

FERTILISER SUBSIDY AND RICE IMPORTS

by
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The government withdrew the Fertilizer Subsidy on the 31st of December, 1989. Fertilizer has been subsidized in Sri Lanka since 1962 to encourage the adoption of modern techniques in rice cultivation. Initially, the subsidy was designed solely to promote paddy. However, leakages to other crops were so large that, in 1972, the subsidy was generalized. Since then, the government has adopted the practice of subsidizing selected types of fertilizer through direct payments to importers which vary depending on the type of fertilizer that is being imported. 80% of the fertilizer are imported by the public sector and 20% of all fertilizer imports was by the private sector. They were mixed in plants generally located in and around Colombo. Since 1983, the subsidy has been managed and paid by the National Fertilizer Secretariat, an agency under the then Ministry of Plan Implementation. There are no fertilizer price controls, importers and distributors are obligated to charge only the National Fertilizer Secretariat indicated prices for the different mixtures at the wholesale warehouses in Colombo. Private importers normally follow these indicated prices to compete with their counterparts in the public sector - Ceylon Fertilizer Corporation which imports about 50% of all fertilizer consumed in Sri Lanka and the JEDB which imports about 30%.

Until the fertilizer subsidy was withdrawn, six kinds of imported fertilizers were subsidized. Namely, Triple Super Phosphate (TSP), rock phosphate (RP), murate of Potash (MOP), NPK and ammonium sulphate (AS). Together, they accounted for more than 90% of all fertilizer used in Sri Lanka. Fertilizer prices have remained constant in nominal terms since May 1983 though they declined in real terms, in spite of a substantial reduction in the fiscal cost of the subsidy. This was possible due to two factors;

i the costly local production of Urea (in the now closed factory of the State Fertilizer Manufacturing Corporation) was replaced by inexpensive imports in 1985 after the Urea Factory Sapugaskanda was

closed. Since then all fertilizers were imported.

ii because internationally prices of fertilizer have been falling. The fiscal cost of the subsidy fell from Rs. 1.2 billion in 1981 to an estimated Rs. 500 million in 1987, Rs. 600 million in 1988 and Rs. 1000

million in 1988. The subsidy rate of the reduction in the fertilizer prices at the consumer level as a share of the price that would have prevailed without subsidy declined from 40-45% in the early 1980's to 25% in 1987. It was around 30% in 1989.

Fertilizer is sold to consumers mostly as mixtures containing several fertilizers where each mixture is suited for one specific crop. The only exception to this is the straight use of Urea for paddy and ammonium sulphate for tea. Combining data on fertilizer content in the mixtures with figures for the sales of mixtures will therefore indicate how the fertilizers are distributed over crops and, consequently, how the fertilizer subsidy is shared among the different crops. Such calculations revealed that more than 60% of the subsidy accrues to paddy producers while only 17% accrues to tea producers. Only 4% subsidy accrues to rubber and 5% to coconut growers. 14% subsidy accrues to various other field and export crops ranging from vegetables to cocoa, coffee, cloves, pepper etc.

Table I
Incidence of Fertilizer Subsidy by Crops
(% of Total Subsidy)

Year	Paddy	Tea	Rubber	Coconut	Other	Total (Rs. Million)
1983	63	16	03	05	13	705
1984	60	19	03	06	12	1037
1985	61	18	03	06	12	748
1986	61	16	04	05	14	613
1987	61	16	04	05	14	500
1989	62	16	04	04	15	1000
1990 (East)	64	16	04	03	16	Nil

Productivity Impact

The fertilizer subsidy has had an effect on rice production in Sri Lanka. The production cost data and supply cost elasticity

sector produces over 60% of the tea and which has adopted the use of fertilizer in agronomically recommended dosages. The private sector uses fertilizer guided by liquidity considera-

is applied after tapping starts in 7 years, the yield would increase by 25%. Unlike tea and paddy, the effect of fertilizer is not immediately apparent in rubber and the private sector farmers who cultivate 70% of the rubber produced in Sri Lanka have traditionally been reluctant to use fertilizer.

What is the real impact of the subsidy on fertilizer? Which agricultural sectors really benefit from it? And what will be the impact of the withdrawal of the subsidy, both on the producer and the consumer? Ariya Abeysinghe, Director, Agricultural Planning, Ministry of Lands, Irrigation and Mahaweli Development examines these questions.

estimates reveal that rice production in 1983 was 20% above the level it would have been without the subsidy and in 1986 it was 10%, the reason being the decline in the subsidy rate reduction. In contrast with rice, however, the impact of the subsidy on tree crops has been limited.

- a. Its impact on production costs is negligible. It reduced the production costs of coconuts by less than 1%.
- b. The impact of the subsidy price of fertilizer use in the tree crops sector is yet unclear. In the case of tea, the use of fertilizer does not seem to vary substantially in response to short term fluctuations in its prices. Following the over 50% increase in fertilizer prices, relative to that of tea between 1980-1981, the fertilizer use in the sector declined by 5% only. On the other hand, when the price of tea increased by some 100% relative to that of fertilizer between 1982-1984, the fertilizer use increased by about 40%.

This response pattern may be attributed to the structure of the tea sector where the public

tions rather than prices. If this hypothesis, is true, it suggests that adequate credit would be needed as a tool to promote the fertilizer use rather than the subsidy.

In the case of rubber, fertilizer must be applied every year to ensure maximum yields, especially in the year 1 to 5 after planting. If adequate fertilizer

On the other hand, public sector estates of the JEDB & SLSPC, producing 30% of Sri Lanka's rubber production, use agronomically recommended fertilizer dosages and generally have higher yields than in the private sector.

The pattern of fertilizer usage in the major crops in Sri Lanka reveals a growth from 1975 through 1987.

Thus in addition to a variety of small farmer crops that

Table 2
Fertilizer subsidy allocated to Paddy and its effects.

	1983	1984	1985	1986	1987
Subsidy (Rs. Million)	444	622	456	393	305
Extra Rice produced ('000 tons)	290	310	225	160	—
Production costs including fertilizer valued at its economic price of the extra Rice produced. (Rs. Millions)	1569	1764	1306	951	—
Extra Rice produced valued at Border prices (Rs. Million)	1456	1512	1418	731	—
Loss to the Economy (difference between the additional resources that went into rice production due to the fertilizer subsidy and the additional rice production valued at its border price)	113	252	158	220	—

Continued on page 20

Continued from page 19

absorb 12-14% of the total subsidy, the most productive impact of the fertilizer subsidy is on rice. In 1986, because of the fertilizer subsidy, farmers allocated to the production of rice a 10% additional acreage mainly from Mahaweli and spent Rs. 951. million in productive inputs like fertilizer, seeds, labour, tractor services, credit, storage etc. to cultivate this additional 10% acreage. The resulting additional 160,000 tons of rice produced in Sri Lanka could

have been purchased for Rs. 731 million in the international rice market resulting in a resource wastage of Rs. 220 million.

There were two main problems that existed when the fertilizer subsidy prevailed.

a. Together with subsidized water charges and a domestic rice price above the international price it made it difficult for the government to diversify away from rice.

b. The size of the plot and the farm size are correlated. This may mean the subsidy would accrue to the wealthiest farmers who have tenants, sharecroppers and have hidden tenancy.

The arguments advanced against the fertilizer subsidy in order to justify its withdrawal are

- It cannot be justified on efficiency and/or equity grounds.
- It benefits the wealthiest farmers.
- Subsidy introduces costly distortions in the country's cropping patterns.
- It is an impediment to the government's objective of crop diversification in the agricultural sector.
- The subsidy has no clear effect on the tree crop production.

Table 3
Fertilizer Usage by Crops: 1975 - 1987
('000 Metric Tons)

Crop-	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987
Paddy	97.9	72.4	128.7	136.1	130.4	189.9	155.6	167.1	162.1	186.8	202.5	232.6	245.0
Tea	106.7	95.3	80.1	115.5	105.2	109.9	103.3	102.6	115.5	137.4	149.5	128.9	136.3
Rubber	20.3	13.0	12.4	20.9	23.2	22.0	16.8	16.5	18.5	23.4	24.2	26.3	24.7
Coconut	40.6	30.7	29.1	42.6	49.6	55.8	37.7	30.3	35.7	49.9	41.0	31.4	42.2
Other	50.8	52.9	53.2	64.9	64.0	52.9	62.9	73.4	73.3	75.8	77.9	94.5	
Total	316.3	264.3	303.5	380.0	372.4	439.6	366.3	379.4	405.2	470.8	493.4	497.1	512.7

Table 4
Distribution of the Fertilizer Subsidy for Paddy among different farmer categories in Sri Lanka.

	Gross Area ('000)	Sown %	Expenditure Fertilizer (Rs. per ha.)	Av. Size of Plot	Number of Farming Units ('000)(%)	Share of Subsidy (%)	Subsidy per farmer (Rs.)
Wet Zone							
Rainfed	170	19	1165	0.45	205	32	330
Irrigated	110	12	1285	0.50	120	19	405
Dry Zone							
Rainfed	120	14	1110	0.80	100	15	450
Irrigated	495	55	1230	1.40	220	34	970
TOTAL	895	100	1205	-	645	100	580

The Effects of the Withdrawal of Fertilizer Subsidy

a. The most affected is the paddy sector which accrued 60% of the subsidy. Since most farmers use high yielding (HYV) paddy varieties which need inorganic fertilizers, there is a limit to which organic fertilizers can be used. The leaf and bone meal fertilizers (Kola and Katupohora) is not available in plenty and cannot fully substitute imported inorganic fertilizers. The cost of fertilizer in paddy increased 100% and the liberalized open market for paddy resulted in consumer level rice prices to be in the range of Rs. 18-22 per measure. With high fertilizer prices consumer rice prices may go up to Rs. 25 per measure

Continued on page 21

Continued from page 20

which would have helped the farmers to use fertilizers at the same level in paddy because of the high margin they were getting for their paddy. With import of cheap rice at Rs. 10/- per measure the consumers would benefit and the paddy producers will find it uneconomic to take up to paddy with depressed rice prices.

- b. There will be a shift away from paddy to other cash crops even in Maha and the Government would have to import rice draining foreign exchange out of the country.
- c. The rich farmers will be able to consolidate land holdings through hidden tenancy resulting in poverty and landlessness in the rural sector.
- d. There will be increasing malnutrition unless strategies are adopted to balance the diet of the population.
- e. The cost of production of tea will only increase by Rs. 4.00 per kilo making our competitive status a little weaker in export markets. Since yield increases from 1500 - 2100 Kg per hectare the impact of the fertilizer increase is Rs. 6/- per kilo.
- f. There will be an immediate rationing in the use of fertiliser in order to contain cost at manageable levels which will be reflected in the long term in decline in productivity.

It is very clear from this analysis that fertilizer has been subsidized in Sri Lanka since 1962. This strategy was adopted to get the farmers to adopt

modern rice farming techniques. 60% of the subsidy accrued to paddy farmers. 40% went to tree crops of which 2/3rds accrued to the tea industry, 10% to coconut producers and rest to other crops. The subsidy was justified at the beginning when new rice techniques were introduced and when the prices of paddy were kept artificially low through market restrictions. Since 1962 the paddy sector has developed to a level of farming where they have access to irrigation which the State has provided at great cost. They have shifted to high yielding varieties of rice. The productive impact of subsidies on the crops appears to be negligible. In the case of tea, the two state corporations, JEDB and SLSPC were both beneficiaries. Field studies in the plantations have revealed that they do not vary the fertilizer in response to its prices. This implies that the fertilizer subsidy has little or limited effect on tea output. In the case of coconuts, there are potential gains obtained through the use of fertilizers within 3 years.

Use of fertilizer in coconut at present is limited, although off take does appear to respond to higher coconut product prices. Thus, the demand will primarily be a function of profitability of the crop in the long term. Rubber producers tradi-

tionally have used less fertilizers.

The subsidy undoubtedly in economic terms introduced distorted economic signals to the farmers with a situation where domestic rice prices were far above rice prices in international markets. The impact, thus, was negative in that it had negative effect on cropping patterns and efficiency in agricultural production. The efficiency loss of producing paddy at above its economic price is estimated at 0.1% of the GDP of Sri Lanka. This loss may increase if the CIF prices of rice continues to decline relative to the price of domestic rice. Since studies have revealed that nearly 2/3 of the subsidy accrued to large rice farmers in the irrigated areas, the fertilizer subsidy cannot be justified. If the small farmer is to be assisted then it is through a "land to the tiller" programme, farmer organisation, liberalised paddy price market and a competitive consumer rice market which will settle at an equilibrium which will persuade farmers to produce rice at a certain productivity and at a given market price which they will decide to offer paddy/rice. This also requires a restructuring in the thinking of the rural credit schemes and the establishment of a separate Agricultural Development Bank.

Table 5
Tea : Fertilizer use in production
of a Kg of Made Tea

	1975	1980	1985	1987
Av. Export Unit Value	9.08	33.41	60.62	52.97
Colombo Auction Gross Price	6.90	18.33	39.01	39.30
Colombo Auction net Price	6.04	17.73	35.39	38.06
Cost of production	6.73	15.45	35.61	38.39
Fertilizer Cost	0.78	0.79	2.56	2.75
Producer Margin	-0.69	2.28	0.10	0.33

parallel or perhaps even more powerful trends towards particularisms. So, while the world is become even more integrated, the particular, local and the national has become much more important not only in our thinking, but in reality. We have been unable to keep pace with the global, because things have happened so fast and everything is connected with everything else. But, then we have also had to look within and downwards. So we have not had the analytical microscopes and telescopes necessary for the purpose. I think that the breakdown of the international socialist movement is cause and consequence of this. In its heyday, in the golden age of Marxism, the Movement was interconnected among Socialists.

In terms of strategy for the left, an economic strategy for the left in Sri Lanka, I think that we should look very closely at the strategies and tactics of the CPI-M in government in West Bengal.

The polemic was transnational. The movement was transnational. But with this breakdown it has been much more difficult for us to generate our own thinking locally. But it has been necessary to do so, because things have been happening and have been determined by local processes. So, we have been pulled in two different directions. That is why our theory of crisis has been so weak, because the crisis has also been a crisis of theory. We have not been able to mint the categories adequate to deal with the crisis, because the crisis has also been a crisis of categories.

Eastern Europe

ER : Let us look more specifically at what is happening

in Eastern Europe. Briefly what do you see as the main trends in terms of cause and in terms of effect.?

DJ : If I may correspond by way of a detour, Marxist responses to what is happening in the Soviet Union and Eastern Europe have been varied and one standard response had been that Trotsky was right, you can't build socialism in one country. That may or may not be correct. But I think that in another very curious way, Stalin with all his errors has also been vindicated in this fashion because Gorbachev has had to make pretty much the same choice as the Soviet rulers in the 1920's. He had to run the risk of trading off Europe for the defence, renovation, restructuring of

socialism in the Soviet Union. So, in a sense, it is back to socialism in one country. When I am in my more masochistic moods, I ask myself, yes, but which country?

The crisis in Eastern Europe cannot be seen apart from the origins of the socialist regimes in that part of the world. As we know the revolutions in Eastern Europe were, revolutions not only from above, but also from without. When Fascism was defeated, the allies reactivated and refashioned capitalism in that part of the fascist empire that they had liberated, while the Soviet Union reproduced its own socio-economic and political models in that zone of Europe that they had liberated. Was anything else possible? It strikes me that in the period

1945 to 1947 even in Eastern Europe there was a much more democratic and flexible situation and policy on the part of Stalin and the Communist parties. There were coalitions in which the Communists dominated, but these coalitions were far more real than what they subsequently became. There were intermediate transitional regimes and types of state in Europe after 1945. The discussion was on how to characterise these People's Democracies.

People's Democracies

One of these definitions was that people's democracy was in effect the dictatorship of the proletariat, a specific form of the dictatorship of the proletariat. That was the hard line. There was another view that people's democracies were perhaps a new type of state with a new type of power sharing among the various classes. A definition much more akin, perhaps unintentionally, to the definition of the new democratic state that Mao enunciated in the 1930's. So, I would say, that certainly the Soviets under Stalin erred in trying to replicate their model in Eastern Europe, but there was a chance of something better emerging, if not for the onset of the Cold War. So, what we are seeing in Eastern Europe is the revenge of history for errors that were perhaps unavoidable.

I do not think that the present trends of liberalisation in the Soviet Union and Eastern Europe would have been a positive thing fifteen years ago. I do welcome them, endorse them most enthusiastically now, but I think that until 1975, it would not have been positive for a

very simple reason, the Vietnam War. You see, in the period of Krushchev, the link between the external and internal dimensions of de Stalinisation were such that it was not in the interest of the movements struggling for national liberation and revolution in the Third World and even of newly emergent socialist states or socialist oriented states. I think that de Stalinisation was necessary in 1956, if not earlier, — Krushchev went about it in a wrong way. On the one hand, it was incomplete on the otherhand, it was over hasty, sensationalist, personalised, clumsy to the point of being clownish.

Trade Off

I remember being in Czechoslovakia twice, before and just after the 1968 intervention by the Soviets, and I was very very happy about the liberalisation under Dubcek and outraged by the Soviet intervention. But reading Che's Bolivian Diary, I remember the occasion where he referred to Radio Prague criticising him and likening him to Nechayev; then it struck me that what I had found so heartening in terms of the internal liberalisation had certain consequences in terms of international solidarity. So, it was a simple trade off. The hardliners were more hawkish on international questions and therefore for their own reasons, perhaps were more helpful to the revolutionary and national liberation project under way in the Third World at the time. And with the American War of Aggression in Vietnam it seemed to me that whatever the consequences for Eastern Europe, from the point of view of solidarity with Vietnam and the balance of forces on a global

scale, the Breshnevite or the Late Breshnevite neo-Stalinist line was much better. After the victory of Vietnam in 1975, with the fracture of US hegemony over the post war world in the last 15 years, I think that Glasnost and Perestroika, even at the risk of changes in Eastern Europe, in the main is positive. Because, if in the previous period of history the trajectory of the world emancipatory and revolutionary process was one

same comparison. Would you expand on your statement.

DJ : I drew the analogy with the new deal or more correctly the depression of the 1930's, in the context of the debate as to whether or not Gorbachev has abandoned socialism consciously or unconsciously and was proceeding towards capitalism. It struck me that what we were witnessing is a certain stage of a general crisis of socialism in

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which passed through the tricontinental world, and therefore all efforts had to be made and all sacrifices had to be made in support of that frontline, now uneven development has turned it around. For further advances of the emancipatory project on a world scale, a second wave of emancipation is necessary in the heartland and homelands of socialism itself. So, in that sense even if we are going to suffer over here and even if it means losing out in Eastern Europe and in other part of the world, the democratisation of socialism in the Soviet Union and in other parts of the erstwhile socialist system is a vital pre-requisite for the further advance of the socialist movement and perhaps of human civilisation itself.

A New Deal

ER : At the Liberal Economy Seminar you drew a parallel between the current Soviet reforms and the New Deal and recently Time Magazine while designating Gorbachev 'Man of the Decade' mentioned that one of his advisors had made the

much the same way that one had seen a general crisis of capitalism dating roughly from 1914 onwards. Now within this general crisis, capitalism underwent various shifts and threw up various divergent responses to the depression of the 1930's. One of these responses was fascism; the other response was the New Deal. When Roosevelt undertook the New Deal Marxist theoreticians observing the great depression thought that capitalism as a system was finished. But that was not so. It was precisely in crisis that there were various responses and a fundamental restructuring of the system. Ofcourse in the context of the crisis several links of the imperialist chain did break loose.

Now I see a very distinct parallel with the current Situation in the socialist world where in the context of the general crisis you will have a situation in which some of the components of the socialist system break away from socialism and perhaps change the class nature of the state and the fun-

Continued on page 24

Continued from page 23

damental nature of the mode of production and class relations. In other words you will find some of these countries embarking on non socialist and even anti-social trajectories – the flip side of what happened in the context of the general crisis of capitalism. But I do not believe that the system as a whole is necessarily and inevitably going to break down. Nor do I think that in the metropolis of socialism that kind of fundamental reversal is inevitable. I think that we will see divergent responses. But I think that in the Soviet Union what we have is something similar to the New Deal. The New Deal entailed a fundamental shift in strategy, class alliances and a restructuring of capitalism. A restructuring which meant the salvation of capitalism.

Time reports that the Soviet advisor says that Gorbachev, like Roosevelt, has realised that a system in crisis can discard a great number of inessentials. I see a distinct parallel but I place this in this in the context of what I call the general crisis of socialism

We should not be overly pessimistic because it is precisely in the context of the crisis of socialism, that theoretical leaps take place.

Need for Synthesis

ER : In your series of articles 'Which way for the Left' you talked about the need to synthesis Communism and Social Democracy. Gorbochev has meanwhile urged a synthesis between Communism and social Democracy.

DJ : My point about social democracy really was that in the context of the general crisis of socialism and the new think-

ing of Gorbochev many of the old barriers within the progressive movement are in fact breaking down. Before the Berlin Wall was broken down, I think that several conceptual, ideological, philosophical walls had started breaking down – between Anarchism and Marxism between Christianity and revolution – that was the first breach in the wall I believe. So there is this kind of interpenetration, feed back circulation of ideas.

We must remember that the split in the international socialist movement between Social Democracy and Bolshevism and Leninism took place because of the response of the socialist parties to World War I. It was such a moral trauma and a shock, it was perceived as such a betrayal, it was felt that organizationally it was not possible for communists and social democrats to remain together. Just as the inter-imperialist war, inter-capitalist wars led to this split, inter-socialist wars. – Russia – China, China-Vietnam, Vietnam-Kampuchea – have discredited official communism so much that

the moral high ground it occupied was lost. In that sense this great moral divide between social democracy and communism is quite irrelevant. We have as many blotches on our copy book as International Social Democracy has. So the reasons for this organizational divide no longer exists. In terms of political philosophy as I said a moment ago, one sees the increasing relevance in our present time – it may be strictly conjunctural-of social democra-

tic ideas, of ideas which were banished as heretical and revisionist and reformist in the history of the Communist Movement. A synthesis between communism and social democracy is taking place in Eastern Europe. The Hungarian Communist Party – now the Socialist Party – is attempting this. Earlier the Euro communists – the Italian and the Spanish Communists – tried to do this. I think this is the kind of synthesis that we need and the reform communists are heading towards.

E.R. To go back to Eastern Europe. You spoke about the split between the communists and the social democrats in 1914. Now what is happening in Eastern Europe? What is the role that nationalism is playing?

D.J. I think that the recrudescence of nationalism, ethnic consciousness, ethnic clashes in the Soviet Union and Eastern Europe brings home to us very powerfully that nationalism or these primordial forms of consciousness, is asystemic or trans-systemic. Our received wisdom was that nationalism was rooted in capitalism and that its basis would be removed with the replacement of capitalism by socialism. But after 70 years of some variant of socialism we see what we do in Azerbaijan and Lithuania and also the reactivation of 'pamyat' within Russia itself. Let me pre-empt the argument that this was due to 'Stalinized' socialism because how do we then explain the extreme virulence of contending nationalisms in Yugoslavia. So I would say that nationalism is certainly trans-systemic and possibly a-systemic. I don't even know

whether it's autonomy can be described as 'relative'. It may even be 'absolute' in a sense. And certainly the transition from capitalism to socialism does not eliminate it. You might find that in certain capitalist states this question has been handled better than in certain socialist states. Finally we come up against the need for political crisis management and conflict resolution methods irrespective of the under-lying socio-economic system.

The question does arise whether state socialism was a variant — however remote and distant — of the tribute based mode? In that sense was really existing socialism, state socialism infact a pre capitalist mode of production? Is the emergence of capitalism actually a step forward in those societies?

E.R. These nationalist sentiments sometimes border on chauvinism. Can these lead to situations where you really don't go forward but go back. You might even see wars between some of these countries. This might even lead to the kind of situation we had before the first World War. What do you say about this?

D.J. Certainly, I think that with the re-alignment in Europe we will see a lot of tension which may in fact entail violent eruptions. These will be within states — between ethnic majorities and minorities or competing ethnic communities. It may even be inter-state. It's precisely the periods of re-alignment, of re-adjustment, of redivisions which are also the periods of war and conflicts. A few years ago we used to talk about the Balkanisation of Sri Lanka. Now I'm worried about the Lankanisation of Eastern Europe. How this will tie up with the possible re-unification of Germany I don't know. But

I certainly see a situation in which 1992 will be of crucial significance. It all depends on what pattern, what internal structures a unified Europe has. Is it going to be only the EEC as it was originally planned? Will it incorporate Eastern European countries? Will they be incorporated as a dependent periphery or semi-periphery within Europe? And will the resultant, uneven development manifest itself in nationalist and ethnic conflicts and clashes? These are

very important questions. In the main reform communists within the communist parties have been exempt from this kind of virulent nationalisms. It's with these I identify myself in terms of political philosophy.

Another point I made at the Seminar on Liberal Economy last October is that Issac Deutcher has been vindicated in that he foresaw that at a certain stage of economic and social development in the Soviet Union certain forces, certain social groups would be thrown up which in turn would necessitate and force an opening up

We have lost the sign post on our road, both globally and nationally.

or democratization of the system. I believe that this is true of the capitalist system as well. As the example of South Korea points out — certain level of industrial development perhaps generated the kinds of political and social contradictions with the earlier political super structure that led to a greater democratization.

South Asia

E.R. What will be the important trends in South Asia during the coming decade?

D.J. I think we have to bear one thing very clearly in mind in terms of making futuristic projections. At different times of history one's capacity to make such projections varies because history accelerates. History proceeds through ruptures and leaps. I don't think that there is any inevitable single direction of change because of the multivariant possibilities, because we are at one of those turning points of history.

Concerning South Asia just two points I want to make. I think that it would be very positive if there could be a close alliance between V. P. Singh and Benazir Bhutto's regimes, because they both seem to be genuinely and sincerely democratic — something new in the sub continent. Sri Lanka should position itself on such an axis. In terms of strategy for the left, an economic strategy for the left in Sri Lanka I think that we should look very very closely at the strategies and tactics of the CPI-M in government in West Bengal. They have managed to retain and attract invest-

ment, to run a state fairly decently. There has been a certain participatory element with the 'panchayats' and so on. The party itself has grown stronger, more rooted. We have been talking about Euro communism here, but I think that nobody has paid sufficient attention to the West Bengal experiment.

Continued on page 26

Continued from page 25

I think that is very relevant for us in Sri Lanka,

Socialist Theory

E.R. Finally, what are the implications of the East European changes for the future of Socialism and Socialist theory.?

All the contradictions of the modern day and some of the ancient age are present in Sri Lanka today and. So if we can think and grapple with those in the context of a changing world, may be we would have made our own contributions quite unwittingly to Socialist thought.

D.J. I think we should take note of the fact that while the reactivation of nationalism has triumphed over almost all other structures and philosophies there is one notable world historical exception. I refer to organised religion in particular Christianity and Islam and very specifically to the Catholic church. The church has survived changes in several modes of production. It has been able to maintain a transtate, multinational organizational structure in a period of ethnic and nationalist resurgence. It has also been able to weld together disparate classes. So, on both the vertical and horizontal social axis it has been able not only to maintain itself but to launch a certain counter offensive. I might even go so far to say that the real victor in the ideological contest with world communism has not been the United States of America so much as the Catholic church particularly under its present Pope. The situation is Azerbaijan also points out that perhaps lagging somewhat behind the influence of the Church in Europe, Islam has also been able to achieve significant triumphs.

As for the future of socialism a reason that might contribute

to an optimistic scenario is the possibility of reformed communism triumphing in China. It strikes me that the reversal of socialism in Eastern Europe is tied up with the historic influence of the Catholic Church and with the presence of European migrant communities in

the United States. Now China is devoid is bereft of both those factors. So in China that are there may not be a total reversal of socialism, and the outcome of bourgeois democracy that we seen in Eastern Europe. The roulette wheel might stop at another point and you may have the triumph of the Zhao - Zhiang, and I may say Chou-Enai line in the Chinese Communist Party. I would go even so far as to remark that had Chou En-lai succeeded Mao, what took place in the world socialist system would have been quite different. If there is a victory of the Chou or Zhao-Zhiang tendency in the Chinese Communist party this would add tremendous strength to Gorbachev and it will lend itself to an optimistic resution of the crisis of socialism.

Luxemburg, Bukharin and Trotsky in the importance they accorded the world economy have been vindicated to a degree by the general crisis but still more so has Mao Tse Tung. Mao was the first to see and articulate very clearly that the struggle for communism is a very long one, its a long revolution which may last several decades and even centuries.

The classes and class strggles retain importance for a very long period of time. Mao was wrong in the prescription of cultural revolution but in his diagnosis he was correct as a philosopher and politician. But in terms of temperament and methodology it is Lenin who has been vindicated. The need for a Leninist cast of mind, methodology is vindicated even by the crisis of socialism. Therefore I would not rule out the possibility of the reactivation of Maxian socialism or socialism in general in Eastern Europe.

We should not be overly pesimistic because it is precisely in the context of the crisis of socialism, that theoretical leaps take place. It was in the context of the collapse of the second international that you found Leninism emerging full blown. So I think this general crisis of world socialism can have a positive side in causing certain significant qualitative theoretical advances. I don't think that this can be achieved by painting defeats as victories as some tend to do. I am reminded of the phrase of Lenin, that some comrades and Marxists think that minus three is greater than minus two. We must realise that there is a minus sign, that we have lost in certain areas. This recognition is fundamental. Marxists should look at the implications for the strategy for revolution in context of this general crisis. If it has been possible to achieve qualitative shifts in the class nature of State power and the relations of production in Eastern Europe peacefully, (except of course in Rumania) and adopting unconsciously a pretty much Gramscian strategy does that mean that such a peaceful transition to socialism is also possible in capitalist coun-

tries? Or does it mean that this is specific to post revolutionary societies and that a peaceful transition is much more difficult in capitalist countries? Does it mean that this is a European phenomenon due to the specificities I mentioned earlier – the Church and the emigre communities in the United States? Does it mean that the possibility of this peaceful shift is strictly conjunctural? All these have to be looked into. In term of our own strategy for socialism we have to investigate the possibility whether what is happening in Eastern Europe can be played back in reverse.

I think the events of recent years particularly of last year, 1989, in Europe will have an effect not only on global politics but necessarily on state of knowledge in various fields. Similar events which are of similar magnitude say in 1848 did have an impact on a number of fields of knowledge. The events in Eastern Europe throw up a number of questions. For instance, in the field of political sociology, how did ruling communist parties come to be atrophied? What was the relationship between it and various social forces and how did that relationship change? I can also think of problems in the field of mass communication. The failure of the ruling parties to continue communicating effectively to these people and the success of the Western communication efforts.

I would like to pose a somewhat heretical question on the field of historical materialism. We have been accustomed to referring to socialism as a more advanced social formation and mode of production, than of capitalism. When we talk of capitalism we talk of the resto-

ration of capitalism, a return to capitalism giving the sense of a step backward. I have begun to question this in my own mind for a very specific reason. If I got it right, it seems to me that Marx considered capitalism as a mode of production superior to feudalism for two main reasons: 1. The Phenomenon of free labour – labour freed from its ties to the land; 2. In terms of higher social productivity of labour.

If we use both these indices what is known as really existing socialism in Eastern Europe and possibly in the Soviet Union – (though I don't know enough to comment on that) falls short of capitalism. The restrictions on labour in the post revolutionary societies seem to indicate that labour is free under capitalism than under really existing socialism or what used to be really existing socialism. So too perhaps the productivity of labour. So State socialism strikes one as bearing certain characteristics of pre-capitalist economic formations – certainly in terms of state of freedom or unfreedom of labour. I would even raise the question whether state socialism was a variety of what Samir Amin called the

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tribute based mode. Amin uses this umbrella term for both the Asiatic and the feudal modes of production. The question does arise whether state socialism was a variant – however, remote and distant – of the tribute based mode? In that sense was really existing socialism, state socialism in fact a pre capitalist mode of production? Is the emergence of capitalism actually a step forward in those societies?

It is known that the degree of alienation in Societies of really existing socialism was much higher than the degree of alienation in capitalist societies. Somehow the organization of Society and of politics in capitalism has made the population feel somewhat less alienated than those in Eastern Europe. This opens up a whole array of subjects to be studied such as the social and political organization of capitalism, and how come that the political superstructure of capitalism seems to have been more sophisticated and successful than that of Socialism. Capitalism does seem to have feedback mechanisms built into it to make it more successful. After all in socialism we still have pre-capitalist almost monarchical modes of succession – Kim-Il-Sung and his son being only the most grotesque example.

The mature Marx located alienation within his analysis of the Mode of production. For young Marx alienation was a philosophical category. The phenomenon of alienation in Eastern Europe raises the question of the kind of mode of production that

existed in those social formations. What was the relationship between alienation and that mode of production? What does the phenomenon of alienation and reactions to that alienation in Eastern Europe tell us about the social formation and the mode of production? Perhaps Marx was wrong about capitalism.

We have lost the sign post on our road, both globally and

Continued on page 31

Continued from page 27

nationally. The ethnic crisis followed by one of its consequences the upsurge of the JVP has completely disoriented the Sri Lankan left the old alliances have broken down and we have found ourselves in very unfamiliar territory. I some times envy revolutionaries in some parts of the world like South Africa, Central America, Palestine who can perhaps with stand the changes taking place at a global level because parameters of their own national struggles have not changed so fundamentally. But here we neither have the national nor the global parameters standing any more. I suppose in a way that provides us a challenge because we have to think very fast on our feet. All the contradictions of the modern day and some of the ancient age are present in Sri Lanka today. So if we can think and grapple with those in the context of a changing world, may be we would have made our own contributions quite unvittingly to socialist thought.

I sometimes wonder whether the fate of Nicos Poulantzas and Louis Althusser were because they as men of genius saw or felt in their bones what was happening to socialism and the socialist movement. I think that just as a superlative weatherman is aware of the changes in the atmosphere they must have been more sensitive to the changes than the rest of us. So in a way I understand what happened to them. But still I feel that we must empathise with Gorbachev, in his strivings and we must still retain the attitudes and outlooks of Antonio Gramsci. So in that sense Gramsci and Gorbachev provide the role models for socialist in Sri Lanka in our time.

Continued from page 28

of socialism which meant that one was talking of multi party democracies. I am not blaming the Marxist parties in Sri Lanka, because it is not the Marxist parties that are doing it. The Opposition for instance or the Government seems to think that the Multi Party system is somehow one where there has to be unremitting conflict. That has to change. I grant you that whole system must change. I think it has to come, it will come probably from within each party. There has to be internal reforms in political parties. It has to come from younger politicians who are conscious of the need for a new type of democracy and a new multi party system.

Some of the younger politicians have questioned the whole ethos of the party system as it operated the way in which for instance, the ruling party has all the spoils, and the discrimination that results. How do you avoid that? How do you get the Opposition also into a responsible decision making role while in fact they are an alternative government an Opposition? I am not talking of coalition governments. I am talking of a different system where the Opposition may probably play a role something like the committee system we had in the past the Swiss system.

If Sri Lanka is to move forward in the 90's, if we are to avoid the kind of mistakes we made in the 80's we have to build a multi-ethnic, multi-cultural society.

All sections of our society, whether religious leaders, political parties, citizen groups, or civil society will have to be conscious of this and in all their actions and their programmes

move towards this end. There is no other alternative. With all the conflicts that are going on in the North and the East, and the continuing violence in the South such a prospect seems to be far away. The sources from which we can draw the resources for going in that direction, will have to be found ultimately in our own political system.

We must design our system so that responsibility and power are shared. They should be more participatory. If one does that right now, we will have the self disciplines that are necessary for development. Now this can only come out of a much more participatory system that we have had.

It also means more decentralisation, greater participation. I am not looking at this in a conventional way. Much more than that. These I think need new mechanism. For instance how do you bring youth into this, how do you bring adolescents? You take the whole process of decision making - what kind of mechanisms do we need how do you bring for example the gender factor into the situation? Those things will not happen automatically. And if we do not build the right structure participation will be very lopsided. We should empower our people and ensure that there is a human centre development.

One should search for institutions which will really act as mechanisms down the line. Now, I saw some people talking about a youth parliament, I don't know what this institution is going to be. But we need to develop institutions like this what we need today is less conventionalism and more innovation or creativity.