subordination of our continent. Many transnational corporations see the new democratic South Africa as a potential sub-imperial ally and spring-board for their own agenda in Africa. While a small elite in South Africa may benefit from such an agenda, the majority of South Africans, not to

mention the majority of the people of our continent, will remain oppressed if such were to be the character of an "African Renaissance". For the SACP the major features of an African Renaissance include:

—a correct understanding of Africa's present marginalisation, with prime responsibility for this lying in a century and a quarter of persisting imperialist expansion and domination of our continent;

—effective and rapid implementation of debt cancellation for the poorest countries of our continent, and of genuine debt relief for the rest;

—a major developmental effort, to regain ground lost over the last decades under the impact of structural adjustment programmes, and to re-launch sustainable growth. This developmental effort needs to focus upon both physical infrastructure development and human resources development;

—policies that respect African social and cultural realities, without freezing these into some timeless tradition (that has, in fact, already been distorted by colonialism and imperialism);

—the fostering of democracy, peace and human rights—but these must not be imposed in formalistic ways that have little to do with the actual realities of our continent. Democratisation must result in the genuine empowerment of the great majority of people, peasant, workers, the urban and rural poor;

—strengthening the sovereign capacity of democratic states and the complementary strengthening of progressive organs of civil society.

*** Developing numerous multi-lateral ties** — In terms of our trade, diplomatic and cultural activity, we need to ensure that we maintain a diversity of contacts and relationships, and that we avoid the dangers of over-reliance on one or another major power, or trading bloc. South African needs to foster numerous South-South and South-North connections with progressive governments and social movements.

*** Helping to strengthen progressive, or potentially progressive, multi-lateral international forums** — key among these are

UN agencies, like the UNDP, UNCTAD and the ILO. Obviously these forums are, by their nature, subject to diverse perspectives and pressures, but they have shown a capacity to develop alternative perspectives to those of the neo-liberal "Washington Consensus". The SACP also supports current South African government initiatives (working in partnership with many others) to restructure the the United Nations and, specifically, the Security Council — to ensure that these institutions become more representative and more attuned to the challenges of our present global reality.

Democratic South Africa must pursue a policy of active and controlled international integration. In doing this we must avoid the idea of the world as some pre-determined reality, where the choice before us is "to take-it or leave-it".

At the same time, we must be perfectly clear. Any active and controlled international integration that embodies a respect for the interests of working class and popular forces throughout the world, must start with the reinforcement, through struggle, of their power within their national societies. In the absence of ongoing, strategic and self-conscious struggles to alter the class balance of forces on the national terrain, discussion of global alternatives will remain pious. Pleas to reason, or to some "general interest" addressed to existing powers, will never have any enduring effect. The policies that these powers are pursuing are perfectly rational and efficient from the point of view of the class interests they defend.

4. Our Party's Internationalism

The SACP commits itself to sustaining and deepening internationalism within our ranks, within our movement and government, and within our country as a whole. There are many programmatic tasks that flow from this commitment. They include:

- * Fostering a consistent anti-imperialist outlook.
- * Guarding against the danger that current international trends do not result in demoralisation, or inward-looking fundamentalist or xenophobic retreats;
- * Isolating international war-mongers, and campaigning for world peace;
- * Advancing a developmental perspective for our country, our region, our continent and the world;
- * Being active in all campaigns of solidarity for peoples still

suffering from foreign military occupation, or aggression, and with peoples under the yoke of anti-democratic regimes — with a priority on our own region and continent;

- * Being outspoken protagonists for the right to self-determination of all nations, in particular of our brothers and sisters in Cuba;
- * Being a consistent force within South Africa for an enlightened and developmental approach to the challenge of mass immigration into our country;
- * Constantly maintaining, advancing and deepening our party to party connections with our historical allies, other left and democratic parties and social movements.

Communists have never run away from the globalising tendencies of capitalism. For over 150 years, since the publication of the *Communist Manifesto* in 1848, communists have underlined the huge human potential, the capacity for building global solidarity that is implicit in the forces of production unleashed by capitalism. What was true in the time of Marx and Engels is even more obvious in the era of the internet and round-the-world, satellite-relayed, instant communication.

Comunists do not seek to abolish these achievements, our struggle is to transform them to foster their full social potential. It is capitalism, with its exploitative, profit-driven relations of production that constantly imprisons the very forces it unleashes. Despite all the claims to the contrary, the intensified globalisation of the last decade has placed the progressive abolition of capitalism forcefully back onto the agenda.

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