

SOCIAL SCIENCE REVIEW

1

Newton Gunasinghe

Agrarian Relations in the Kandyan
Countryside

K. Sivathamby

A Study of Arumuka Navalar

W. D. Lakshman

A Free Trade Zone in Sri Lanka

I	Newton Gunasinghe	Agrarian Relations in the Kandyan Countryside in Relation to the Concept of Extreme Social Disintegration
41	K. Sivathamby	Hindu Reaction to Christian Proselytization & Westernization in 19th Century Sri Lanka
76	W. D. Lakshman	A Free Trade Zone in Sri Lanka : Some Relevant Issues
113		Multi - National Corporations — Development for whom ?
130		Social Scientists Association of Sri Lanka—Objectives and Programmes

EDITOR

Charles Abeysekera

EDITORIAL BOARD

Senake Bandaranayake, Kumari Jayawardena, K. Kailasapathy, N. Shanmugaratnam, G. V. S. de Silva, K. Sivathamby.

PUBLISHED BYSocial Scientists Association
C/o SLAAS,
120/10, Wijerama Mawatha,
Colombo, Sri Lanka.

Articles in the SOCIAL SCIENCE REVIEW do not necessarily represent the views of the SOCIAL SCIENTISTS ASSOCIATION. Although the Editor and the Editorial Board are responsible for their selection and acceptance, responsibility for the opinions expressed and for the accuracy of statements contained therein rests with their authors.

All communications regarding the Social Science Review to be addressed to the Editor, Social Science Review, at the above address.

Price and subscription rates - Inside Back Cover

V. Muthiyar and an
2/10/79

SOCIAL SCIENCE REVIEW is the journal of the Social Scientists Association. The reasons that led a group of social scientists and others interested in the social sciences to form this Association, its aims and objectives and its projected activities are set out in a note published in this issue.

The REVIEW is intended to cover the entire range of social sciences, relating mainly but not entirely to Sri Lanka. It is hoped that it will serve the interests and needs of all those social scientists in Sri Lanka and abroad who are in agreement with the Association's objectives.

In this first issue we have tried to indicate the broad scope of the Association's interests. Newton Gunasinghe examines the rural sector in Sri Lanka, based on a study of villages in the Kandyan area, in the light of Gramsci's concept of extreme social disintegration. The role of Arumuka Navalar and of the Hindu revival as a part of the protest movement against the penetration of western ideological influence is analysed by K. Sivathamby. The concept of Free Trade Zones and their potentialities as an instrument of economic development are examined by W. D. Lakshman; it is worth noting that this article was completed in September 1978 and is therefore restricted to a theoretical examination of the FTZ concept. We hope to be able to analyse the economic implications of the FTZ in Sri Lanka in a subsequent issue.

We intend to publish the REVIEW frequently and expect to get on to a regular basis soon; since we want the REVIEW to be not merely an article of intellectual consumption but also an active forum for the dissemination of ideas and for the exchange of opinions, we would welcome articles, notes, comments, reviews, etc. from our readers and others working in the field of social science.

Newton Gunasinghe

AGRARIAN RELATIONS IN THE KANDYAN COUNTRYSIDE IN RELATION TO THE CONCEPT OF EXTREME SOCIAL DISINTEGRATION

I.

In his essay on the southern question, Antonio Gramsci characterised Southern Italy as “an area of extreme social disintegration” (1968: 42, 47). What did he mean by this rather original characterisation?

(a) “The poverty of the Mezzogiorno (i.e. the South) was historically ‘inexplicable’ for the popular masses in the North; they did not understand that unity had not taken place on a basis of equality, but as hegemony over the Mezzogiorno in a territorial version of the town-country relationship—in other words, that the North concretely was an ‘octopus’ which enriched itself at the expense of the South, and that its economic-industrial increment was in direct proportion to the impoverishment of the economy and agriculture of the South”. (Gramsci; 1971: 70-71).

(b) “The keystone of the relations between North and South in the organisation of the national economy and the

state, is that the birth of a widespread middle class, in the economic sense (which means the birth of a widespread capitalist bourgeoisie) is rendered almost impossible. All accumulation of capital on the spot, all accumulation of savings is rendered impossible by the fiscal and the tariff system and by the fact that the capitalist owners of businesses do not transform their profit locally into new capital because they are not local people." (Gramsci 1968: 46-47).

- (c) "The peasants who constitute the great majority of the population have no cohesion among themselves The society of the South is a great agrarian *bloc* consisting of three social strata: the large amorphous peasant masses; the intellectuals of the petty and middle rural bourgeoisie; the big property owners and the top intellectuals. The southern peasants are in perpetual ferment, but as a mass they are incapable of giving a unified expression to their aspirations and their needs." (Gramsci; 1968: 42).

Thus a substantial proportion of the surplus generated in the South was extracted by the northern bourgeoisie and the state, which prevented any regional accumulation of capital. Devoid of this regional accumulation, a regional industrial bourgeoisie could not make its appearance. Surplus extraction by northern capitalism, however, did not pave the way for an overall introduction of bourgeois production relations in the southern countryside; there was no revolutionisation of production relations. A class of wage-earning agrarian workers—*braccianti*—of course made its appearance. But *mezzadria semplice*, an archaic system where the tenant paid 40-50 per cent of the produce to the landlord and *obbligato*, a form of bonded labour, continued to exist side by side with wage labour. The concept of social disintegration, which in essence is a process of peasant pauperisation accompanied by horizontal social fragmentation, based on the export of surplus away from the region, looks remarkably close to the

theory of under-development worked out by radical economists in recent years.¹ But Gramsci's concept is more profound and comprehensive; he draws the spatial and class contradictions together and explains the perpetuation of extreme social disintegration in terms of the presence of the agrarian *bloc*, the *hegemony* of the northern industrial bourgeoisie and the crucial role of the intelligentsia as the *key link* in the formation of the agrarian bloc.

Firstly, the concept of social disintegration refers to this process of surplus extraction away from the region which is so extractive that it almost prevents the reproduction of the forces and relations of production. Consequently the agrarian relations in the south were subjected to an acute form of social decay:

"....the ownership of medium-sized and small property is not in the hands of the peasant cultivators but of a small-town bourgeoisie and that the land is given over to primitive share-cropping (*mezzadria*), that is rented in exchange for natural goods and services, or is leased against rent (*enfiteusi*). This means there exists in proportion to gross landed income, an enormous bulk of petty and middle bourgeoisie living on pensions and rents....This is the most hideous and unhealthy means of capital accumulation, because it is founded on the iniquitous usurious exploitation of a peasantry...." (Gramsci; 1971: 283).

1. I am referring here to the general path laid down by Baran (1957) and Frank (1967, 1969). The social formations in the periphery of the world capitalist system are not at a lower stage of development which metropolitan capitalism has already passed; neither are they advancing towards metropolitan capitalism. On the contrary, the exploitative relationships of the metropolis to the periphery develops underdevelopment in the periphery. A substantial part of the surplus realised in the periphery is extracted by the metropolis which uses it for economic growth in the centre. This leaves the periphery devoid of any significant domestic accumulation; thus the stagnation of the productive forces is perpetuated. Economic development and underdevelopment within the context of the world capitalist system are the opposite sides of the same coin. The difference between the two processes is not merely relative and quantitative; it is qualitative as well as structural, but they are the product of a single dialectically contradictory process of capitalism. Laclau, though he is in agreement with the above formulation has criticised Frank for basing his analysis on the relations of circulation rather than those of production. Laclau suggests the following formulation to shift the analysis from circulation to production, though this is not worked out in detail: "The growth of the world capitalist system depends on the accumulation of capital, the rhythm of this accumulation depends on the average rate of profit, and the level of this rate depends in its turn on the consolidation and expansion of precapitalist relationships in the peripheral areas" (1971). However, I would not call these archaic production relations 'pre-capitalist' as the term somehow implies that they are 'survivals' from the past; on the contrary, their current articulation is not as 'survivals' that would eventually wither away, but as relations of surplus creation for the hegemonic capitalist system which uses this surplus in its own interests.

He goes on to list the cumulative results of this form of exploitation: (i) endemic diseases which reduce the average work potential of the labour force, (ii) the chronic state of malnutrition which affects the lower strata of the peasantry, (iii) endemic unemployment and (iv) a segment of population that is absolutely parasitic and which requires for its service the labour of another indirectly parasitic mass, (Gramsci; 1971: 284). In southern Italy, this gave rise to the phenomenon of 'lazzaroni', a wretched, pauperised mass of people.²

Secondly, the concept refers to the lack of cohesion among the peasantry. The intellectual origins of this notion could be traced back to Marx's *Eighteenth Brumaire*. The mid-nineteenth century French peasantry, according to Marx, formed a class only in opposition to other classes, not in terms of its inner solidarity; there was no fabric of social relations that bound them together, no shared collective consciousness that guided their action. "In this way the great mass of the French nation is formed by simple addition of homologous magnitudes, much as potatoes in a sack form a sack of potatoes." (Marx; 1942: II: 415). Gramsci carries this notion forward and relates this state of social fragmentation to the presence of the agrarian bloc. The achievement of internal solidarity among the peasants of Southern Italy is rendered impossible by their subjection to the agrarian bloc.³

Thirdly, the concept derives from the theory of the historic bloc; the agrarian bloc in the South is a particular concrete instance of such a bloc. A historic bloc is a social bloc that binds a number of classes together under the hegemony of

2. The term is aptly derived from the Biblical figure, Lazarus the beggar. (cf. Luke; xvi: 19-31).

3. Lukacs too developed a notion of lack of cohesion; but it is different from Gramsci's notion. "The most striking difference (between capitalist and pre-capitalist economies) and the one that directly concerns us, is that pre-capitalist societies are much less *cohesive* than capitalism" (Lukacs 1971: 55). (i) Lukacs, unlike Gramsci, refers to pre-capitalist societies, whereas the latter refers to the perpetuation of archaic agrarian relations under capitalist hegemony. (ii) Lukacs refers to lack of social cohesion, i.e. the absence of organic integration among the various instances of a social formation, whereas Gramsci refers to the lack of cohesion among the peasants as a class.

a particular class and effectively intervenes in the determination of the direction of history. This process of binding is basically one of ideological persuasion and the intelligentsia acts as the key link in the historic bloc.

In other words, production relations and the ideological instance are drawn together in the historic bloc.⁴ "Structures and superstructures form an 'historic bloc'. That is to say, the complex, contradictory and discordant *ensemble* of the superstructures is the reflection of the *ensemble* of the social relations of production". (Gramsci; 1971: 366). The agrarian bloc in the South reflects the archaic production relations and is kept going by the ideological subjection of the peasantry to the intellectuals coming from the middle and the petty bourgeoisie. It is they who man the lower echelons of the state and church bureaucracy—and are linked to the peasant masses through these apparatuses. It is they who propagate and disseminate from the pulpit, the classroom, the court and numerous other formal and informal situations, an ideology that serves the interests of the hegemonic class.

"One can understand nothing of the collective life of the peasantry and of the germs and ferments of development which exist within it, if one does not take into account and examine concretely and in depth the effective subordination to the intellectuals. Every organic development of the peasant masses, up to a certain point, is linked to and depends on movements among the intellectuals". (Gramsci; 1971: 14-15).

Gramsci's concept of hegemony is essential to an understanding of the structural articulation of the bloc. Though political hegemony may rest on the use of force in the last analysis, no class can exercise its hegemony without persuading other classes to accept its value systems; it requires a certain degree of consensus from below. "The normal exercise of hegemony" wrote Gramsci is characterised by the combination of force

4. The historic bloc envisages the existence of three essential aspects: a study of the correspondence between structure and superstructure; a comprehensive study of the static and dynamic conditions of society, and an analysis within the framework of the hegemony of the leading classes leading to the necessity of creating a new hegemonic system and a new historic bloc (Portelli; 1972: 10-12).

and consensus which vary in their balance with each other, without force exceeding consensus too much. Thus it tries to achieve that force should appear to be supported by the agreement of the majority, expressed by the so-called organs of public opinion—newspapers and associations. (cf. Joll; 1977: 99). In other words, the dominant class exercises its hegemony by ideology as much as by violence.⁵ The role of the intelligentsia, both lay and clerical, thus emerges as the crucial link in the formation and perpetuation of the bloc.⁶

The concept of the agrarian bloc, through the concept of hegemony grasps the crucial position that the city-village relation commands in the class struggle in Italy. "The relation between city and countryside is the necessary starting point for the study of the fundamental motor forces of Italian history". (Gramsci; 1971: 98). In relation to the agrarian bloc, the industrial bourgeoisie of the urban north exercised its hegemony in the last instance; but the internal articulation of the agrarian bloc took the *form* of opposing the urban interests.

As the perpetuation of the agrarian bloc assured the flow of surplus from the South to the northern industrial bourgeoisie and kept the peasantry fragmented, it was in the interests of northern capital to keep the bloc going. The bloc, however could not accomplish these tasks without *appearing* to be opposing all the urban interests. The ideology propagated and disseminated by the intelligentsia performed this double function; an imaginary

5. Following Gramsci's observation that the state could not be reduced to the state apparatus, Althusser has theoretically formulated the crucial role of ideology in political subjection: In order to advance the Marxist-Leninist theory of the state further, it is necessary not only to make a distinction between state power and state apparatus, but also to take into account the *Ideological State Apparatus* which is on the side of the state apparatus, but must not be confused with it. The repressive state apparatus (police, army, courts, etc.) is a singular entity that functions in the public domain. The Ideological State Apparatus is a plurality that functions in the private domain. The repressive state apparatus functions massively and predominantly by repression, while the ideological apparatus functions massively and predominantly by persuasion. "No class can hold State power over a long period without at the same time exercising its hegemony over and in the State ideological apparatus. (Althusser; 1970: 139).

6. For extensive analysis of the intellectuals as the key link in the bloc see Macciocchi; 1974: 108-143, 202-208 and Portelli; 1972: 97-119.

opposition to the North—conceived as a social area as if it had no class contradictions—and reinforcing false consciousness among the peasantry by this very imaginary opposition.

The city on the other hand, scorned the peasant. The Italian city which historically was a centre of circulation and administration had always related to the countryside as an exploitative entity. In cities of this kind, there exists an urban ideological unity against the countryside, whose manifestation is the contempt for the peasant. This alienates the peasantry and drives them towards the agrarian bloc, the formation of which serves the class interests of the northern bourgeoisie in the last instance.

The hegemony of northern capitalism over the southern peasantry, does not lead to a revolutionisation of production relations in agriculture; no bourgeois production relations replace the archaic ones. But the primordial ties that cushioned the peasantry to a certain degree in the past are eroded. Extended kin links are dissolved, community ties in village life are torn and the peasant is thrown on the tender mercies of the landlords and the bourgeoisie as an individual torn away from the protective social fabric of pre-capitalism. Gramsci does not clearly spell out this fourth aspect of social disintegration: that of atomisation in the midst of the dissolution of primordial social ties. But his notion of the lack of cohesion clearly implies this.⁷

Gramsci observes aptly: "This situation is not unique to Italy; to a greater or lesser extent it exists also in all countries of old Europe and it exists in an even worse form in India and China, which explains the historical stagnation of those countries and their politico-military impotence". (1971: 185). It is highly significant that Gramsci made this comparison between the Italian South on the one hand and colonial India and semi-colonial China on the other in the second and third decades of the century. It elaborates and illuminates at the concrete level of social relations

7. In an article in *L'Ordine Nuovo* as far back as 1914, Gramsci commented: The peasant "lives on as an anarchic element, an independent atom in a chaotic tumult, constrained only by his fear of the police and the devil". (1977: 84). The notion of atomisation is clearly present here.

and structure, the basic law of capitalist growth, that of uneven development.

Gramsci's comments on southern Italy are not devoid of interest to students of agrarian relations in Sri Lanka. Mechanical applications of these observations to late-twentieth century Sri Lanka, of course, cannot be done. As Gramsci himself pointed out there is an element of specificity in the Italian conditions. "But the peasant question in Italy is historically determined, and is not the peasant and agrarian question in general"; in Italy the peasant question has, through the determined Italian tradition, through the determined development of Italian history, assumed two typical and peculiar forms, the Southern question and the Vatican question. (1968:31).

II

Similarly, the peasant question in the Kandyan region is not a general question to be posed in an abstract manner. It is a specific question determined by the course of history. Here the reactivation of the archaic production relations that were present in the Kandyan Kingdom, the structures imposed during the colonial period and the recent patterns introduced by neo-colonialism and reformism all play formative roles. The peasant question then, assumes two fundamental forms, the Kandyan question (the continuity and discontinuity with the Kingdom) and the colonial question.

I will now make a detour. The object of this detour is to grasp at the root and theoretically formulate the nature of the articulation of the Kandyan social formation⁸ and the mechanisms of the reproduction of social relations in the early period of the colonial impact. These are not descriptive comments; no empirical material will be presented to substantiate them. None the less these formulations will shed light on the subsequent discussion.

8. Unlike the concept of the mode of production, the concept of the social formation directly deals with concrete social realities located in space and time. A social formation often consists of a hierarchical organisation of different modes of production, subordinated to and dominated by a particular mode of production. I am using the term 'Kandyan social formation' to refer to the total social ensemble of the Kandyan Kingdom.

A. The major object of the labour process in the Kandyan social formation was land. Hence the exercise of control over land and the relations of surplus extraction from agriculture determine, in the last analysis, the nature of the articulation of the social formation. Land was held by the following agents:

- (a) King in the capacity of a direct landlord, (*gabadagam*),
- (b) Temples (*viharagam* and *devalagam*),
- (c) Nobles *qua* nobles dissociated with any office (*nindagam*),
- (d) Nobles and officials associated with state office (*badavadili*) and
- (e) Small holders not subjected to an overlord akin to a yeomanry ('freehold').

From this it follows that the king was not the sole landlord and that aristocratic ownership of and control over land prevailed. The institution of private property in land did exist.

In the land held by the major landlords (i.e. king, temples and nobles) two major forms of surplus realisation prevailed within the context of the couple direct producer/overlord. These in the order of importance are:

- (a) Labour rent-where the estate is divided into a demesne (*muttettuwa*) and tenant's plot (*pangu*) and surplus labour expropriated in the form of labour;
- (b) Produce rent-where the estate is divided into a multitude of tenant's plots (*ande pangu*) and surplus labour expropriated in the form of produce.

The direct producer was also subjected to surplus expropriation in his relations with the total social ensemble in general and the State in particular. The former mainly took the form of usury and the latter that of tax and unpaid service to the State (*rajakariya*). As the king was not the sole landlord, an important disjunction prevailed between tax which was paid to the State and rent that was paid to the overlord.

The social structure emanating from the above production relations objectively constituted the following major social classes:

- (a) a landholding aristocracy,
- (b) a yeomanry and
- (c) tenant cultivators of various categories.

But the intervention of the hereditary division of labour based on caste in non-agricultural processes of production (though not in agricultural processes of production) and the ideological reinforcement of the hierarchical nature of differential labour effectively fragmented (b) and (c) into fractions and strata which took the form of caste groups.

The dominant ideology was fashioned by Sinhalese Buddhism, a religion of landlords and peasants, which had undergone a structural rupture from the radical content of the classical Indian Buddhism. The central concept in Sinhalese Buddhism was that of *karma*, i.e. volitional action that could give good or bad results to an individual in this or later lives. Volitional actions thus were divided into meritorious (*pin*) and demeritorious (*paṇ*) categories and opposed to each other. Thus a veritable ideology which received its finished form in the practice of the monastic ideologues controlling landholding temples, effectively intervened in the reproduction of the entire social formation, through the mechanism of a loosely centralised, hierarchical ideological state apparatus—the monkhood (*sangha*) under the guidance of a ‘monk-king’ (*sangharaja*). This was a double intervention.

- (a) It attributed the present miseries of the peasant to his past demeritorious acts and made him as an individual responsible for his present position: it attributed the present exalted position of the noble to his past meritorious acts and made him likewise responsible for his present position as an individual.
- (b) It defined as meritorious those acts contributing to the reproduction of the social formation in general and that of the ‘Church’ in particular e.g. donations (*dana*). It castigated as demeritorious those acts that interrupt this reproduction or endanger the stability of the social formation, (e.g. violence *himsa*).

The *status quo* was thus justified and an ethos that governed social practice and reproduced the social formation was created. The monastic apparatus was integrally linked with the nobility and the state. The upper echelon of the monkhood was manned by nobles of birth and indeed a system of matrilineal transfer of temple property operated through the mechanism of the ordination of sister’s sons. The extensive land donations granted by the State to the temples, the role of the State as the protector

of the ideological apparatus (*Buddha Sasana*) and its active participation in the temple rituals made Sinhalese Buddhism the State religion of the Kandyan social formation.

The dominant mode of production in the Kandyan social formation was feudalism. The feudal mode of production rests on three indispensable foundations:

- (a) A system of production that leaves the real producer in possession of his plot of land and tools,
- (a) realisation of the surplus in terms of rent which flows to the overlord and tax that flows to the state and
- (c) The necessity of the intervention of a non-economic instance in the expropriation of the surplus.

In the core area of the kingdom, the tenant was left in possession of his plot and tools, surplus was realised in terms of rent and tax, and the process of extraction relied on custom, ideology and law ultimately backed by the coercive force of the state.

There was no juridical concept of serfdom in the Kandyan social formation; the tenant could leave his plot of land without violating the law. But as avenues of escape as politically autonomous towns, virgin land outside feudal control, etc. did not exist, the tenant's *de jure* freedom to leave the plot was not realised *de facto*. Serfdom is the obligation of the producer to perform stipulated services independent of his volition subjected to force; in this sense Kandyan tenants were *de facto* serfs.

The feudal mode subordinated a mode of production distinct from it, but nevertheless located within the Kandyan social formation. This was a peasant mode of production characterised by privately owned peasant plots, nucleated villages and communal mobilisation of labour politically subjected to quasi-autonomous petty-rulers (*vanniyars*), which covered the remote area of Nuwara-kalaviya.

The feudal mode of production in the Kandyan Kingdom was characterised by an apparent contradiction. Irrespective of the presence of a landholding aristocracy sovereignty was not

fragmented, as it was the case in Europe. The monarch enjoyed absolute power over the nobles. The absolute power of the monarch rested in the last analysis on:

- (a) the dominance of labour rent in the production relations which caused it to 'overflow' to the state as a political obligation in terms of unpaid service;
- (b) the realisation of caste-oriented division of labour at a level higher than the village, resulting in the absence of village self-sufficiency and hence extensive flow of goods and services among the villages, giving rise to effective state intervention in terms of the organisation of craft castes into departments of the state, and
- (c) the overdetermination⁹ caused by the occupation of the coastal areas by the colonial powers and the resultant protracted warfare which converted the people of the kingdom into a potential militia and made the intervention of the state much more intense in the daily existence of the people.

The instance that was the immediately determinant one in Kandyan feudalism and hence in the Kandyan social formation was political. The determinant role of the political instance expressed itself as an absolute monarchy with no fragmentation of sovereignty. But the determinant role of the absolutist state grew out from the economic infrastructure in the last analysis and reacted back on it. The Kandyan absolute monarchy was nothing but the concentrated expression of this immediately determinant role of the political instance.

The relations between the monarch, the nobles and the top echelon of the priesthood was an uneasy alliance to keep the peasant population under their domination. The ideological domination of the peasantry and the colonial overdetermination were, however, strong enough to prevent populist peasant insurrections in the kingdom, though revolts against the ruling monarch due to noble intrigue were frequent occurrences.

9. Althusser employs the term 'overdetermination' to emphasise the effectivity of the structure in dominance over contradictions in a particular formation. The crucial difference between the Hegelian and Marxian approaches to contradiction, writes Althusser, precisely lies in the fact that the Hegelian contradiction has no concept of overdetermination, whereas Marxist contradiction is always overdetermined. (1969: 84-128)

The emergence of the Gramscian agrarian bloc is dependent in the last analysis, on the north-south contradiction that has acquired the character of a city-country relation. It is the imaginary opposition of the agrarian south to the industrial north that provides the bloc with the ideological momentum it requires. Within the Kandyan Kingdom there was no industrialised pocket of this sort; the city-country relation too cannot be taken as constituting a fundamental motor force of history. The only city—Kandy—was a seat of royal residence and monastic concentration rather than a centre of craft production and exchange. As such it was integrally linked with the countryside, without necessarily dominating the economy of the latter. The fundamental motor force of history within this context, undoubtedly arose from the contradiction between the colonial powers and the Kandyan state, which as I pointed out earlier, overdetermined the character of the state as well as the relations between the rulers and the ruled. The Kandyan Kingdom however, was not an area of extreme social disintegrations:

- (a) the surplus was not exported to an alien,
- (b) the peasants though far from being in a position to realise their particular class interests and give them expression were not necessarily 'atomised' as they were cushioned by primordial ties.
- (c) the effective ideological subjugation of the peasantry rather than giving rise to an agrarian bloc minimised the tempo of class struggle between the aristocracy and the peasantry and heightened the fractional rivalry among the nobles and the contradictions between the aristocracy and the Crown.

B. It was not the intensification of the internal contradictions within the Kandyan social formation that led to its disintegration. Unlike Western Europe, the transition from feudalism to capitalism was not an independent and internal process. Capitalism came in the form of outside intervention, in the form of colonialism. To develop Lenin's famous statement, imperialism was not only the last but also the first stage of capitalism in the Kandyan region. This external superimposition of capitalism on a pre-capitalist formation, a capitalist mode that had to depend on the perpetuation of archaic production relations, oriented towards an external market (which it was not in a position to control) fashioned the structure and growth of capitalism in the region. Peripheral capitalism does not wipe out archaic

production relations; on the contrary it tears off the most exploitative relations from the pre-capitalist formation, reproduces and reactivates them as relations of surplus extraction in the interest of capital.¹⁰

The activities of the imperial power in the Kandyan region--dismantling the Kandyan State, opening up large plantations, procuring local labour for jungle clearance and road building, flooding the local market with imported goods, etc.--disrupted the social fabric of the Kandyan social formation. The peasants were inevitably drawn into this vortex of change and disruptive inroads were made into the basically self-sufficient regional economy. In the process, peasant production, exchange and consumption were integrated and made subservient to the emergent capitalist structure. But this did not lead to an exhaustive elimination of archaic production relations, their replacement by bourgeois relations or revolutionisation of the techniques of production. The major part of the surplus generated in the agrarian and craft sectors was expropriated by the colonial power, the local aristocracy or the bourgeoisie from the maritime provinces who either invested it in other areas or used it to sustain their conspicuous consumption. Thus the peasant economy was reduced to a level of not having access to its own surplus: it could barely reproduce the conditions of production, not to mention any advance in the techniques.

The process of integration and domination of the peasant production by capital was simultaneously a process of converting the Kandyan region into a periphery of international capitalism. Prior to colonial rule, the Kandyan region constituted a 'centre in itself' in the sense that surplus expropriated in the Kingdom (mainly labour rent, produce rent and grain tax) was available for appropriation within the region. With colonial occupation,

10. "While at the centre capitalist mode of production tends to become exclusive, the same is not true of the periphery. Consequently, the formations in the periphery are fundamentally different from those in the center. The forms assumed by these peripheral formations depend, on the one hand, on the nature of the pre-capitalist formations that were there previously, and on the other, on the forms and epochs in which they were integrated into the world system". (Amin, 1974: 393).

a substantial part of the surplus generated in the region was transferred primarily to the imperial metropolis and partly to the coastal areas. Moreover, the region became dependent on the metropolitan market which it could not control. Thus the growth of peripheral capitalism converted the region into a periphery in a double sense:

- (a) an area of surplus export and
- (b) a producer devoid of the ability to control the market.

The crucial link between capital and peasant production subjected to it and from which it expropriates surplus, lies precisely in the mechanisms of *reproduction* of archaic production relations within the peripheral capitalist structure.

First, I shall approach the problematic negatively. The traditional view took the archaic production relations in the periphery merely as survivals from the past. They were thus termed 'feudal survivals' or 'precapitalist survivals'. Not only was the organic link between capital and the archaic relations not perceived, but these categories were opposed as an antagonistic contradiction which would eventually lead to the latter's elimination. The term survival in this context has three implications:

- (a) It is a remnant left by the old mode,
- (b) It crops up as an incongruous sore thumb in relation to the social ensemble with an individuality of its own,
- (c) The new mode is at war with it and has failed yet to eliminate it but will surely do so given sufficient time.

It is impossible to apply the term survivals to archaic production relations present in the Kandyan region today, (such as share cropping, temple service, etc.) with any of the above implications¹¹.

- (a) They are not 'remnants left' in the sense of a pre-historic animal who has left his skeleton in fossil form, but are *torn away* from the previous social formation and reactivated.
- (b) They are not 'sore thumbs' but do effectively intervene in the peripheral production and the generation of surplus for capital.

11. I am extending a comment by Althusser, "...the new society produced by the Revolution may itself ensure the survival, that is, the reactivation of older elements through both the forms of its new superstructure and specific (national and international) circumstances" (1971: 116).

- (c) The new mode has its contradictions with the archaic relations, but these are not antagonistic, they do not lead to the elimination of archaic relations but to their strengthening.

Now to approach the problematic positively: capital by no means tears away all production relations in a pre-capitalist formation. It selectively absorbs and selectively eliminates. It tears away only those production relations that could be turned into profit making relations. Whether a particular archaic production relation could be more profitable than wage labour is determined in the last instance by the specific conjuncture that capital faces. Thus in the course of the growth of peripheral capitalism particular sets of archaic production relations, especially those in the craft industries may undergo partial or even complete degeneration. But in the field of peasant agriculture and sometimes in the realm of the relations between the state and the subjects there are archaic relations that could be reactivated to create surplus for capital. Such reactivations grow out of one of the fundamental contradiction of capitalism, that between profit maximisation and wages. Wage labour cannot be employed without paying wages sufficient to reproduce labour power and potential labour power. This, mediated by the state of class struggle in a specific conjuncture, sets definite limits to the profits that could be realised. In capitalism the labourer is completely alienated from the means of production and the mechanism of surplus extraction is directly built into the production relations; hence the possibility of the labour power being reproduced outside the realm of wages does not arise. In archaic production relations this is not so. The real producer is in possession of his means of production (i.e. land and tools in the case of a share-cropper). He can at least derive a part of his needs from these. Lenin has very perceptively pointed out that the perpetuation of peasant agriculture under capitalism is precisely due to this super exploitation of the peasants who progressively reduce their level of requirements.¹² In his polemic with the Narodnik economists, in defence of Kautsky's book *Die Agrarfrage*, Lenin once again referred

12. "The existence of a small peasantry in every capitalist society is due not to the technical superiority of small production in agriculture, but to the fact that the small peasants reduce the level of their requirements below that of the wage workers and tax their energies far more than the latter do". (Lenin; 1960: iii. 27).

to the fact that the 'strength' of peasant agriculture derives precisely from this super exploitation of the peasantry who in general are much worse off than the agrarian workers.¹³

What follows from Lenin's analysis is that in certain social formations archaic production relations in agriculture could be perpetuated under the dominance of capital.¹⁴ I shall formulate as follows: In the periphery of capitalism, if the archaic relations are abolished in favour of capitalist agriculture, the proportion of capital that the landowner has to allocate as variable capital (i.e. wages) and other investments (i.e. hiring buffaloes or tractors) will exceed the exchange value of the portion of the product that goes to the tenant. In other words, the absolute rent realised by the landlord in relation to the capital he has invested is higher than the potential differential rent+farmer's profits he could realise by the exclusive employment of wage labour. This excess of absolute rent over differential rent+farmer's profit derives from the super exploitation of the peasantry. The prevalence of archaic production relations in the countryside overdetermines the rural wages and tends to work against the above formulation, but since it is dependent on the prevalence of the archaic relations, it is powerless to overcome them. Hence in the actual articulation, amidst the disintegration of traditional exchange labour systems, archaic relations get inextricably interlinked with wage labour.¹⁵

13. "But now we are discussing the 'social economic conditions' of capitalism and not of natural economy or of simple commodity production. Under capitalist social conditions 'not to count' one's labour means working for nothing (for the merchant or other capitalists); it means working for inadequate pay for labour power that is expended; it means reducing the level of consumption below the standard". (Lenin: 1960: IV: 124).

14. After condemning the oppression of the Blacks in the USA, Lenin makes the following observations on agriculture in the American South: "What is the economic foundation on which this beautiful 'super structure' has arisen and now rests? The foundation of the typically Russian, 'truly Russian' *otrabotki* system, i.e. share-cropping.... Half the farmers in the South are tenant farmers. But this is not all. The farmers we are discussing are not tenants in the European, civilised, modern capitalist sense; they are mainly semi-feudal or - what is the same in the economic sense - semi-slave *share tenants*.... In 1910, in free, republican democratic America, there were one and a half million share-tenants; and of this number *over one million were Negroes*. And the proportion of share tenants to the total number of farmers is not declining, but steadily and fairly rapidly rising". (Lenin 1960: XXII: 25-26).

15. I have discussed these interlinkages between exchange labour and wage labour elsewhere. (Gunasihghe; 1976).

The British colonial regime actively intervened in the reproduction of certain archaic relations. Unpaid service to the state (*rajakariya*) was one of these. The first British governor of the maritime provinces, North, in fact abolished it in 1801. But as the need to build roads arose it was revived as *rajakariya* consisting of a fortnight's free service a year for the maintenance of roads, paths and bridges. In 1818 the system was extended to the Kandyan region. It was abolished in 1833, after the Colebrooke-Cameron recommendations, only to be reintroduced in a modified form in 1848, whereby every adult male had to perform six days of unpaid labour each year on roads or commute the obligation by the payment of three shillings. This reactivation of *rajakariya* by the British is highly significant. *Rajakariya* in the Kandyan social formation was clearly a feudal relation. But this feudal relation was torn away from the Kandyan social formation and was made to serve the interests of capitalism. *Rajakariya* was used by the Kandyan Kings to repair or build the irrigation works or temples. The reactivated *rajakariya* was used by the British to build roads to serve the capitalist coffee plantations. Thus this archaic relation was torn away from the feudal mode and was made a weapon in the fight against Kandyan feudalism. Was the reactivated form of *rajakariya* a survival? Obviously not. It was the intervention of the colonial state that made its reproduction possible. Was it a feudal relation in its reactivated form? Certainly not. It was an archaic relation that was recreated under the dominance of capital to serve the interests of capitalism.

There is a tendency on the part of the social historians to emphasise those elements of the Kandyan social formation that vanished under the colonial impact and pay no attention to this equally relevant area of reproduction and reactivation of the archaic relations.¹⁶ I shall take two further cases for illustration.

Much has been written on the disastrous impact that the expansion of plantations had on the Kandyan peasantry. Undoubtedly, the plantations contributed to peasant pauperisation. One how-

16. For Instance, Ralph Pieris' otherwise perceptive series of essays (1951-1952).

ever should not lose sight of the simultaneous reproduction of the peasant economy. The plantations occupied the waste land bordering the villages and the hilltops. But the village itself consisting of residential compounds, gardens and paddy plots was not acquired by the plantations. Herein lies the crucial distinction between the European enclosure movements and the expansion of the plantations in the Kandyan region.¹⁷ In England for instance, the enclosures, already an established process by the seventeenth century, gathered momentum after 1688. Arable land was converted into pasture and tenant's holdings and commons were swallowed up in sheep walks resulting in a mass scale eviction of the peasantry. The enclosure movement did not merely disrupt peasant production; it got rid of it entirely by the simple means of integrating the farm into a large production unit and evicting the tenant cultivator. No such mass scale eviction of peasants from the paddy land they cultivated occurred in the Kandyan region. The plantations encapsulated the villages, entrapping the peasantry, but at the same time not providing employment for them. In the village itself the peasant continued his production in progressively worsening conditions generally within the web of archaic relations. The enclosure movement had a revolutionary significance in the sense that it introduced bourgeois relations of production and got rid of archaic relations especially in the later phases. The expansion of the plantations in the Kandyan countryside had no such revolutionary significance in relation to the peasantry. I must emphasise this as the crucial distinction between metropolitan capitalism and peripheral capitalism precisely lies in the revolutionary nature of the former and the non-revolutionary nature of the latter.

The colonial state was also instrumental in reactivating archaic production relations in the temple lands. By the mid-nineteenth century many tenants in the temple lands had stopped performing their traditional services to the temple lords. Certain forms of labour rent were clearly in decay. The colonial state appointed a commission to define the boundaries and register

17. Pieris has attempted to draw a parallel between the expansion of the plantations and the enclosure movement (1952).

the temple lands, Title to some land, especially highland, was not recognised by the Commission; however, in the case of those lands that were recognised as temple property, the performance of traditional duties or the payment of a commutation fee became obligatory. Thus a primitive form of labour rent that was withering away was given a new lease of life by the intervention of the colonial state.¹⁸

The first echelon of the Kandyan aristocracy came to grief with the defeat of the 1818 rebellion. Many families became virtually extinct due to banishment or lack of issue. Some whose land had been confiscated just faded away. The period 1818-1848 was a period of the erosion of aristocratic authority, and this erosion is integrally linked with the plebian revolt of 1848. The colonial regime correctly perceived the threat posed by the erosion of aristocratic authority and took steps to restore it. There arose from the second echelon of the nobility and sometimes from the ranks of the petty chieftains a stratum that entered into a working relationship with the British. Immediately below the British civil servants who occupied the senior provincial administrative positions, it is the people from this stratum who manned the intermediate bureaucratic positions as county administrators (*rata mahatvaru*). It is they who represented the colonial state to the peasantry. They also controlled temple land as lay trustees and chief monks. At the level of power relations, after the initial erosion of aristocratic authority, what happened was not the demise of the traditional aristocracy and the emergence of a local bourgeoisie, but the mobility of a subordinate stratum to the position of a new aristocracy, under the benevolence of the colonial state. The power of this new aristocracy arose from the same

18. I do not agree with Hans-Dieter Evers: (i) "This system which was termed 'monastic landlordism' by Max Weber and 'Buddhist temporalities' by British officials has survived the onslaught of colonialism more or less by default. . . ." (Evers; 1969). What I assert is that the system is not a survival and that the colonial state performed a positive role in reactivating it. (ii) "The extent of modern 'monastic capitalism' is difficult to assess. . . . Together with the temple lords. . . of the devales, almost all of whom are Radala, and other landlords they perpetuate the Kandyan feudal system". (Evers; 1969) Thus we are presented with monastic capitalism as well as the Kandyan feudal system. The relations between capital and archaic production relations are not precisely worked out.

sources as that of the old aristocracy: control of land—primarily land devoted to peasant agriculture—either directly or indirectly (i.e. temple land) and control of the bureaucratic positions. This class had no interest in revolutionising peasant production and the archaic relations were thus perpetuated at the village level.

A petty bourgeoisie too made its appearance on the basis of serving the plantations, communications and trade. These elements at least in the nineteenth century rarely came from the Kandyan peasantry; they were either Sinhalese adventurers from the maritime areas or Muslims. Unlike the British planters they entered the land market *within* the villages buying up paddy plots and gardens. The peasantry lost some of its land to this petty bourgeoisie. As this stratum was involved in commercial speculation rather than raising productivity, in this period, no overall revolutionisation of production occurred in this sector.

The period 1818-1848 is a period of rapid structural changes in the Kandyan social formation. The hegemony of the feudal mode of production within the social formation was brought to an end by the colonial intervention. A peripheral capitalist mode which was subservient and integrally linked to metropolitan capitalism, achieved dominance in the regional social formation. With this, feudalism as a *mode* of production was dismantled, but archaic relations torn away from the feudal context were made subservient to the capitalist structure. These archaic relations that functioned as mechanisms of surplus extraction for capital were continuously reproduced primarily by the intervention of the colonial state. By the 1840s the regional economy had already become so much entangled with the global capitalist structure that the effects of the European depression of 1845-1846 were deeply felt. 1848, throughout Europe, was the year of the peasant insurrection. The plebian revolt of 1848 in the Kandyan region was not an isolated occurrence. If not at the level of shared consciousness, at least at the level of the structural dislocations that led to these eruptions (i. e. the depression) they shared a common ground. The social formation that emerged in the mid-nineteenth century already possessed some of the specific determinations and articulations that are characteristic of the contemporary

social formation. Large scale plantations and hence export of surplus to the metropolis, indentured South Indian labour and hence a category of 'non-free' wage labour, integration of the peasant with the global capitalist market in the double capacity of a commodity producer and a consumer, centralised bureaucratic administration, wage labour in the village context, etc. already existed in the mid-nineteenth century. None of these tendencies were overcome in the subsequent historical process; on the contrary, these tendencies gained strength and led to the perpetuation of underdevelopment in the region.

An agrarian bloc was certainly not present in the Kingdom; Gramsci's concept of the agrarian bloc refers to a multi-class rural front that engages in an *imaginary* opposition to urban industrial interests, but objectively works in the interests of capital. The Kandyan kingdom on the contrary was an *actual*, and objective opposition to the colonial powers. But with the colonial conquest, class relations in the region changed. The erosion of aristocratic authority following the defeat of the 1818 rebellion supplemented by the disruptions of the 1845-46 depression led to the plebian revolt of 1848. The aftermath of this revolt witnessed the reactivation of aristocratic authority with the active intervention of the colonial state. This reactivation was accompanied by the formation of a multi-class bloc that bound the landlords and peasants together; the key link in this bloc were the Buddhist monks, primarily those of the Siamese sect, who by their ideological practice, preserved its integrity. The slogan of the specificity of the Kandyan region was its major ideological plank and the imaginary opposition to the coastal areas provided the bloc with its orientation. The singular absence of peasant revolts—despite peasant pauperisation—against colonial-aristocratic authority, after the mid-nineteenth century, demonstrates the effectivity of the bloc in overcoming agrarian unrest.

III

Agrarian relations in the Kandyan areas are fashioned by these historical forces. Without reference to the Kandyan social formation, the colonial encounter and more recently the neo-colonial control, the Kandyan peasant problem cannot be correctly posited, let alone be understood.

I will now return to the concrete social reality and examine the parallel processes of reactivation and disintegration.

First, some evidence from 'Kiribathpitiya', a village in Matale district where I did fieldwork in 1976. Kiribathpitiya is a *Vihara-gama* owned by the Degaldoruwa temple. A royal document dated 1786, among other tracts of land, grants Kiribathpitiya to the temple. Ever since, the village has remained under the control of the temple, though the temple changed hands. In 1814, Paranatale Unnanse was beheaded by the King's order, but the temple and the land associated with it were granted to another monk, Kobbe-kaduve Unnanse. But the pupils of the former incumbent who fled to Colombo returned to Kandy in 1815 with the British troops and the temple and the land were restored to them. Henceforth, the land and the incumbency of the temple devolved to various monks in line with the principle of pupillary descent.

The current incumbent is AR. He is not resident in the village or at the temple. He has his residential quarters at the central monastery of Malwatta in Kandy.

According to temple documents, the institution originally held 32 acres of paddy land and 20 acres of highland in Kiribathpitiya. But currently the temple holds approximately 30 acres of paddy land and 5 acres of highland. Most of the highland had subsequently been absorbed into a major tea plantation which borders Kiribathpitiya. The paddy land during the period of the kingdom was divided into *muttettuwa* plots and *nila* plots. The tenants of the *nila* plots cultivated the *muttettuwa* fields and rendered the total product to the temple. For cultivating the *muttettuwa* as well as for performing certain specified duties, the tenants held *nila* plots and enjoyed their total product. As such the system is virtually identical with what Marx called labour rent, a primitive form of feudal rent, in *Capital* Vol. III.

The *nila* plots in turn were divided in line with caste obligations. The system is designed as an integral form of labour mobilisation; the *nila* plots contribute to the reproduction of the labour of the cultivators and servicemen; the surplus labour is

mainly absorbed by the *muttettuwa*, but in addition to this, the tenants in line with their caste affiliation provided metal implements, supplied pottery or danced at the temple rituals.

This integral system of labour mobilisation in terms of caste differentiated labour rent has now completely disappeared. All the *muttettuwa* land (nine acres) is currently cultivated on share cropping; the relation between the demesne and the tenant's plots has thus utterly vanished. There are seven plots in the former *muttettuwa* held by seven share-croppers in plots varying between two acres and half an acre. Most of these plots are currently held by people who do not belong to the ancestral tenant families. As the direct control of the absentee monastic lord has weakened somewhat in the recent past, five of these share croppers pay the rent (25% of the produce) in line with reform legislation.¹⁸ Two share-croppers, the land supervisor and his brother pay the traditional rent, 50% of the product.

The general tendency in Kiribathpitiya is for the temple to supply at least a part of the insecticide and fertilizer to those tenants who pay 50% rent. Those paying 25% or those performing the caste specific duties and hence not subjected to a further rent do not get the inputs from the temple.

The *nila* plots not attached to the service castes have also adopted share-cropping. In the traditional system, these tenants cultivated the *muttettuwa*, but did not perform any caste specific duties. Now this land is cultivated by eight tenants in nine different plots varying between one acre and two acres. Five pay 50% and three pay 25% as rent.

On the whole, the dominant position of labour rent as the primary mode of extraction has come to an end. But this has not led to the widespread introduction of wage labour, but to the introduction of share-cropping which is nothing but the reactivation of an archaic relation. Plots 2 and 7 are still held by tenants of the ancestral families who still perform caste specific duties;

18. They are share-croppers who live in an adjoining village who are mainly small owner cultivators in their own village.

but they do not currently cultivate the plots. These plots are leased to sub-tenants who pay a monetary rent to the ancestral tenants.

About two and half years ago, the priest attempted to change the agrarian relations—not by getting rid of archaic relations—but by introducing some intermediaries. He gave some paddy land on monetary lease to a lawyer and a shop keeper in Kandy and instructed the tenants to pay their share to the new leaseholders. The leaseholders paid Rs. 200.—Rs.250 per acre, per season to the priest. It appears that the leaseholders were under the impression that the tenants were in the habit of paying 50% of the produce. But the fields given on lease turned out to be those paying 25% of the produce. The leaseholders quarrelled with the tenants, but later agreed to accept 36%. But the priest was not able to extend this arrangement thereafter.

TABLE I.

Changing Agrarian Relations in Paddy Land Associated with Caste Specific Duties in Kiribathpitiya: 1976

Name of the Plot	Acres	Traditional service	Current practice	Rent paid
i. Pandithayage	1½	supplying pottery	share-cropping	25%
ii. Henayage	1	washing clothes	share-cropping and lease	service performed
iii. Guruve	1	musical performance	lease	money rent
iv. Gamvasama	2	land supervision	share-cropping	50%
v. Lunu	1	providing salt	share-cropping	25%
vi. Gurunnehege	1	supplying metal implements	share-cropping	50%
vii. Horane	1	musical performance	share-cropping and lease	service performed

Thus the main pattern of transition in the agrarian relations in Kiribathpitiya is from labour rent to produce rent with monetary rent making an occasional appearance. This process hits at the separation of the *muttettuwa* from *nila* plots and thereby disintegrates the integral labour mobilisation based on that. But this disintegration is concurrently paralleled by a process of reactivation of the archaic production relations under the hegemony of peripheral capitalism. Moreover, the expropriation of the surplus has become more extractive, by the expansion of share-

cropping relations to those plots traditionally generating an intermittent labour rent.

Second, some evidence from 'Delumgoda', a village in Kandy District where I did fieldwork in 1974-1975. Delumgoda covers an area slightly in excess of 153 acres, 43 acres, of paddy and 110 acres of highland. There are some barren rock outcrops in the highland area. The population in 1974 amounted to 683, consisting of 113 households. A substantial proportion of land in Delumgoda is owned by a family group not resident in the village. Some villagers own or possess tenancy rights over land in other nearby villages, whereas people in nearby villages own or possess as tenants some land in the village. Rural labourers of the village work in nearby towns and villages. So even in the limited realm of agricultural production, the social relations cannot be constrained to the narrow boundaries of the village. The village is not a self contained microcosm, but a social area with manifold relations with macro-society.

The non-resident land owning family owns 19 acres of paddy and 45 acres of highland, which works out to 45% of the paddy sowing area and 40% of the available highland. All the paddy land held by the family except $1\frac{1}{2}$ acres are leased to sharecroppers. Even small land holders, such as school teachers and shopkeepers, have given out most of their paddy land on sharecropping.

TABLE II.
Owner - Cultivators and Share-Croppers in Delumgoda: 1974

<i>Extent in Acres</i>	<i>Owner-Cultivators</i>	<i>Tenant-Cultivators</i>
1.01 — 2.00	2	2
0.76 — 1.00	3	7
0.51 — 0.75	2	5
0.26 — 0.50	7	27
0.01 — 0.25	19	8
	—	—
	33	49
	—	—

- includes two brothers cultivating one-acre plot in seasonal rotation.

In Delumgoda 23.75 acres out of a total paddy acreage of 43 acres is cultivated on share-cropping by 49 different tenants.

The overwhelming majority (71%) of the tenant cultivators cultivate very small plots of land, less than half an acre. 17½ acres of paddy land held by the non-resident landlords are cultivated by no less than 28 tenants, 19 of whom hold plots of half an acre. Concentration of land on one side and acute fragmentation of production units on the other are combined in the current agrarian organisation.

Just as wage labour does not run against share-cropping, share-cropping itself does not run against wage labour in Delumgoda. In the peak seasons of the cultivation cycle, even the half an acre share-cropper needs more labour than his immediate family could supply. So the small tenant cultivator is compelled to employ wage labour when he himself is not busy selling his own labour to someone else.

The most prevalent form of 'sharing' in Delumgoda, irrespective of various reform legislations is as follows: the landlord advances seed paddy, insecticide and fertilizer to the tenant. The tenant works the land primarily using his own implements and family labour, but may resort to employing wage labour when the necessity arises. When the harvest is reaped the landlord removes the seed paddy with an interest of 50%. The cost of insecticide and fertilizer is converted into paddy using the current market price as the norm and the corresponding amount of grain goes to the landlord. The remainder is divided into two equal portions and one goes to the tenant and the other to the landlord.

For instance, B.G.M. is a tenant cultivating ½ an acre plot owned by the landholding family. In yala (May to September) season of 1974 he reaped a harvest of 22 bushels from his plot. In the first step of the division of the product, he had to return the bushel of seed paddy he borrowed with an interest of 50%. He had also obtained 'Urea' fertilizer worth Rs. 67.75 and 'Gramoxone' insecticide worth Rs. 7.50. The current market price was taken to be Rs. 33.00 per bushel. The harvest was 22 bushels; to cover the expenses the landlord got 3.8 bushels, as the rent 9.1 bushels. B.G.M. was left with only 9.1 bushels.

Though the system is known as **ande** (half), the tenant got only 41% of the total product. The lowering of the share going to the tenant is due directly to the intrusion of a **new tentacle**, the agrarian inputs. These inputs have increased in price during the last five years, thus progressively acquiring a bigger share of the surplus. The landlords, by recovering the cost of inputs before the harvest is halved, have directly transferred the burden of the increasing cost on to shoulders of the tenants.

Another advantage of share-cropping from the point of view of the landlord is that the tenant bears the cost for wage labour and food in the field without being specifically compensated for it. B.G.M. claimed that he would have spent over Rs. 100.00 hiring buffaloes and paying the wages of men and women. If this **monetary** cost is deducted from his final share, he has actually obtained approximately 6 bushels to compensate for his and family labour.

All the members of the land owning family are resident in urban centres and the males and some females are employed at the executive level in urban occupations. The surplus that flows from the Delumgoda paddy fields is an addition to their professional income. My conservative estimate is that approximately Rs. 26,000—Rs. 27,000 flow annually to the family coffers from the paddy fields. Apart from supplying the fertilizer and insecticide (the cost of which is promptly recovered), no part of this surplus is reinvested in the village to improve the conditions of production. As a result, the techniques of paddy cultivation have not changed radically from the days of the kindgom. The surplus coming from the village is partly invested in the urban centres and partly conspicuously consumed.

Gramsci's first observation on the Italian south thus applies to the Kandyan villages. The surplus generated in the rural areas is absorbed by the urban elements, with no reinvestment to improve the condition of production. The perpetuation of the tenancy system keeps the cultivator at a wretched bare subsistence level and also keeps the rural wage rate down. The **actual** annual share of the tenant cultivator quoted earlier is worth only Rs. 450. To

earn this paltry sum, he has to be virtually bound to the soil cultivating two seasons per year. It must be emphasised here that sharecropping is not the only form of surplus extraction to which the Kandyan peasant is subjected. The usurer, the trader, the 'co-operative' all join hands in squeezing the last cent out of his pocket.

The small owner-cultivator, of course, does not pay a share to a landlord. But he is even more dependent on the usurers than the share-cropper as he is often compelled to borrow money to pay for agrarian inputs. As he sells a part of his produce in the market, he is also subjected to surplus extraction in the process of exchange. The tentacle of fertilizer and insecticide grips him tightly, just as in the case of the tenant cultivator.

The Kandyan peasant is not a self sufficient cultivator. He buys food items, clothes, kerosene etc. in the market. The increasing prices of these items in relation to the moderate increase of prices for agricultural products introduces an element of unequal exchange into peasant purchases. This is another important method of surplus extraction from the peasantry.

In Delumgoda there is: (i) surplus flow from the village to the town and finally to capitalist metropolises, (ii) lack of re-investment of the surplus in the village and (iii) perpetuation of archaic relations in agriculture leading to a situation of social disintegration.

I argued earlier that on the aftermath of the plebian revolt of 1848 an agrarian bloc did come into existence in the Kandyan areas. This bloc continued to exist till the mid 1950s. But the bloc was effectively broken in 1956. The rising commercial petty bourgeoisie of the urban centres entered into an alliance with the rural petty bourgeoisie. This alliance achieved ideological hegemony over the middle and poor peasants and the agrarian workers. This alliance opposed the aristocratic authority in the rural areas in the 1950s. They were able to dislodge the key link of the agrarian bloc, the conservative monks of the land holding temples, from their position of ideological supremacy. A new stratum of ideologues emerged from the rural petty bourgeoisie,

the Sinhala school teacher, the Ayurvedic physician and the monks from the non-landholding temples primarily belonging to less aristocratic sects.

The demands to make Sinhala the official language, to obtain the pre-eminent position for Buddhism, to strengthen the Ayurvedic medical system, etc. were demands closely identified with the interests of the fairly numerous rural petty bourgeoisie. This alliance presented itself-as all such multi-class fronts do-not as a movement yearning to achieve its particularistic interests, but as the saviour of all down trodden masses. The ideological control that the rural petty-bourgeoisie exercised over the rural masses was important in winning over the peasants to their alliance. There was cultural rhetoric with obvious shades of chauvinism, much talk of improving the lot of the village masses and anger expressed at the hedonism of the ruling clique. By winning over the peasant masses to its side, the urban and rural petty-bourgeoisie isolated the urban working class. Devoid of the support of its natural ally, the peasantry, the urban working class movement ended up as an uneasy ally or an ineffective opponent of this alliance. The *difference* between the alignments in the pre-war Italian south and Sri Lanka in the last three decades should be obvious. What happened in Sri Lanka is the breaking of the agrarian bloc and the establishment of an urban-rural alliance at the petty-bourgeoisie level subordinating the peasant masses, thus leading to a socio-political isolation of the working class. The piper who played the tune in this alliance was the urban commercial petty-bourgeoisie. Under the new regime, using the opportunities newly created by import restrictions, tax holidays, bank loans and joint ventures with foreign companies, the urban petty -bourgeoisie flourished, expanded and consolidated their positions. Already, in the mid-sixties, they were a big bourgeoisie not distinct from their former opponents, the dependent colonial bourgeoisie. In the course of its metamorphosis from a petty bourgeoisie to a big bourgeoisie, it came increasingly into conflict with its former cousin, the rural petty bourgeoisie. Thus on the one side an organic fusion was occurring incorporating the old and the new bourgeoisie, this very process creating a

chasm between the urban bourgeoisie and the rural petty-bourgeoisie.¹⁹

How does the organic fusion of the class interests of the domestic big bourgeoisie affect the classes in the Kandyan countryside? The provincial towns witnessed the growth of a middle bourgeoisie in the sixties and early seventies; they are small manufacturers, owners of truck companies, timber merchants and also landlords. Their interests are closely aligned with those of the big bourgeoisie; in political action they tend to follow the lead of the big bourgeoisie. But the rural petty bourgeoisie are realising that their class interests are opposed to those of the big bourgeoisie. But in the typical petty bourgeois manner, they are full of false consciousness and register their protest mainly by changing their allegiance from one bourgeois party to another. They who are dissatisfied with Tweedledum, throw their lot in with Tweedledee.

But the peasants are still under the ideological control of the rural petty bourgeoisie. They are continuously subjected to dosages of petty bourgeois ideology which irrespective of its apparent populist form carries a highly reactionary content in the current historical conjuncture. The Left movement has not yet been able to organise and mobilise the peasantry in Sri Lanka in general and the Kandyan areas in particular. This failure is fundamentally due to its incapacity to dislodge the petty bourgeoisie from its position of ideological supremacy over the peasantry.

The concrete conditions for liberating the peasant masses from this harmful influence are now emerging. The class contradictions in the countryside are ripening. As factions of the rural petty bourgeoisie by reactionary political practice have managed to worm themselves into bureaucratic sinecures created by State capitalism (co-operative managers, chairmen of various committees etc.) the contradictions between them and the peasantry both at the political and economic levels are intensifying.

19. On class differentiation in the Kandyan rural society see Gunasinghe 1976.

Thus the concrete conditions to bring about a worker-peasant alliance are in formation. The ruination of the middle peasant, the pauperisation of the poor peasant, the chronic unemployment among the youth who come from these classes are nothing but signs that indicate that underdevelopment in the periphery of capitalism is reaching a breaking point. All this has led to a situation that gives the working class every opportunity to get rid of the petty-bourgeois ideological control. But this will not come about spontaneously. The creation of the worker-peasant alliance, the new historic bloc, inevitably depends on the ability of the Left movement to dislodge the rural petty-bourgeoisie from its position of influence and bring the peasantry under the influence of advanced working class consciousness and thinking.

The concept of the agrarian bloc takes us to the general problematic of the contradiction between the city and the countryside. This, indeed, is a contradiction that exists in a most acute form in many countries of the periphery of international capitalism. In the Kandyan areas, this contradiction assumes a *specific* form, which is dictated by the historical fashioning of the mode of production. The penetration of the plantations to the most remote parts of the hill country, the consequent laying down of a network of roads and in more recent times regular public transport covering the Kandyan countryside has integrated the country into a highly inter-related area of surplus expropriation. All the traces of village or even regional economic autonomy have utterly vanished. Though archaic relations of production continue to perpetuate themselves in the villages, the proximity of the town, both in terms of time necessary to reach it as well as the presence of urban elements in the village (such as the urban workers resident), has created a level of consciousness among the peasant masses that is qualitatively superior to what is dictated by the archaic production relations. Here, the level of social consciousness attained by the peasant masses is incongruous with the state of development of the production forces and relations, but at the same time continues to be non-revolutionary as long as it is shaped by the populist false consciousness of the petty bourgeoisie.

One of the important implications of Gramsci's concept is the erosion of primordial relations which once cushioned the peasant resulting in a direct individual confrontation with the exploitative forces. Mintz, in a series of studies on the rural proletarians attached to sugar plantations in the Caribbean has developed a similar stand point. He has observed that "the individual is gradually torn loose from the old personal security networks and eventually may come to see himself alone and to think of his fate as most comprehensible in terms of his own acts". (1960: 261). Mintz argues that this process of "individualisation" is an important ground mark in the attainment of class consciousness: "...individualisation is a vital aspect of proletarianisation....and in the service of that consciousness, even if it appears not to be". (Mintz: 1974). In fact he goes further:

"To what extent can it be contended that class consciousness—at least, when dealing with populations of the sort described here—does not assume certain forms *until* the individual sees himself as defenceless, and thus *individual*, because he has become disengaged from those traditional protections of community, kinship and personal association that typify an earlier stage of economic History". (Mintz: 1974).

These are important observations: but let us first establish the erosion of primordial ties among the Kandyan peasantry. Mintz is talking of a *plantation* proletariat who are akin to the plantation workers in Sri Lanka. I am considering the state of a peasant population, no doubt divided into classes, including a class of agrarian labourers, but who nevertheless still retain the basic character of a peasant economy.

One of the most important primordial ties that cushioned the Kandyan peasant was the kinship network. In addition to the important relations with the parents and the siblings, the Kandyan kinship system provided the individual with a number of important kin (outside the nuclear family), the most important of whom are mother's brother (*mama*) and mother's brother's daughter (*nana*). The ideal recommended was to marry one's *nana*, thus strengthening the ties with *mama* both in the capacity of mother's brother and father-in-law. The essence of this cross-cousin marriage system, as Dumont (1957) has correctly observed, is "bifurcate merging" where kin are dichotomised into opposed

sets (consanguines/affines; cross/parallel, etc.) and then united through marriage; the extreme generations of grandparents and grandchildren are merged while the intermediate generation is bifurcated. The ethos generated in a kinship structure of this sort gave rise to a close and tender alliance between the individual and his *mama*. The nature of this relationship was underlined in a number of old Kandyan folk sayings: "*Mama* will also be a mother if he had breasts", "When the mother dies, milk comes to *mama's* thumb", etc. The system of bifurcate-merging kept the property rights within the closely knit family groups and also helped to create a balance in the exchange of women. In the first generation a woman leaves family "A" and joins family "B" as a wife; her daughter returns to family "A" in the second generation to marry; the grand daughter of the first woman returns back to family "B". If the ideal *diga* (patrilocal) marriage is practised, the exchange can be prolonged through a number of generations.

In the ranks of the poor peasants and agrarian workers, the economic justification of cross-cousin marriage, that of holding property within a small tightly knit kin group no longer holds as they own very little or no property. The incidence of cross-cousin marriage is on the decline. Decreasing frequency of cross-cousin marriage is interestingly reflected in a change of kinship terminology. Young people of Delumgoda seldom use the "correct" kin term in addressing their cross-cousins (*massina* for males and *nana* for females). Instead they use *malli-aiyya* (brother) for males and *nangi/akka* (sister) for cross-cousins, which are terms traditionally used for ego's siblings and parallel cousins. Such usage, at least at the level of terminology, bars sexual union. One should not forget the fact that the *nana/massina* pair also constitutes the joking relationship *par excellence* in the Kandyan system of kinship. The change to more formal "brother-sister" terminology indicates the important changes occurring in the structure.

Decreasing incidence of cross-cousin marriage hits at the very essence of the Kandyan kinship system; that of "bifurcate merging". Effective relations between the kin groups cannot be maintained through generations, if the exchange relations are not re-

inforced in each generation. This leads to an acute fragmentation within the bilateral lineages, leading to nuclear families. The distinction between the consanguines and affines are blurred, further contributing to these structural changes, Ego's relations with his mother's brother necessarily suffer, as the possibility of him becoming a son-in-law decreases. The ego stands without any substantial help from his major affinal relative. The structural changes at the level of kinship is tending towards the dissolution of the lineages and extended family groups. The nuclear family consisting of parents and children is increasingly becoming the most effective kin unit. In fact, in Delumgoda, I have come across a number of share-cropping relations between parents and married adult sons where the portion going to the landlord was assiduously observed. All this suggests that the protective fibre of the kin group is being torn and the individual increasingly compelled to confront larger society alone.

I must emphasise however, that this process of the fragmentation of kin groups is most pronounced in the ranks of the poor peasants and agrarian workers. In the case of the property holding classes, the kin group still functions as an effective social unit. Among the rural petty-bourgeoisie, the kin group is not only a property holding alliance; it is also an effective political faction. Among the major land-owning families who are closely interrelated with each other, kin groups function both as nationally integrated units to further their collective class interests, as well as regional factions competing against each other for power.

Alavi (1973) has observed the same pattern among the sharecroppers and landlords in Punjab. "In the case of sharecroppers, however, horizontal ties of kinship do not constitute them into political groups because they are subjected to the authority of landlords who exploit and dominate them; they are bound by vertical ties of economic dependence". "In the case of landowners the problem of class solidarity does not arise in the village level political arena in which members of their own class appear as rival faction leaders and the interests of their class are not threatened.

Caste, even during the days of the kingdom did not place, the individual in a network of protective relations, as the kin group did. The caste system was the mode of division of labour that corresponded with the Kandyan social formation. The disintegration of pre-capitalist social relations and the dominance of peripheral capitalism in the countryside has created class divisions that cut through caste barriers. On one hand castes themselves are vertically split into different classes, on the other hand horizontal integration is taking place among persons who belong to different castes, but to the same class.

Hereditary ascription of the division of labour, the foremost economic base on which the caste system rests, is now eroded, at the level of poor peasants and agrarian labourers, on the whole. Caste specific duties are no longer performed. They eke out an existence from a plot of land or sell their labour as itinerant workers. In fact, most of them do not have the *skill* to discharge their caste specific duties. The rural petty bourgeoisie, as small landholders, shopkeepers and sometimes salaried employees are far away from the traditional caste specific callings.

One who visits a Kandyan village will not discover the existence of different castes initially. Most of the service caste people are cultivators and agrarian workers just as the bulk of their ritual superiors. Ritual prestations from one caste to the other are almost absent. Public comments relating to caste are seldom heard, but still caste-consciousness remains, to be aired privately when one sits among one's fellow caste-men.

The major area where caste still operates with full force is marriage. The overwhelming majority of the marriages in the village situations are still arranged by the parents. In these arranged marriages, there is little possibility of different castes coming together. If the prospective bride and groom are not kin (now they are often not) each party will make detailed investigations to ascertain the caste origins of the other. If one of the parties prove to be wanting in their caste status, the marriage negotiations break down.

This raises an important question; on one hand the economic base of the caste-system has undergone erosion, on the other hand caste-consciousness and caste endogamy still prevail. Thus caste seems to hang in the mid-air, as it were, deriving its logic of existence not from the base, but from those semi-autonomous domains in the superstructure.

Caste ideology, though never publicly aired, has become so important in parliamentary politics that none of the two major bourgeois parties dares to put forward a candidate who is not a member of the numerically dominant caste in the area. These political machinations are not simply due to a spontaneous emergence of caste-consciousness on the part of the poor peasants and agrarian workers. I must stress that caste ideology cuts through class lines and vertically integrates different classes. It cushions the class contradictions in rural society, and as such runs parallel to the interests of the exploitative structures in the villages. In the immediate instance, it favours the interests of the rural petty-bourgeoisie who hang around the local M.P. and promise him the votes of their "own people". The influence thus gained would be used to obtain jobs for the sons of the petty-bourgeoisie and lucrative posts in the co-operatives, productivity committees, etc. for the senior generation. The plight of our "own people" who are poor peasants and agrarian workers is conveniently forgotten when it comes to the distribution of spoils.

Caste-consciousness, (i) tends to blur class divisions and creates a false ideology of shared interests among opposed classes and (ii) works in favour of the immediate interests of the petty bourgeoisie. This formulation helps to posit an important question: *is caste-consciousness simply a survival from the past or are there modern determinations that reinforce and reactivate it?* The superstructural instance that exerts dominant pressure in reinforcing caste-consciousness seems to be political, political defined in a wider sense as the instance dealing with power relations.

Caste does not currently serve as a protective fabric cushioning the poor peasant or the agrarian labourer from the wrath of

the exploitative forces. Indeed, it is questionable whether caste ever performed this role. Caste ideology is currently used by the exploitative classes to keep the peasants disoriented and this disorientation is used to intensify exploitation.

Individualisation, of which Mintz has spoken, is a process that occurs at the level of consciousness, though it is dependent on the erosion of primordial ties. In the case of the Kandyan peasantry erosion of primordial relations has progressed far; kin groups are fragmented and exchange relations between important kin are lost, caste does not function as a society of mutual help. The peasant is becoming increasingly conscious of his individual interests as against those of the primordial group.

But consciousness of exploitation, oppression and common misery, as Lukacs has correctly pointed out, should not be confused with class-consciousness. The attainment of class-consciousness on the part of poor peasants and agrarian workers depends upon the establishment of a worker-peasant alliance which is still absent in the Kandyan areas. But the class differentiation in the rural areas, the breaking of the agrarian *bloc* and the erosion of primordial ties has created a concrete base on which this alliance can be built.

*

*

*

The major objective of this essay is to make use of some of Gramsci's observations to shed light on the agrarian relations in the Kandyan countryside. I established that, just as is the case in Southern Italy, the Kandyan villages are areas of surplus export. The surplus produced in the villages is not reinvested, except for the supply of agrarian inputs, which has led to the perpetuation of archaic techniques of production with extreme under-utilisation of machinery. But, unlike in Southern Italy, due to increasing literacy, the availability of transport facilities and the presence of urban workers in the rural context, the level of social-consciousness of the peasantry is higher than what is laid down by the relations of production. But this does not amount to revolutionary consciousness.

An agrarian bloc that united all the rural classes in an imaginary opposition to the urban interests historically existed in the Kandyan areas. But this bloc was broken by the petty bourgeois alliance in 1956. Henceforth, the rural petty bourgeoisie was able to exercise ideological supremacy over the peasantry thus preventing the formation of the worker-peasant alliance. The peasant masses have generally tended to follow the petty bourgeoisie when the latter change their support from one bourgeois political party to another. Hence, what is on the agenda in the peasant front is to dislodge the influence of the petty bourgeoisie and bring the peasantry under the theoretical influence of the proletariat; this is the major lesson that one can learn from Gramsci's writings on the agrarian question that so heavily concentrates on the superstructure.

REFERENCES

- ALAVI, Hamza, 1973—'Peasant Classes and Primordial Loyalties', *The Journal of Peasant Studies*, Vol. 1, No. 1.
- ALTHUSSER, Louis, 1969—*For Marx*, Allen Lane, The Penguin Press, London.
1971—*Lenin and Philosophy and other Essays*, New Left Books, London.
- AMIN, Samir, 1974—*Accumulation on a World Scale*, Monthly Review Press, New York and London.
- BARAN, Paul, 1957—*Political Economy of Growth*, Monthly Review Press, New York.
- DUMONT, Louis, 1957—'Hierarchy and Marriage Alliance in South Indian Kinship', *Occasional Papers of the Royal Anthropological Institute*, No. 12.
- EVERS, Hans-Dieter, 1969—'Monastic Landlordism in Ceylon: A Traditional System in a Modern Setting', *Journal of Asian Studies*, Vol. XXVII, No. 4.
- FRANK, Andre Gunder, 1967—*Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil*, Monthly Review Press, New York.
1969—*Latin America: Underdevelopment or Revolution*, Monthly Review Press, New York.
- GRAMSCI, Antonio, 1968—*The Modern Prince and Other Writings*, Lawrence and Wishart, London.
1971—*Prison Note Books*, New Left Books, London.
1977—*Selections from Political Writings, 1910-1920*, Lawrence and Wishart, London.
- GUNASINGHE, Newton, 1976—'Social Change and the Disintegration of a Traditional System of Exchange Labour in Kandyan Sri Lanka', *Sociological Bulletin*, Vol. 25, No. 2.
1976—'Production Relations and Classes in a Kandyan Village' (in Sinhalese), *Nava Lanka*, Vol. 2. and 3.
- JOLL, James, 1977—*Gramsci*, Fontana/Collins, Glasgow.
- LACLAU, Ernesto, 1971—'Imperialism in Latin America', *New Left Review* No. 67.
- LUKACS, Georg, 1971—*History and Class Consciousness: Studies in Marxist Dialectics*, Merlin Press, London.
- LENIN, V. I., 1960—*Collected Works, Volumes III, IV and XXII*, FLPH, Moscow.
- MACCIOCCHI, Maria-Antonietta, 1974—*Pour Gramsci*, Editions du Seuil, Paris.
- MARX, Karl, 1942—*Selected Works, Volume II*, FLPH, Moscow.
- MINTZ, S. W., 1960—*Worker in the Cane*, Yale University Press, New Haven.
1974—'The Rural Proletariat and the Problem of Rural Proletarian Consciousness', *The Journal of Peasant Studies*, Vol. I, No. 3.
- PIERIS, Ralph, 1951—1952 'Society and Ideology in Ceylon during a 'Time of Trouble' 1795-1850, *University of Ceylon Review*, Volumes 9 and 10.
- PORTELLI, Hugues, 1972—*Gramsci et le Bloc Historique*, Presses Universitaires de France, Paris.

Karthigesu Sivathamby

HINDU REACTION TO CHRISTIAN PROSELYTIZATION & WESTERNIZATION IN 19TH CENTURY SRI LANKA

A study of the educational and socio-religious activities of Arumuka Navalar (1822-1879)⁽¹⁾

I

“Sri La Sri Arumuka Navalar was born at a propitious hour. The Shaiva religion was panting for him. The Tamil language was thirsting for him. Jaffna was longing for him. The Shaiva religion had been in the stranglehold of alien forces for two centuries. Tamil Literature and Grammar were gaoled in palmyra leaves. Jaffna had no leader and was groping in the dark. Navalar came, saw and gave them all relief”

Shivapadasundaram S. Arumuka Navalar
(Sri Lanka) 1950-p. 1

“The Buddhist and Hindu revivalist movements were a method by which the newly emergent middle class could challenge British rule without sedition—for Christianity was one of the weak links of the colonial hierarchy... The anti-Christian campaign... became a challenge to the whole system of colonial rule as well. It also served as repudiation of a cultural transformation that may be described as “Christianization” which was not a purely religious phenomenon linked with proselytization and missionary education, but reflected the social behaviour pattern and style of life of the Ceylonese middle class.”

Jayawardena, Kumari—
The Rise of the Labour Movement in
Ceylon (1972) p XI-XII.

-
1. For a concise biography of Arumuka Navalar (in English) see:
 - (i) Sivapada Sundaram S. - *Arumukha Navalar*
 - (ii) Muttucumaraswamy V. - *Sri La Sri Arumuga Navalar* - Sri Lanka 1965. In Tamil see (i) Kailasapillai T. *Arumuka Navalar*

These two views indicate the historiographical change that is taking place in the study of socio-religious leaders of 19th century Sri Lanka. The first passage reveals an exclusively Hindu-Tamil view of Arumuka Navalar; the second indicates the need to view his activities in a wider perspective.

An attempt is made in this paper to analyse critically the role of Arumuka Navalar (1822-79) in stemming the tide of Christian missionary activities, which threatened the continuity of the traditional social set-up and cultural milieu in Jaffna. It goes into a detailed examination of his anti-missionary activities, especially in the educational and religious spheres, highlighting their importance in preventing an annihilation of the traditional culture of Jaffna.

It is shown on the evidence of contemporary records that Navalar attempted, through various activities, to contain the socio-cultural changes flowing from the very character of British administration within the well-entrenched, traditional social framework of Jaffna Hindu society and that the beneficiaries of these activities, by aim and choice, were the upper caste Hindus, the most dynamic section of that society. It is also shown how the tenor of Navalar's contributions determined the social and political thinking of this section of that society for sometime thereafter.



It is true that Arumuka Navalar (Arumugam was his surname; the post-position Navalar means 'the able tongued'; it was a title awarded by a Hindu religious establishment (a mutt) in South India) is no longer viewed solely as the Fifth Savant of Saivism. The first three Savants were the Thevara hymnists of the 7th century A.D. and the fourth, Manickavacakar, belongs to the 9th century. A. D. All these four Savants fought against alien religions and propagated Saivism. The literary movement that campaigned for the growth of a nationally oriented Tamil literature for Sri

Lanka first highlighted the national significance of Navalar.² The literary inquiries into the origins of Sri Lankan Tamil writing led to some introductory studies comparing Navalar with the Hindu "revivalists" of India.³ There are also many exhaustive studies on Navalar, the grammarian, the textual editor, the essayist and the pamphleteer.⁴ But these writings are mostly in Tamil. Of late there have been a few articles in English on this subject but they cannot be regarded as comprehensive enough to provide a non-Tamil reader a concise picture of Navalar and his times.

The increasing national concern for the proper reconstruction of the history of the movement for national liberation stipulates a sharing of all the available historical data relating to Navalar with all those interested in this area of studies but not familiar with Tamil.

2. CARITTIRAM - 4th edition - Madras 1950.

(ii) Kanakaratna Upatitayar V.

SRI LA SRI NALLUR ARUMUKA NAVALAR CARITTIRAM
Navalar Centenary Reprint - Sri Lanka 1968.

3. Sivathamby, K. (i) *NAMATU PARAMPARAI - ARUMUKA NAVALAR* - Putumai Ilakkiyam
Colombo, November 1961.

(ii) *ILANKAI MUTPOKKU ELUTTALAR CANKAMUMEELATTINTAMIL ILAKKIYA VALARCCIIYUM ORU* Varalatu Nokku.
Putumai Ilakkiyam - Supplement to the
Conference on National Integration
Colombo - 1975.

Kailasapathy, K. *Ancali - Northern Province Special Supplement*,
Colombo Sept. 1971.

Sivathamby, K. *Vallalarum Navalurum Thinakaran Weekly Supplement* Colombo 11. 12. 66

4. Thananjayarajasingham S.

(i) *Navalar Panihal* (with one chapter in English) Peradeniya-1969

(ii) *The Educational Activities of Arumuga Navalar* - Jaffna - 1974.

The aim of this study is to sketch briefly the socio-historical background which called for the services of Navalar and to indicate how he emerged as "the Champion reformer of the Hindus"⁵.

II

By the time British rule was established in Sri Lanka, the Roman Catholic Church and the Dutch Reformed Church were a part of the historical tradition of the country and the new Protestant missionary organizations too had come into the island. British rule ushered in an era of religious liberalism not found during the time of the Dutch. The regulation passed by the Governor-in-Council on 27th May 1806 allowed the Roman Catholics "unmolested profession and exercise of their religion in every part of the British settlements in the island of Ceylon."⁶ The Catholic Church which could always lay claim to the sincerity, devotion and loyalty of most of their converts "maintained the same ascendancy and exhibited the same energy which it had previously (during) the patronage of the Portuguese and the proscription of the Dutch"⁷. By 1828, the Catholics had established 63 schools with a total student strength of 1358 boys. Jaffna had 23 schools with 424 male students.⁸

5. Proceedings of the Legislative Council of Ceylon 11. 2. 1884. Ponnambalam Ramanathan referred to Navalar as the Champion Reformer of Hindus. Besides this posthumous reference, there was also a contemporary reference to Navalar in the Legislative Council (19. 10. 1876) by Sir Muttu Kumaraswami: "His (Navalar) whole life has been spent in preaching and writing against Christianity and he has a following which cannot be despised."

6. Tennent, Sir James Emerson, Christianity in Ceylon-London 1850 p.75

7. *ibid* p. 90

8. Ruberu, Ranjit. Education in Colonial Ceylon. Kandy 1962-p. 240.

As among the Sinhalese, the bulk of the Tamil Catholics came from the fisher caste. In the Tamilian caste hierarchy the fishermen (the Karayars — those of the coast) are not considered unclean and polluting, but they are not counted among the very high. There are various subgroups among the Karaiyars and the Catholic conversion was largely among those engaged in deep sea fishing. But it would be wrong to say that the Catholics of Jaffna district are all from this caste. The parishes of Narantanai, Kayts, Mirusuvil and Sillalai have Catholics from the Vellala community, the highest ranked caste in the Sri Lankan Tamil social hierarchy.⁹

After a period of proscription the Catholic Church was struggling to stand on its own feet; it was reacting rather sensitively to the advances made by the Protestant missionaries. Of course there was no open hostility but the uneasiness was quite evident.¹⁰ The main development of Catholic education in Jaffna during this period begins with Fr. Semeria and Fr. Bonjean, Bishops of Jaffna from 1857 to 1867 and from 1868 to 1883 respectively.

However Catholicism cannot be taken as having constituted any effective challenge to Hinduism during this period. In fact Hinduism had been co-existing with Catholicism since the days of Portuguese rule. Nor could the Dutch Reformed Church be considered as having posed a serious threat to Hinduism. Dutch Protestantism “with its lack of symbols in worship and its insistence on the Bible as the sole guide in religion” was not able to hold on to its converts even at the very time of its unchallenged supremacy. Tennent describes the situation that existed

9. For the caste hierarchy in Jaffna, see

(i) Banks, M

(ii) Sivathamby K. *YAR INTA YALPANATTAN* Ancali - Colombo - Sept. 1971.

10. Gnana Prakasar - Rev. S. - XXV Years Catholic Progress, Jaffna-1925 p. 156.

during his time: "In 1802 the nominal Protestant Christians amongst the Tamils of Jaffna were 136,000; in 1806 Buchanan, who then visited Ceylon described the Protestant religion as extinct, the five old Churches in ruins, the clergy who had once ministered in them forgotten and but one Hindoo Catechist in charge of the Province."¹¹

The real threat to Hinduism first arose from those Protestant missionary organizations that came during British rule. The London Missionary Society came to the island in 1804-5, the Baptists in 1812, the Wesleyan Methodists in 1814-5, the American Mission in 1817 and the Church Missionary Society in 1818.

The London Missionary Society's efforts did not prove successful. Of the four missionaries who arrived on 4th February 1855, J. D. Palm was sent to Jaffna.¹² Tennent describes the impact of the London Missionary Society in Jaffna thus: "As for the Tamils of the North, after a few years of hopeless exertion the missionary sent to them was withdrawn."¹³

The next group of missionaries to arrive in Sri Lanka, the Baptists, "were unique among the missions in having no station in the Tamil regions of the North and the East. They concentrated their efforts on the South West coastal region and on the Kandyan region."¹⁴

Unlike the Baptists, the Wesleyan Methodists started their activities on an island-wide scale. They began in 1814 simultaneously in Jaffna, Batticaloa, Galle and Matara. At their third annual conference held in 1819, the island was divided into two districts—Sinhalese and Tamil. The

11. Tennent p. 83.

12. For a detailed account see Ruberu p. 140 ff.

13. Tennent p. 86

14. de Silva, K. M. *Social Policy and Missionary Organizations in Ceylon. 1840 - 1855* London 1965 p. 26

Northern district was strengthened by the arrival of young Wesleyan Ministers in 1820. By 1825 they had 26 schools in the Northern district with 795 scholars taught by 26 teachers. They created a native Ministry and in 1833, Rev. Peter Percival arrived.¹⁵ He was placed in charge of the "Jaffna Central School" to which Navalar was admitted as a student in 1834.

The American Mission confined its activities to the North only. On a report from Samuel Newell of the first batch of American missionaries who came to the East, the American Board of Commissioners for Foreign Missions sent out in 1816 a team for missionary work in Jaffna. It is said that Jaffna was selected because (a) "the Governor (was) desirous that they (the pagans of the province) should be instructed and would encourage every attempt of this nature" and (b) of (Jaffna's) position as the key to India, its inhabitants speaking the same language as many millions of Southern India".¹⁶ Within ten years of their arrival they had established (i) Missionary hospital services (1817) (ii) a Centre for training would be doctors in the Western system of medicine (1819) (iii) The Batticaloa (Vaddukoddai) Seminary for Collegiate education (1823) and (iv) the Uduvil Girls School (1824).

Of the four English clergymen sent by the Church Missionary Society to Sri Lanka in 1817, Rev. Joseph Knight went to Jaffna. He commenced his work in 1818 at Nallur. By 1850, the C. M. S. had established itself so firmly that Chundikuly and Kopay were taken up as separate mission districts in 1841 and 1849 respectively. The Nallur Girls Boarding School was opened in 1841.¹⁷

15. Martyn, John H. Notes on Jaffna - Jaffna 1922 - p. 162 ff.

16. Rutnam, James T. Batticaloa Seminary. Xerox copy of an unpublished article. The quotations are from the text of Newell's report.

17. Martyn p. 166

Thus of the five missionary organizations that came in during the British period, only three were firmly established in the North. The Anglican Church was the established Church "but despite this status it enjoyed little of the prestige and powers and few of the privileges conferred on their established Churches by the Portuguese"¹⁸ and Dutch during their rule in Ceylon. In the North the government schools came under the control and supervision of the Chaplain. Christian David from Tanjore was appointed the Superintendent of over forty schools in the Northern district.¹⁹ It cannot be said that the Anglican Church took to missionary work as zealously as the other three organizations had done.

A very significant factor about these missionary organizations was the complete absence of rivalry and the understanding that existed among them. Tennent, obviously much impressed by their amity and unity, says "In all essential particulars the process adopted by the three Missionary bodies in the province of Jaffna has been the same in regard to their operations. For thirty years these good men have assembled periodically in a "*Missionary Union*" to combine the results and past experience and decide on measures for the future. By this means their system had been almost one and the same; and they have altogether avoided in the eyes of the Tamils, the exhibition of controversial rivalry, which to some extent has impeded the success of the Missions amongst the Singhalese in the South"²⁰ and later, when he refers to the activities of the American missionaries, he mentions the fact that the American missionaries had been co-operating with not only the Wesleyans and those of the Church of England but even with the Catholics. The absence of open hostility between the Catholics and the missionaries is attested to by the fact that Fr. Bonjean was able to get

18. de Silva, K. M. (ed) History of Ceylon Vol. 3 - University of Ceylon 1973 p. 72.

19. Martyn p. 204.

20. Tennent pp. 143-4

some of his tracts and booklets printed at the Protestant presses.²¹

III

An analysis of the policies and practices of all these missionaries reveals the truth that education was the chief medium through which they wished to 'communicate' Christ. What Rev. Knight of the Church Missionary Society mentions in a letter to the Secretary of the C. M. S., London in 1820 could be taken as the guiding factor for all the Missions: "We find gradual openings for preaching the Gospel around, indeed we wish to make this our primary object...in all the schools we establish. Through the medium of the children we frequently find access to the parents and thus little by little we are furnished with opportunities of delivering our message to them. Schools have also the gradual but sure effect of clearing away the prejudices which the people entertain respecting us."²²

Tennent makes a pointed reference to the use of education as the great instrument in the Tamilian context-

"In the assault meditated by the missionaries upon the idolatrous system of the Tamils, the first approaches have all been made through the instrumentality of education, though in every stage of the process the inculcation of divine instruction and the development of the truths of Christianity have formed the aim and object of every measure and has been enforced with earnestness and unremitting devotion. To a casual observer it might seem that an undue precedence had been given to the secular, to the prejudice of spiritual teaching; but a reflection will dispel the apprehension when it is borne in mind that the genius of the Brahmanical superstition has itself suggested the order of attack..."²³

21. Ganapragassar p. 20

22. q. v. Ruberu p. 153. See also pp. 166-67.

23. Tennent p. 165.

The Christianizing character of missionary education has never been in doubt. The missionaries sought to achieve their aim by (a) adopting Sinhala and Tamil as the medium of instruction and (b) running English Schools. The American Mission in its memorandum to the Colebrooke Commission stated that their main aim in establishing vernacular schools "was raising up a reading population" in Tamil.²⁴ The question of teaching Tamil raised two basic problems: (i) the need for the missionaries to learn Tamil as speedily as possible and (ii) the need for translations and dictionaries. The missionaries responded to these challenges magnificently and we could mention a few names from among the early missionaries who are remembered even today for their "Contribution" to Tamil language and writing. Knight, Spaulding, Winslow were eminent lexicographers and Cutler and Green were well-known translators.²⁵

Missionary education had a definite pattern. The free vernacular schools were more or less, to use a modern phrase, grassroot level organizations. Out of those who attended these schools, the more promising students were separated from 'the example and influence of idolatry' by the establishment of boarding schools.²⁶ Even though it was primarily an innovation of the American missionaries, the other missionaries too in due course established their own boarding schools. Important mention should be made of the boarding schools for girls established by all the three missionary groups.

From the boarding school the next step was "establishing schools for tuition in English and for elementary instruction of a still more advanced character".²⁷ Here we could see education becoming socially more and more exclusive. The

24. q. v. Ruberu p. 163

25. Kanapathipillai K. *EELATTU VALAMUM* Madras-1962 - p. 106 f.f. de Silva K. M. (ed.) *History of Ceylon* Vol. III p. 72, de Silva K. M. p. 151.

26. Tennent pp. 146 f. f.

27. *ibid* p. 147.

learning of English, the language of the masters, was a great educational attraction. Robinson explained the cause for this: "To know the tongue of their rulers, parents with good reason taught children to think, was to be the highway to riches and honour".²⁸ And it was at this level that education became synonymous with Christianization. "The first hour in the English and Anglo-Tamil schools is devoted to Scripture exercises. It is optional with the scholars to be present during that hour; but their parents regard the study of the English Bible as necessary to the acquirement of our language; and they evince as deep an interest as any in the inspired page."²⁹

As for the American missionaries "they found themselves in a position not only to enforce the payment of an annual fee from the pupils in their English schools but to maintain with a firm hand, but without any discouragement or diminution of their numbers, discipline which is essentially and avowedly Christian"³⁰; and this meant that a Hindu child was not allowed to enter the school with the mark of the holy ash on his forehead and was "obliged not only to attend public worship at Sabbath but to join in the daily reading of the scriptures and the study of the first principles of Christianity."³¹

At the apex of the Missionary school system as it operated in the Northern district came the Collegiate institution which provided higher education; that of the Church of England was established at Nellur (Nallur) and afterwards removed to Chundicully (Chundikuly); that of the Wesleyans in the great square at Jaffna (where Navalar studied) in 1834, and that of Americans at Batticotta (Vaddukkoddai).³² At this level the Christianizing influence of education was complete.

28. Robinson, Rev. E. J. *Hindu Pastors* - London 1867 p. 78

29. Ibid. p. 107.

30. Tennent pp. 147-48

31. Ibid

32. Ibid pp. 151-2

At Vaddukkoddai, for instance any participation "in the religious observances of the Hindus (was) regarded ... as a disciplinal offence, and so far from this regulation being looked upon as a despotic interference with religious freedom, it is regarded by the students only as a well understood condition of their admission to a Christian institution..."³³

It was this teaching that had impressed the Colebrooke Commissioners: "The American Missionaries are fully impressed with the importance of rendering the English language the general medium of instruction and of the inestimable value of this acquirement in itself to the people"³⁴ And later when schools were being established under the School Commission, the government finding that "the Mission Schools were so well established...saw no need to compete with them. The Govt. Schools were closed and instead grants were made to Missions—£150 a year each to the C. M. S. and the Wesleyans and £200 a year to the American Mission—with the stipulation that this money was to be spent in addition to the amounts already devoted by these Missions to the diffusion of English education"³⁵

The members of the School Commission in Jaffna in 1848 were the Government Agent, Rev. Percival, Rev. Johnston and Rev. Hosington. This board did not give any assistance to Catholic and Hindu Schools.³⁶ Thus, as far as Jaffna was concerned, dependence on Missionary help was made absolutely essential for education.

It is important to discuss at this point the economic significance of the educational recommendations of the Colebrooke Commission. Their purpose was to help prepare candidates for public employment.³⁷ Tennent testifies to the

33. *ibid* p. 153

34. q. v. Sumathipala. K. H. M. *History of Education in Ceylon 1796-1965* Colombo 1968 p. 7.

35. de Silva, K. M. p. 157

36. Rasanayagam, S. *YALPANACCARITTIRAM - AANKILEYAR KALAM*. Colombo 1934 pp 118-9

37. de Silva, K. M. p. 143.

economic advantage enjoyed by the students of these Collegiate institutions, the American Seminary in particular. He says that of about 600 students who had enrolled at Vaddukkoddai more than 400 had completed the course and more than half of them were professing Christians. "The majority are now filling situations of credit and responsibility throughout the various districts of Ceylon; numbers are employed under the missionaries themselves as teachers and catechists and as preachers and superintendents of schools; many have migrated in similar capacities to be attached to Christian missions on the continent of India; others have lent their assistance to the missions of the Wesleyans and the Church of England in Ceylon; and among those who have attached themselves to secular occupations I can bear testimony to the abilities, the qualifications and integrity of the many students of Jaffna who have accepted employment in various offices under the government of the Colony."³⁸

The practice of recruiting English educated Tamils for posts in the regional administration was first adopted by P. A. Dyke, the Government Agent of Jaffna (1829-1869).³⁹ Until Dyke's time the more important posts were all given to the descendants of the Portuguese and the Dutch families. Government jobs and teaching engagements were not the only forms of employment available. We see the beginnings of professional education especially in the field of law. A system of education that provided for the teaching of English at Secondary and tertiary levels was becoming essential.

The expanding bases of employment provided opportunities for more widespread "westernization". Westernization refers to a non-Western country taking up western ideas and institutions. Christianity in Sri Lanka no doubt, had been a westernizing factor but it was with the spread of English

38. Tennent p. 154

39. Muthuththambipillai, A. *YALPPANACCARI TTIRAM* 2nd edition Jaffna 1915 pp. 132-3.

education that westernization went into non-Christian homes. The more vital aspect of westernization—the establishment of political institutions typical of British traditions of political and economic governance—was going on. The Jaffna man as much as any other Sri Lankan, had to respond to this change. This was not the first time he had to profess or pretend to profess the rulers' religion; he had done so during the Portuguese and the Dutch periods, more in the latter than in the former. The pressure for such behaviour was obviously greater on those who were working under those administrations.

“The shrewd and observant Tamils have not failed to perceive that there are worldly advantages, as well as spiritual, which distinguishes the professors of Christianity and that even as a social institution it has the promise of this life as well as of that which is to come. As compared with themselves they see Christians become abler men and more successful than their uneducated companions”⁴⁰

The pretended profession of a religion cuts both ways: it makes them false Christians and equally false Hindus. In fact Tennent deals with the problem of the nominal Christians at great length. Navalar as a Hindu reformer was worried about this problem from the Hindu point of view. Thus English education and its close association with missionary activity was a major problem that faced the Hindus in their struggle to maintain their identity.

The interest taken by all the three missionary organizations in female education deserves mention here. Whatever might have been the ancient traditions relating to female education under the feudal set-up, the average Hindu woman was illiterate and untutored. The females of aristocratic families did have an educational training that must have been made possible by a system of instruction at home. There was no system by which an average female could attend the normal school of the day. The American Mission showed great interest in female education and in 1824 established the

40. Tennent p. 170.

first female boarding school at Uduvil. At the start the “inmates of the institution were of low caste and poor” but as time went on “daughters of persons of property and influence in the district” sought admission.⁴¹

Within a few years, the idea of female education had become so acceptable that when in 1842 the C. M. S. started a boarding school in Nallur, the authorities found that “instead of having to work and canvass for pupils, their embarrassment arose from the multitude of candidates ..”⁴²

That was not all. The missionaries were putting to very effective use the most powerful medium of communication of the day—the printing press. We have already seen the keenness with which they created a Tamil reading public, which was now served with publications, according to Tennent, “exclusively religious and educational”⁴³ The religious publications were not just eulogies on Christianity; they were also attacks on the Hindu faith. This was very damaging especially in a situation where the number of educated people was increasing. They started the Morning Star, the English and Tamil fortnightly, in 1841. The editors themselves were people of the region. By 1850 it had more than 700 subscribers of whom five-sixths were Tamils.

Ability to persuade through the use of the printed word and the absolute control over the educational sphere amounted to an effective domination of thought and this no doubt was a challenge to the Hindus of the day.

Another important step in the process of proselytization which shook the very foundations of traditional Hindu society as it existed in Jaffna was the effort to create native missionaries. The Wesleyan Missions led the other missions in this field but soon all three Missions started having native missionaries. Robinson of the Wesleyan Mission stated:

41. *ibid.* p. 160.

42. *ibid.* pp. 169 f. f.

43. *ibid.* p. 163

“The importance of a country-born ministry cannot be over rated. As Sepoys are needed in governing India, so our spiritual army must be composed of natives”.⁴⁴ In a society which was used to priests by qualification of birth, this system of appointing “god’s men” on the basis of their devotion and knowledge could and did create comparisons with their own religious set-up.

The missionaries had lamp-light meetings in the rural areas to disseminate Christianity; these “lamp-light” meetings were held after sunset when the Tamil peasantry released from agricultural occupations resorted to their school houses to discuss the doctrine of Christianity and to listen to the reading of Scriptures. The missions used a group of lay ministers known as upadesis (advisers) to carry the message of Christ to the people. There was one other form; converted native women would go into the houses of the unconverted, cry over the sinful position of the unconverted and persuade them to become converts,⁴⁵ These women usually spoke disparagingly of the deities of the Hindu pantheon.

IV

What was the impact of this situation on Hinduism and on the Hindus ? One may be tempted to dismiss activities like the last one mentioned above as of no great consequence. But that cannot be said of measures like education and the expansion of literacy. Traditional Hindu forms of worship especially in a rural set-up do not make any ritual demands

44. Robinson p. 107

45. Tennent p. 168

on the part of the worshipper to read any Holy Book.

There was also another development. The missionaries, with their knowledge of Tamil and versatility in handling the language, were making claims on the literary traditions of the language as legitimate inheritors of its cultural and literary heritage. This association of the Tamil language with the new religion enabled it (the religion) to look equally traditional, at least not as something untraditional. Tamil and its literature could no more be kept away from them.⁴⁶

The most serious impact was of course on the caste system. The missionaries in taking their religion to the masses had to wade through the distinctions of caste. But in education, especially in the schools, caste did raise many problems. On this question none of the new missions was placed in such a disadvantageous position as the Catholic Church with its base of Karaiyar converts. The American Mission had drawn its students, with a few exceptions, from the higher castes. The Wesleyan Mission did have converts from the lower castes too. It is true that the missionaries themselves had to take cognizance of this social reality in their dealings with the local community but, in spite of it, Christianization did lead to a certain type of social mobility which was not possible within the bounds of the caste system.

Thus Jaffna Hindu society found itself confronted with a fairly serious challenge. It is important that this challenge of the missionaries is analysed in terms of Hindu society too.

This was not the first time this society had been faced with this same problem. In fact this problem had been there from the time of Portuguese rule. During the Portuguese period the articulate section of the Hindu population did not get converted in spite of the intensity of the religious

46, ARUMUKA NAVALAR PIRAPANTATTIRATTU Madras - p. 53.

campaigns of the Portuguese. The situation during the Dutch period was more painful. Every holder of governmental office had to be a Christian. Whatever might have been their private disposition, almost all the aristocrats of Jaffna Hindu society had been Christians, at least nominally. Under British rule, the situation was infinitely better. There was no compulsion. But the situation was that the temptation was greater for the traditional aristocracy to become Christian in order to maintain its power and supremacy.

It would be useful to know the class character of the natives keen on the employment that British rule offered. "The goigama and other major castes, from habit and prejudice as well as from interest" did everything in their power to uphold these distinctions and prevented lower castes, in Colebrooke's words, "from bettering their position." In looking back — Colebrooke concluded — that generally "the government had favoured the pretensions of the higher castes, especially the Vellalas"⁴⁷

The social mobility that was made possible by the employment opportunities and educational facilities provided by the government and the missionary organisations were thus striking at the roots of the supremacy this class had enjoyed in the past. Besides, even the cultural identity of this social group was also increasingly at stake. The leader who could mobilise all the existing social forces to resist these changes had to come, invariably, from this class.

There was another historical role thrust upon the higher social class in Jaffna. In traditional Jaffna society it is this high stratum that is the articulate section. It inherits and represents the best in religio-cultural traditions. The economic hold it had on the main form of subsistence, agriculture, guaranteed this position. Religio-cultural practises confirmed this superiority. As Banks observed "the

47. de Silva, K. M. (ed) History of Ceylon Vol. III p. 166.

whole social system is centred and focussed on the Vellalas. All other castes are thought of as satellites to the Vellalas, as their servants or retainers. Those castes which do not fit into this picture, either because they have never done so (for example the fishing castes), or because of changes in social system (the artisan castes), are brushed aside as irrelevant."⁴⁸ Wielding social and economic authority in such a powerful manner, it alone could have the vitality to resist deculturization. The history of the success of the Catholic conversions reveals that the traditions of Hinduism could not be preserved at a social level where it was not richly stored. Thus the historical task of defending the social and cultural traditions of the community had to be undertaken by this higher caste.

It should also be observed that this effort to preserve their identity and superiority had to be made amidst inescapable political, economic and social changes. i.e. amidst an all-embracing westernization. This was the class that had the vitality and the historical experience to do it. It performed this task on its own terms and within a framework that it understood best.

The first known Hindu educational response to Christianizing education was seen at Udupiddy in the Vadamaradchy division of the Jaffna district. *Utaya tarakai* (Morning Star) of 21. 10. 1841 refers to the school established by Arulampala Mudaliyar as having 96 students in ten classes following the curriculum of a traditional Hindu School.⁴⁹ The late M. Ramalingam, whose contributions had helped to clear certain chronological difficulties in the biography of Navalar, suggests that this school would have been started in 1840. The verses published in *Utaya tarakai* of 26. 7. 1844, which Ramalingam discovered and brought forth to historical light, indicate that such an advancement would not be possible within four years. One has to assign

48. Leach E. R. (ed. op.cit) p.71

49. Ramalingam, M. NAVALARUKKU MUNTIYA KALVI MUYARCIKAL pp. 1 & 2 Eelanadu 2. 4. 71, 28-29, 10. 1971.

an earlier date for the school, perhaps between 1835-1840.

Udupiddy, we should not forget, was an important centre of American missionary activity⁵⁰ There was already an English School run by the missionaries. The 'Utaya tarakai' of 1. 12. 1842 records a grant of land by Arulampala Mudaliyar to this School.⁵¹ The missionary onslaught on Hinduism led to the founding of a religious School at Vannarponnai in 1842. It is significant that the Chetti Community took a leading role in this but there were people from other groups too.⁵² The School was a "*VETAKAMAPPATACALAI*" (SCHOOL OF VEDA AND AGAMA). The meeting to organise the school was held on 30. 9. 1842 and the school was opened on 22. 10. 1842. It is reported that the speakers at the meeting emphasised the damage done to Hinduism by educating Hindu children at Christian schools and deplored the lack of institutions which could propagate Hinduism among the Hindus.⁵³ The missionary reaction to the setting up of this school should enable us to get a balanced view of the social significance of the founding of this school. Robinson, the Wesleyan missionary, writing in 1867 had this to say :

"So long ago as 1842, the gentry of Vannarponne showed themselves very uneasy at the appearance which Saivaism as exhibited by the missionaries and their assistants was assuming; the hold Christianity was gaining on the common people; and the free castes of talent, virtue and learning asserting themselves above the hereditary of the country."⁵⁴

About twenty years of intensive missionary activity had, by the early 1840's, brought about the inescapable response. The Hindus had started organising themselves to meet this challenge. The individual teachers, who were teaching Tamil in the traditional style, did not matter in this.⁵⁵

50. Martyn (ed.) pp. 312-14

51. Ramalingam loc. cit.

52. *ibid.*

53. *ibid.* Rasanayagam op. cit. p. 122

54. Robinson op. cit. p. 118.

55. Ramalingam loc. cit.

The organized challenge and effective opposition to missionary activities came from the campaigns of Arumuka Navalar; to put it in terms of the Hindus, it was Christianity or rather the challenge posed by Christianity that 'gave' Navalar to Hinduism.⁵⁶

Arumuka Navalar was the youngest son of P. Kandapillai (1766-1842) who held the office of Aratchy at the Jaffna Kachcheri for 18 years. Kandapillai alias Kandar knew Dutch, Portuguese and English. He was a Tamil scholar. Arumugam's brothers were doing well—the eldest, Thiyagar, was a Notary, the second, Sinnathamby, an Udaiyar, the fourth, Paramanathar a Notary and the fifth Tambu, the much respected Aratchy Tambar.⁵⁷ Navalar came from a family which can safely be described as having responded successfully to the changing employment patterns of the higher caste yet preserving its orthodoxy. If his family provided him with the background to know and to understand the social advancements the British administrative machinery gave to its employees, his education afforded him the opportunity to understand how missionaries were able to achieve pre-eminence for their religion through education.

It is important to get an overall chronological view of Navalar's life.

1822-1834 Infancy. Education under Tamil Scholars.

1834-1847 Association with Christians first as a student (until 1841) and later as teacher and translator.

56. Kanapathipillai S. Panditamani -NAVALAR Jaffna 1968.

57. Muttucumaraswamy op. cit. p. 3.

1848-1864 Organising educational and religious opposition to missionary activities; occasional visits to India.

1864-1870 In South India.

1870-1879 Back in Sri Lanka; total involvement in political, economic and social issues of Jaffna.

Navalar received instruction in Hinduism and Tamil from some of the best scholars of the day; for his English education he was sent to the Wesleyan Mission School in 1834. Percival became the principal of the school the same year and Jaffna Central College was about to emerge as the collegiate institution of the Wesleyans. The monitorial system practised in the school enabled Percival to use Navalar as a teacher of Tamil in lower forms while learning English in the higher classes.

In 1841 Navalar accepted Percival's offer of an appointment as assistant translator in the Bible translation project headed by the latter.⁵⁸ Navalar was the "Chief assistant". Robinson refers to Navalar thus: "worthy companion editing treatises and hymns in Tamil and translating the Prayer Book and Holy Bible."⁵⁹ Cartman is more categorical: "many Christian tracts translated by him (Navalar) were distributed among the Hindus."⁶⁰ Navalar himself refers to his employment under Percival.⁶¹ His relationship with Percival even after resignation (1848) was very cordial. So much so that a testimonial from Percival about Navalar's competence was filed in the case Navalar instituted against Ramalinka Swamikal,

58. Kulendran, Sabapathy Rev. The Tentative Version of the Bible (The Navalar Version) in Tamil Culture Vol. VII No.3(India)July 1958

59. Robinson. op. cit. p. 122

60. Cartman J. Hinduism in Ceylon- Colombo 1957 p. 55

61. Kailasapillai T. NAVALAR CARITTIRAM p. 53. 4th edn. Jaffna 1955.

His work under Percival gave him first hand knowledge of the methods and the organization of the propaganda of the Christians. The translation project provided him ample opportunities to study Christian theology in depth. The puritanism of the Methodist Church had a lasting impact on Navalar. We shall see later the manner in which Navalar adopted the Methodist Christian organization of educational religious activities in organizing Hindu schools and Hindu religious activities. However the period of service under Percival should not be taken as one of full acquiescence with Christian ideology and practice. There is evidence of the fact that he was responsible for preventing the conversion of two Tamil scholars to Christianity in 1846⁶². He started having private classes on Saivism and Tamil from 1846. The post-evening puja lectures at the Vannarponnai Sivan Temple were started in December 1847 and the Saiva Prakasa Vidyasalai was established in September 1848 a month before he left Percival's services.

The pattern of these events indicates that Navalar was gradually committing himself to the task of defending and revitalising Hinduism in Jaffna. The lasting influence Christianity had on him would become evident in the analysis of his own "missionary" activities, but there was something more and Rev. Sabapathy Kulendran a former Bishop of Jaffna of the Church of South India preferred to put it thus:

"Odd as it may seem, however, the association of Navalar with the project of Bible translation had greater influence on Saivism than on Christianity. Percival's introduction of Navalar into the workings of the Christian Missionary movement gave him an inside knowledge of a religion in modern conditions. His introduction into the literary circles of South India gained him important contacts on the continent. With this invaluable help he severed his connexion with Percival's School soon after the publication of the Tentative version and embarked upon a campaign of breathless zeal for the revival of Saivism throughout South India and Ceylon that ended only with his death in 1879"⁶³

62. Muttucumaraswamy op. cit. p. 9.

63. Kulendran loc. cit.

The entirety of Navalar's activities could be characterised as one of stemming the tide of Christian conversion and consolidating the position of Saivaism in Jaffna. The various activities he undertook were with one or both of these aims in view.

As we have already seen these campaigns of Navalar cut through the three distinguishable phases in his life—1848 to 1864, 1864 to 1870 and 1870 to 1879.

In the first of these phases (1848-64) Navalar is seen organizing the base for his operations by shifting the Saiva Prakasa Vidyasalai to a new permanent site (1849); collecting funds for the school; establishing the printing press first at Nallur and shifting it to its permanent site at Vannarponnai (1851)—Navalar made a trip to India to buy this press (1849); publishing anti-Christian tracts written by him; criticising the improper practises found in Hindu temples; writing readers for use in his school; writing prose-versions of Saivaite classics; editing for publication important literary and grammatical texts and dedicating himself to a life of religious service by obtaining 'Nirvana Dheekshai' (The title Navalar was awarded to him in India in 1849).

In the second phase (1864-1870) we see Navalar residing in India devoting his time — to lectures at various temples and madams (Hindu institutions); to establishing a school at Chidamparam (the Holiest of the Holy Temples in the Saivite tradition); and concentrating on his literary activities—editing texts and publishing readers, prose-versions and Saivite texts.

This period is very significant in the life of Navalar, for it was during this period that Navalar challenged the claims of the followers of Ramalinka Swamikal that the latter's hymns were of the same standard as those of the first three of the Four Savants of Saivaism.

The final phase of Navalar's life reveals an expansion of his activities both spatially and intellectually. This period indicates the definite involvement of Navalar in the socio-political affairs of North Sri Lanka, the highlights of which are summarised below:

Establishing an English School (1872); publishing a tract on "The religious situation in Jaffna" calling for urgent reforms within Saivism (1872); taking an active interest in social work during the famine and the cholera epidemic (1876); founding the Jaffna and Batticalo Commercial and Agricultural Company Ltd. to get investors interested in the development of Kantalai region (1877); sending a memorial against W. C. Twynam, the Government Agent, Jaffna to the Governor (1878) and sponsoring Ponnambalam Ramanathan's name for the vacant post of the (nominated) Tamil Representative, arising from the death of Sir Muttu Cumarswamy.

It has been customary among Tamil scholars to study Navalar and his work as services 'graciously rendered' by him to Saivism and Saivaite people.⁶⁴ This is because of the reverence they have for Navalar, as a divinely inspired leader. The 'services' thus identified and recognised are those rendered to Saivaite education; the Tamil language and literature; Tamil prose (in fact the Saivaite school of thought considers him the father of Tamil prose) and the development of Hinduism in Sri Lanka by ridding it of prevailing irreligious practices.⁶⁵

But these orthodox approaches to the study of Navalar do not pay much attention to the socio-political activities of Navalar and their national significance. The importance of the socio-political activities was highlighted only after

64. See Sivapalasundaram op. cit.

65 An illustration of this trend can be well seen in the contributions that appear in section 1 of the NAVALAR MANATU MALAR Colombo 1969.

the Progressive Writers' Association had launched its campaign for the creation and recognition of an identifiably separate Sri Lankan Tamil literature.⁶⁶

For the purposes of this study Navalar's activities are best studied under the following heads, namely, educational, religious—Christian and Hindu reformist activities and socio-political. As is evident these are not mutually exclusive; they overlap and dovetail into each other. Nonetheless a break-down of this type would enable us to assess the exact character of the Hindu response to Christianization and Westernization.

VI

But, before attempting a critical analysis of each of these activities, it is vital to have some clarity on two basic questions, namely Navalar's concept of Hinduism and the social character of the group of people whom he wanted to save and serve.

Navalar's counter arguments defending the Hindu faith against Christian attacks and his own attacks on those Saivaite institutions and practices which he considered irreligious and untraditional provide us with enough clues about his views on Hinduism⁶⁷. But that would have to be a deductive exercise. Fortunately we have three contributions—all articles—of Navalar—Saiva Camayi (The Saivaite), Anacaram (Improper conduct) and Siava Samayam (The Saiva Religion), which set forth in very direct manner his concept of Hinduism.⁶⁸

66. Sivathamby K. op. cit.

67. See e. g. SUPPIRAPOTAM and YALPANCCAMAYA NILAI KAYI LASAPILLAI T. (Comp) ARUMUGANAVALAR PIRAPAN-TATTIRATTU (2nd ed.) Jaffna, 1951.

68. *ibid* pp. 69 f. f.

He believed basically in an idealistic approach to Saivism. As a Saivaite, he was an adherent of the Saiva Siddhanta philosophy. The rituals he considered indispensable belong to the Agamic tradition. They belong to the Great Tradition. Navalar frowned upon all practices found in the Little Tradition and considered them very corrupting in their influence. He was completely opposed to the popular aspects of Hinduism like music and dance performances at temple festivals and displays of fireworks. He would agree to have them only if they performed the functions, if any, prescribed in the Agamic texts. He went to the extent of requesting the Saivaitees to avoid having erotic images and pictures in the temple.⁶⁹

Quite evidently this is a very puritanical approach towards religion. It can safely be assumed that Navalar's view of the pristine form of Hinduism was determined by the mores of the Methodist church, with which he had a close association for fourteen years. The request he makes to the people to avoid 'indulging' in festivities is really a reaction to the main target of attack of the missionaries on Hindu practices.

The social order in which he believed was the one sanctioned in the texts of the Great Tradition. Thus he was a firm believer in and staunch upholder of the caste system. He has not hesitated to mention this in the works he has written. The fourth *Balapadam* reader calls upon the student to adhere to the traditional caste mores.⁷⁰ In *Periyapurana Cooranam* in the section dealing with the religious significance of the life and devotion of Tirunallaippoovar (Nandanar) he states in the subtitle that the life of that saint brings home the truth that people should worship Lord Siva without breaching caste discipline.⁷¹ A perusal of the collection of Navalar's writings would show

69. *ibid* p. 60

70. Arumuka Navalar. *BALAPADAM* (4th Book. (28th edn.) Madras 1949 pp. 70-1, 89, 151 . . .

71. Arumuga Navalar. *PERIA PURANA COORANAM*. Madras 1949 p. 113

many instances in which Navalar refers to the castes that come low in the religious hierarchy in a manner that is quite derogatory.⁷² In the ideal Saivaite society those of the lower castes, according to Navalar, definitely had no equal place with those of the high castes. The scheme he had for educating the Hindus would naturally have not benefitted many of the non-Vellala castes. Students from depressed classes did not get a place in his educational system.

It is relevant at this juncture to refer to an important sociological fact relating to Jaffna Hindu society. The Brahmin, though ritually superior to the Vellala, is decisively below the Vellalas in secular ranking⁷³. Navalar had been attacking the Brahmins who had no knowledge of the Great Tradition. Thus Navalar was arguing mainly for the further upliftment and better behaviour of the higher castes.

Navalar's concept of a Hindu society as one rid of the low and the untouchable castes completely prevents any comparison of Navalar's view of Hindu society with those of major Hindu "revivalist" movements of the 19th century. The Brahmo Samaj, though an "elite movement having its followers from the upper strata of Society who were English educated and westernised also had a programme for the depressed classes"⁷⁴ Navalar had none. The Arya Samaj sponsored a special suddhi movement which aimed at (a) getting new recruits from lower classes, the untouchables and tribes and (b) reconverting the Christian and the Muslim converts⁷⁵. In Navalar's scheme of

72. Kayilasapillai (comp.) pp. 15, 16, 18, 19, 35, 44-5, 71. etc. . .

73. Banks loc. cit.

74. Rao M. S. A. Religious Movements and Social Transformation in India in Religion and Development in Arian Societies, Sri Lanka 1974. p. 133.

75. *ibid.* p. 135.

things too there was a place for reconverts.⁷⁶ This is due to the fact that the bulk of such Christian converts were from the higher castes. These reconverts came from the protestant Churches.

It is important to have a clear view of the 'flock' that Navalar addressed or wanted to save. The above discussion reveals that it could not have included all the Hindu Tamils. In his tract 'Yalpanaccamayānilai' he mentions quite specifically his 'audience':

"Of you, who are engaged in gardening, work in fields (paddy cultivation) business and jobs, there are only a few who, during time of their leisure, read or listen with avid interest to matters connected with Saivism. . . " ⁷⁷

In his edition of Tirukkovaḱaiyar he had appended a note in which he mentions the prospective readers he had in view when he printed the prose versions of epics and simplified versions of treatises:

"Except for the few well versed in studies, books in verse form and commentaries thereupon are of no use to others. Therefore for the benefit of the non intelligent and among the intelligent for those who are spending their time in studying English and in attending to matters, and for the benefit of women, we have to publish religious works and works on worldly matters, written in simple style." ⁷⁸

If one is permitted to read between the lines, the class character of his "flock" becomes very clear. He had in view those who could read. The caste character of the reading public of the day too is well known. It is clear that his activities were aimed only at the high castes. We have already seen how the missionaries themselves had to fit their activities to the realities of the caste system.

76. Kayilasapillai (comp.) p. 30.

77. *ibid* p. 57.

78. Q. V. Arunuga Navalar Vila, Guide book for the Book Exhibition 1969 p. 13.

VII

Having seen the social framework within which Navalār operated, we can now turn our attention towards his educational activities.

His activities in the field of education are best prefaced with an observation he makes in a statement he issued in South India when he wanted to establish a Saivaite School at Chidambaram.

“The reason (for having taken on the life of propagation of Saivism) was my great ambition to foster Saivism and education which is the only instrument to achieve that”

The echo of Christian Missionary sentiments is distinctly heard! Even the name of the School SAIVA PRAKASA VIDYASALAI (lit: the educational centre where Saivism shines or the educational center in which the radiant light of Saivism is seen) has missionary connotations.

The school was established in 1846 and shifted to its permanent site in 1848. The earliest biography of Navalār (1882) provides us with the information that he went to India to purchase a printing press to provide students of his school with books that would give them secular and temporal knowledge.⁸⁰ Kanakarātna Upadhyayar's comments indicate that for Navalār editing the Saivaite classics was not an end in itself but a part of educational activity.⁸¹

79. Kailasapillai. NAVALAR CARITTIRAM p. 54.

80. Kanagarātna Upadhyayar op. cit. p. 28.

81. ibid pp. 31 f. f.

This indicates that Navalar wanted to follow a system of education which was Hindu in thought and spirit. Nevertheless the curriculum and the organization were modelled on the missionary School.

Navalar underwent a lot of hardship to run the school. It is said that he had to vary traditional methods of fund-raising e.g..., house to house personal calls requesting the inmates to give a handful of rice.⁸² His students assisted him by giving free tuition to the students at the school. "The hardship faced by Navalar could be discerned from the contents of a memorial he had presented to Sir William Anderson, the Governor of Ceylon in 1852."⁸³ There were two documents—one sent by Navalar and the other by the well wishers of the school—both emphasizing the need for such a school. Thananjayarajasingham has also brought to light the reactions of 'Morning Star' the Missionary newspaper, to Navalar's educational activity. These documents provide us with a knowledge of the contemporary situation.

Navalar, in his memorandum mentions that "The Tamil community duly appreciated the instruction afforded in the Government schools without reference to any religious profession and they much lament the abolition of those schools in 1843 in lieu of which an annual grant of £500 is allowed to be expended on general education amongst Protestant and £150 amongst Catholic missionaries"⁸⁴ Navalar calls his institution the "Tamil Seminary" and goes on to state that "the Tamil community as well as the Petitioner would gladly carry out any

82. The system was generally used to collect funds for some puthi purpose.

83. Thananjayarajasingham. S. The Educational Activities of Arumuga Navalar, Colombo. 1974- p. p. 13-4.

84. ibid pp. 41 - f. f.

85. ibid pp. 15-6

instructions of the School Commission, *which does not involve an interference with the religious and conscientious scruples of the scholars and their friends.*"⁸⁶ This comment in a way sums up the general attitude of the Hindus of Jaffna to any outside influence whether from within or outside the country. 'The religious and conscientious scruples', demand the continuity of that social order too and thus it could be pointed out that Navalar was trying to accommodate the educational benefits granted by the government within that social framework. The petition signed by P. Sinncooty, on behalf of the public of Jaffna, puts the whole issue in clearer terms: "The Petitioners are by birth, social affinities, taste, habits and religion attached to Tamil nationality. At the same time they are fully alive to the importance of borrowing from enlightened rulers and benefactors such attainments as may prove suitable to the circumstances of their countrymen. The selection will however require to be made by themselves. And for this reason the petitioners prefer placing their children under the tuition of the individual who has undertaken the superintendence of their education."⁸⁷ The political overtones of this educational demand for the preservation of cultural identity, though stated in very mute terms, is very clear.

The grant which they asked for in 1852 was given only in 1870.

The School was a Tamil medium school. It consisted of eight classes. The curricular content reveals that it was completely Hindu in its orientation. Arithmetic comes in at the fourth year of the school. History and Geography were taught in the highest class (called the First Class) but English is not mentioned as a subject. That might have accounted for the rather low attendance at the only Saivaite school in the Vannarponnai area—189 boys.

86. *ibid* p. 18. emphasis added.

87. *ibid* p. 24.

Navalar invested the public contributions in a property in the heart of the Jaffna town and used the monthly returns from it for running the school.

Navalar had grandiose plans for a well organised efficiently run Hindu seminary in South India. While in India (1869) he issued a statement calling for the collection of Rs. 80,000/-. In South India he depended on assistance from the Mutts. But in Sri Lanka the future of the school depended on the 'utility' of the education that was being provided. The absence of English in the curriculum might not have recommended this school very much to the very same patrons who wanted an institution of this type to preserve their cultural identity. Saiva Prakasa Vidyasalais established at Vannarponnai, Kopay and Point Pedro⁸⁸. could not have been, by any chance, the places for the graduation of Tamil youth for government jobs.

Nevertheless the missionaries regarded this school and its claims for government assistance as a serious challenge to their pre-eminence. The *Morning Star*, of May and June 1853 makes editorial observations on the character and quality of the education imparted at the Saiva Prakasa Vidyasalar.⁸⁹ The *Morning Star* found the education at Navalar's school "far less liberal"—an understandable comment, but it revealed its own bias when it said "this threefold exclusion of the Bible, the English language and the learning of the Western world, must be regarded under the circumstances of the case as a threefold remonstrance on the part of Mr. Arumugam, against a whole system of native education, hitherto pursued, not only in Ceylon, but throughout the continent of India."⁹⁰ The

88. The latter two were established after 1870.

89. *ibid* pp. 41 f.f.

90. *ibid* p. 43

Schools had teachers of great repute in the fields of Tamil learning. Some of the students from this school emerged as great scholars. The field of Saiva Siddhanta studies owes a lot to many of these scholars and it is of interest to note that some of these scholars had great intellectual acceptance in South India.

Navalar did start an English school. It was in 1872. The provocation was that John Kilner, head of the Vannarponnai Wesleyan Mission School "imposed a ban on the wearing of Holy Ash by children attending school"⁹¹ Navalar obtained the services of William Hughes, a Scot, as head of the institution. The Ceylon Patriot welcomed its establishment. The Catholic Messenger in welcoming the school referred to Navalar "a rigorous Hindu of high attainment in the vernacular, who takes credit for having introduced reforms into the profession and practice of Saivaism" and commented that "the Hindu Community may now enjoy the satisfaction of having served for themselves a denominational school of their own"⁹² But this satisfaction did not last long and in 1876 it was closed down. It is important to analyse the cause for the failure of the school. The Tamil Seminary was a success but this school was a failure. Navalar's own effort to get Hughes as Principal provides the clue. The average Jaffna man must have thought it best to study English in a Christian environment. The failure of Navalar's English school also reveals the very flexible attitude the Jaffna man was adopting towards westernization and modernisation. It is no wonder therefore that the student enrolment to the Seminary was limited and that the English School failed. Thereafter the struggle was to provide English education within a Hindu background. The failure of Navalar's English school opened the eyes of many and with an educational administration

91. *ibid* p. 64

92. Q, V. Martyn *op. cit* p. 222.

more accommodating to native sentiments the practice of teaching English in a Hindu environment soon became a reality. Thus Navalar's failure turned out to be a pillar of the future success of his ultimate aim.

But there are two significant facts which we should not fail to observe. One is that Navalar decided to start the English school only after 1870, i.e. during the period he was committing himself fully to political and economic activities. Secondly, he considered his literary activities of writing text books and commentaries and editing classics as a part of his educational activities. In his memorandum to the Governor he states "It will not be irrelevant to add that the Petitioner has in operation a Tamil press for the purpose of furnishing school books for the use of this school and other useful publications to the community"⁹³ Kanakaratne Upadhyayar too refers to the educational aims involved in the establishment of the press.⁹⁴

93 Q. V. Thananjayarajasingham op. cit. p. 18.

94. Kanakaratne Upadhyayar p. 31

[to be concluded]

W. D. Lakshman

A FREE TRADE ZONE IN SRI LANKA : SOME RELEVANT ISSUES

INTRODUCTORY

Many underdeveloped countries, disillusioned with the results of industrialisation based on inward-looking import-substitution strategies, have gradually begun to be outward-looking and export-oriented in their approaches to industrial growth.¹ Given the dominance of established exporters—based primarily in advanced countries—over the world market for industrial products, foreign private investment preferably from such sources has also come to be considered as a necessary basis for the success of export-oriented industrialisation in underdeveloped countries. In addition, the “crisis of aid” reflected in the failure of foreign aid to promote self-sustaining growth in under-developed countries has prompted many people to take a strongly positive view of the role of foreign private investment in promoting economic development and to consider such investment as an important element in the development process (Johnson, 1975, p. 77).

In these circumstances a number of underdeveloped countries covering a wide range of the political spectrum have introduced varied policy packages to attract foreign capital into local industry. Provision of infrastructural facilities to foreign capital within industrial estates or zones distinct from

1. Weaknesses of the import-substitution strategy of industrialisation are discussed in detail and the case for export-oriented strategies strongly presented in (Little et al., 1971). See also (Sutcliffe, 1971, pp. (249-69)

the rest of the economy as customs-free territories has become one of the main elements within such policy packages since the late sixties. These industrial estates are designated Free Trade Zones (FTZ), Export Processing Zones (EPZ), Free Export Zones (FEZ) or Investment Promotion Zones (IPZ). Such zones have proliferated in various under-developed countries in the recent past and their establishment is energetically promoted at an international level. Whatever the descriptive title adopted in different countries, the concept of such a zone "...involves the establishment of modern manufacturing plants inside an industrial estate, by offering a suitable package of investment incentives to both foreign and domestic entrepreneurs. To encourage this, legislation must be passed, giving investors such incentives as fixed term corporate tax exemption, duty exemption on production machinery imports, freedom to repatriate profits at a certain rate and other facilities. Also readily available, pre-built factory buildings with all services are usually made available at reasonable rates" (Vittal, 1977, p.1). As expressed in another survey: "The free trade zone is like a country within a country..... (It) is 'an enclave in terms of customs—territorial aspect and possibly other aspects such as total or partial exemption from laws and decrees of the country concerned' as a survey on FTZs for the Asian Productivity Organisation describes". (PARC, 1977, p.1).

Having gone through the import substitution phase of industrialisation and realizing the limitations of that particular strategy, Sri Lanka too came to stress the need for the export-orientation of local Industry (Ministry of Planning and Employment, 1970, pp. 59-62). Emulating other Asian underdeveloped countries, Sri Lanka also came to view the establishment of a free trade zone as a necessary component of the policy package that would shift emphasis from inward-orientation to outward-orientation in industrial growth.

The idea of establishing a free trade zone in Sri Lanka was mooted in the early seventies. The Sirimavo Bandara-

naike Government of 1970–77 had favoured the idea during the early part of its term of office² and had drawn up a project to establish an Industrial Processing Zone at Katunayake but had abandoned it at a later stage. At the General Election of 1977, the United National Party obtained a popular mandate to establish a free trade zone or a number of such zones in the country, and within less than a year after coming into power, the U N P Government had completed most of the preliminary work required to establish one such zone in an area north of Colombo. The legal instrument necessary for the creation of the Zone — the Greater Colombo Economic Commission (GCEC) Act—was passed by the National State Assembly in January 1978. The administrative authority of the zone, the GCEC, appointed shortly afterwards, is functioning now.

By March 1978, the GCEC announced its scheme of investment incentives. In its present planning horizon, the GCEC is hoping to establish two IPZs within its area of authority. These zones are officially called IPZ I and II. Initial work connected with IPZ I in Katunayake has commenced, a number of investment projects approved, and a few agreements signed between the GCEC and prospective investors. Current plans seem to be to complete infrastructural work connected with the IPZ I by end 1978. Should these plans be implemented, the country will have an operating free trade zone by next year. Some IPZ-approved firms have in fact advertised their job opportunities already.

The government had set out the objectives of the FTZ in a note issued to the Press in October 1977 — prior to the enactment of the Greater Colombo Economic Commission Act — and also in the Act itself. The government's prime objective is economic and social development. Considered in relation to the pressing economic and social problems of

2. See, for example, the comments in (ILO, 1971, pp. 114-5) on the subject and also (Export Promotion Secretariat, 1974).

the day, the broad "economic development" objective reduces itself to several more specific aims :

- (a) to widen and strengthen the base of the country's economy through industrialization ;
- (b) to encourage and promote foreign investment and to attract technical know-how and management skills from abroad ;
- (c) To diversify the sources of foreign exchange earnings and to increase such earnings through export - oriented industrial development ;
- (d) to create employment opportunities and to upgrade indigenous managerial and technical skills.

In order to achieve these objectives the government intends to promote four different types of investment within the Zone : (a) 100 per cent foreign-owned, (b) majority foreign-owned, (c) 100 per cent locally owned and (d) majority locally owned. The Government in its "note" of October 1977 had stated that certain conditions—e.g. a proportion of workers to be of local origin, ownership of enterprises to be ultimately transferred to local hands and a proportion of managerial positions to be reserved for Sri Lankans — will be imposed on investors in the Zone. But in the current interest to maximise investment within the Zone such restrictions to be imposed on investors are played down while the incentives to be made available are emphasized.

Opinions expressed by economists who have participated in public discussions on the subject so far have largely been in favour of the establishment of a FTZ in Sri Lanka. Although the adverse political and social effects that may follow the establishment of a free trade zone are noted, the economic effects of such an arrangement are argued to be predominantly beneficial. Some of those who contributed to the predominantly one-sided debate in the daily Press did not

even mention the social costs involved in the exercise (See e.g. N.U. Jayawardena's 4 part article in the *Ceylon Daily News* in December 1977). In the enthusiasm to make the proposed FTZ a success in terms of investments attracted, a number of very relevant issues of significance have been ignored. The purpose of the present article is to focus attention on some of these issues. Although the industrial zones to come up in Sri Lanka are officially called IPZs, the more popularly known descriptive title of the FTZs will be used throughout the article.

AVAILABLE ALTERNATIVES

Even though GCEC licensed firms may be permitted to sell upto 50 per cent of their output in the domestic market subject to the payment of appropriate tariffs and excise duties, the essential purpose of establishing a free trade zone in Sri Lanka, as elsewhere in the world, is to promote export oriented manufacturing activity. The special feature of the FTZ strategy here is that reliance is placed on direct foreign investment to achieve this objective. The very establishment of as elaborate, complex and expensive an arrangement like a free trade zone becomes unjustifiable if the objective is to mobilise domestic capital for investment in export-oriented manufacturing activity since this objective could be achieved equally effectively with simpler and less expensive methods. The present study is therefore based on the fundamental premise that the case for or against the establishment of a FTZ is essentially a case for or against foreign private investment. As such, the arguments presented in the paper require modification to the extent of the involvement of domestic capital in FTZ projects.

Private foreign investment is merely one of a series of alternatives that are available to a country to achieve the development objectives of industrialisation, acquisition of

modern technical know-how and management skills, foreign exchange earning and generation of employment opportunities.

The available alternatives to private foreign investment in this connection include :

- (a) mobilization of capital and other resources domestically ;
- (b) borrowing money or obtaining grants from abroad, from both capitalist and socialist countries (foreign aid or portfolio capital) to obtain equipment, technology and technical and professional expertise ;
- (c) promoting local firms to enter into agreements with foreign firms without any direct investment by the latter, and
- (d) some combination of (a) to (c) above.

All these alternatives as well as the strategy of private foreign investment have their costs and implementational difficulties. None of them can be adopted without some sacrifice of opportunities on the part of resources which are already in employment. In that context, the evaluation of the likely impact of the FTZ and private foreign capital to be invested in it has to be made in relation to the possible impact of the alternative means the country can adopt to achieve the given FTZ objectives. The following citations from three different writers clearly present the accepted orthodox position in this regard :

“Any operational assessment of the potential contribution of private overseas investment must start from an assumption about the alternatives ... A clear formulation of the alternatives is an essential prerequisite to the proper appraisal of the value of foreign enterprise” (Streeten, 1972, p.446).

“Those who persist in assessing the advantages and disadvantages of direct investment as if there were no alternative way of acquiring what it provides and even more, those who can continue to maintain that it is only available at a price which is fixed and immovable (infinitely elastic in supply) on an international market, are either blinkered or prejudiced” (Helleiner, 1975b, p. 647).

“Abstracting from complications arising from questions about the internal distribution of economic benefits and assuming net benefits to be positive, *how* beneficial it is depends on the difference between (i) the net benefits derived from the direct investment and (ii) the net benefit that could have been obtained by expending the same domestic real resource costs entailed by direct investment in some alternative way” (Reuber. *et al.*, 1973, p. 23).

The case presented in favour of a FTZ in Sri Lanka however, seems to rest on the implicit but implausible assumption that other effective and efficient alternatives to foreign direct investment are not available. The current discussion on the subject commits another connected analytical error in comparing the present economic situation in the country with the future situation one could expect with an operating FTZ. In such a comparison the future situation will undoubtedly turn out to be better than the present in terms of such indicators as the national value-added and export earnings. The correct comparison, however, is between the possible post-FTZ situation and the situation that is likely to result if available alternatives to the FTZ had been pursued. The results of such a comparison are not at all obvious even in terms of such narrow economic indicators as those mentioned above.

FOREIGN INVESTORS' INTERESTS VS. SOCIAL INTEREST

Foreign private investment attracted into the country through the FTZ or any other arrangement, is unlikely to contribute automatically to the government's economic and social goals in the absence of some enlightened guidance. The objectives of the two parties to the exercise—the foreign investor and the Sri Lankan government—are, in general, mutually inconsistent and contradictory, though supporters of private foreign investment as a development instrument find compatibility in the aims of the two parties. The primary source of conflict between the foreign investors' interest and the national interest is the former's orientation towards *private* profit, the maximization of which does not necessarily produce the best social results for the host country. Some would tend to argue that it is both unreasonable and undesirable to expect a foreign investor to act altruistically to promote local development; and also that within the available constraints it is best even from a national viewpoint that the investor works for private gain as long as he takes a sufficiently long-term view (Streeten, 1971, p. 251; Johnson, 1975, pp. 79-80). The influence of Adam Smith and his arguments for a *laissez faire* system is evident in this reasoning. However, even in the theoretical world of perfect competition, entrepreneurial activity based on the profit motive can be considered to be producing socially optimal results only on the assumption that the prevailing distribution of income is ideal. But in the actual world of unequal exchange, monopolistic practices and price distortions, it is not even remotely possible that the motive of private profit on the part of foreign investors will lead to socially optimal results in a host country.

The conflict of interests between foreign investors and host countries, arising out of the former's preoccupation with private profits, is accentuated by the fact of their being *foreign*. These foreign investors may be serving the national

interests of their respective countries of origin. Their remittances of the surpluses generated in their businesses located in a host country can be quite injurious to the national interest of that host country. It has moreover been observed that multinational companies which operate subsidiaries in a number of countries generally work towards the optimisation of their global company profits rather than the profits of subsidiaries taken individually. Since the underdeveloped countries are weak in bargaining power and economic transactions involving them are often subject to many exchange and other controls, the subsidiaries operating in such countries are tempted generally to understate their profits and to remit abroad undeclared hidden profits in various disguises.

The *large* size and the “*Western*” origin of these foreign subsidiaries are additional factors which create disharmony between their operations and the national interests of the underdeveloped host countries. The market power and the bargaining strength the foreign investors are able to wield through their large size and oligopolistic nature are, more often than not, used against the interests of the weak underdeveloped hosts. Their base in “*Western*” societies produces a natural bias in their technology to suit “*Western*” conditions. The operations of these enterprises in under-developed countries can therefore lead to a transfer of inappropriate production technology, consumption technology and management practices into host countries.

No doubt there are instances where the interests of foreign investors can be in harmony with those of the host country. Profit motivated operations of a foreign subsidiary lead to training of local suppliers and the improvement of their performance. Such subsidiaries might contribute to the emergence and growth of efficient local repair shops and also might promote, where feasible, local production of components and spare parts. Training managers and workers

recruited from within the domestic economy is in the interest of both the investor and the host country. But there are limits to these spread effects of foreign investment. There are also the backwash effects like the prevention of the emergence of a strong domestic entrepreneurship. As one writer puts it "...the bracing effect of the cold wind of competition may be so harsh as to kill or prevent indigenous growth" (Streeten, 1971, p. 254).

The sources of conflict between foreign investor interests and underdeveloped host country interests are likely to be stronger than forces leading to harmony between them, particularly in a small country like Sri Lanka. The existence and operation of these foreign enterprises might therefore frustrate rather than help the accomplishment of some of the national objectives sought by the government through foreign private investment attracted by means of the FTZ. The motive of private profit generally pays little heed to considerations of social justice and balanced progress or to national sentiments.

FOREIGN EXCHANGE OBJECTIVE

It is quite well known that scarcity of foreign exchange, brought about by adverse trends in foreign trade prices and the consequent deterioration in the commodity terms of trade coupled with the failure of the economic structure to adjust sufficiently in response to these price trends, has been one of the most difficult problems Sri Lanka has had to face since the end of the fifties. Various governments of the sixties and the seventies adopted different combinations of policy measures to improve the country's foreign exchange situation. But the weak external account has continued to bother the policy maker in a significant way. It is quite understandable therefore that one of the major objectives of the government in establishing the FTZ is to provide relief to the country's

weak balance of payments through the medium of private foreign investment. On the one hand, it is hoped that the FTZ will result in a significant inflow of private foreign capital. On the other hand, the FTZ investments which will predominantly be in export-oriented activities are expected to bring about a significantly favourable net impact on the merchandise account of the balance of payments.³

How realistic these expectations of the government are is yet to be seen. What is possible at this stage is intelligent guesswork based on the experiences of other underdeveloped countries with respect to foreign private capital.

There are both favourable and unfavourable factors among those which are likely to have a bearing on the magnitude of the likely inflow of private foreign capital into Sri Lanka under the FTZ strategy. A brief discussion of these factors would help in making an intelligent assessment of future possibilities. In the discussion below attention is drawn first to unfavourable factors and then to the favourable ones.

If it is correct to judge present day possibilities on the basis of international investment patterns of the late sixties and the early seventies, then one could argue that total private capital waiting to be newly invested annually in foreign countries is of limited magnitude.⁴ The book value

3. It is essentially through these two avenues that foreign investment in export-oriented manufacturing activity could, if at all, produce a net balance of payments benefit in the long-run. Although it is so considered sometimes, the provision of "off-shore banking facilities" to, in particular, foreign banks is unlikely to be an important, independent source of even gross foreign exchange earning to the country.
4. Reliable data on annual flows of private capital are not easy to come by. Some data on the stock of foreign direct investment in the sixties, classified on the basis of sources, investment purposes and recipients are available in (Jalee, 1969, p. 124; Reuber et al., 1973, p. 4; Hensman, 1972, p. 175; Magdoff, 1969, pp. 192 - 98 and Helleiner, 1975b, pp. 642-3)

of the current stock of foreign direct investments in the world may amount to an impressive sum of money but a large share of this stock of foreign private investment in any given year had been accumulated out of reinvested earnings and of moneys borrowed from host country banks. The annual flow of foreign direct investment, however, is a mere fraction of the available stock of such investment.⁵ Of the proportion of this annual flow that is available for investment in non-petroleum manufacturing activity, the lion's share goes to the developed countries themselves. Of the balance, the bulk is invested in Latin American manufacturing industry. Private foreign capital moving into developing Asia can thus be expected to amount to a negligible sum in relation to (a) totals involved and (b) the immensity of the Asian development problem.

Conditions in the world market have no doubt changed significantly since the late sixties and the early seventies. As compared to the conditions of buoyant growth which characterised the international economy during this period, there are conditions of recession and stagnation today. Although the world capitalist centres have recovered from the worst conditions of the recession which characterised 1974-5, the recovery in most capitalist countries has not been sharp enough to reach pre-1974 conditions of buoyancy. (Sweezy 1978). This is likely to restrict seriously the availability of private foreign capital from developed capitalist economies.

Within this global situation, there are additional factors tending to make investment prospects of the Sri Lankan

-
5. If only underdeveloped countries are considered, average annual foreign private investment flow into those countries in 1968-70 was estimated at \$ 3.4 billion as compared to an official aid flow of \$ 7.4 billion in that period. But the stock of foreign direct investment in developing countries at the end of 1970 was estimated to have been at \$ 39 billion (Reuber *et al.* 1973, p. 4.)

FTZ particularly grim. Sri Lanka, being a latecomer to the field, has a low competitive advantage vis-a-vis the established foreign capital drawers like Hong Kong, Taiwan, South Korea, and Singapore. In addition to these four small "client states" (Magdoff, 1969), there is further competition from large countries like Thailand, Malaysia, Philippines and Indonesia where political conditions are highly favourable to investors from the West. Even countries like India and Pakistan may have a competitive advantage over Sri Lanka in this regard as a result of the large size of their domestic markets. It is also to be noted that the interest in export promotion is much stronger and more widespread in the under-developed world today than it was a decade ago: greater weightage is generally given here to the promotion of manufactured exports which are presumed to require more and more foreign capital involvement. The competition Sri Lanka has to face from other underdeveloped countries for foreign private capital is therefore bound to be quite intense. In so far as private capital from developed capitalist countries in the western hemisphere and Europe and also Japan is concerned, the greater relative distance of Sri Lanka from such countries is likely to be an added disadvantage.

It is argued that since wages of unskilled labour in countries like South Korea, Hong Kong, Singapore and Taiwan are moving upwards, new foreign capital seeking investment outlets will find a country like Sri Lanka more attractive because its wage levels are still very low. In selecting new plant locations for many (though not all) branches of manufacturing activity, however, foreign investors are found to have become less concerned with cheap and plentiful supplies of labour than with other factors like security of their investments and the need for defending and expanding their markets. The fact that new growth-industries are often more intensive in the use of

skilled labour has further depressed the demand for cheap and plentiful supplies of unskilled labour. Thus whatever relative advantage Sri Lanka may enjoy among the countries mentioned above because of low wages is likely to be out-weighed by the lack of skills in the available labour force. Of more decisive significance in this connection is the widely known non-aligned political stance of the country, the electoral vicissitudes of the country's political parties in the recent past, and the existence of strong trade union traditions within the country.

The operation of all these factors would clearly tend to reduce the inflow of private foreign capital into the Sri Lankan FTZ but as against these, there are certain other factors that are in Sri Lanka's favour. The existence of large reserves of Petro-dollars in the hands of the oil-producing countries is one such factor to be noted here. Although it is rather unlikely that these countries will invest directly in manufacturing industry in an underdeveloped country to any significant extent, manufacturing enterprises located elsewhere may be able to tap these Petro-dollar resources through the international banking system to raise money for their investments in countries like Sri Lanka. In addition, private capital from certain relatively more (industrially) developed countries like Hong Kong, Taiwan, Singapore and even India are likely to play a major role in the Katunayake Zone's investment pattern; there seem to be various reasons encouraging such capital to seek investment outlets outside their domestic territories.

Another factor noted recently by the GCEC as capable of inducing in foreign investors a highly favourable response to the Katunayake FTZ is the fact that it is "...coming up within a developed part of the country, in close proximity to the capital city, the airport and the harbour" (*Ceylon Daily News*, 5 October 1978). It has been argued

that, as compared to some other Asian FTZs in their formative stages, the Katunayake FTZ is, as a result, in a "tremendously" advantageous position in terms of its attraction to foreign investors.

As already noted, foreign investors in certain industrial activities have become less concerned about the availability of cheap unskilled labour in making their new investment decisions, but those who are still looking for such labour availability may find Sri Lanka highly attractive. In fact, indications are that a fair proportion of industries to come up within the Katunayake Zone will be in such industrial activities like the manufacture of garments. Furthermore, the GCEC does not appear to be imposing any significant restrictive conditions on prospective FTZ investors. This should naturally constitute an added attraction of the Sri Lankan Zone for such investors.

It is extremely difficult at this stage to judge the relative strengths of the two sets of favourable and unfavourable factors noted above. The volume of direct foreign investments attracted into the Katunayake Zone might turn out to be high in comparison to other Asian FTZs in their formative stages, as in fact the GCEC's very optimistic pronouncements based on investment approval applications indicate (see footnote 8). But still such investments may prove to be too small to meet the government objectives of the FTZ strategy. Whatever the volume of actual foreign investment within the Zone, the price at which this will be obtained along with the technology that accompanies such capital flows is likely to be very high. This "price" will have to be negotiated through a bargaining process in imperfect markets and here Sri Lanka is unlikely to be in a strong position vis - a - vis the multinationals involved. If prospective investors entertain doubts about the degree of stability of the

present policy strategies, this "price" will be even higher than it otherwise would have been because these investors will then be trying to recover the money invested with sufficient profits in as short a period as possible. Foreign subsidiaries of multi-national firms are known to use a wide array of methods to remit income abroad: (a) dividend payments out of declared profits; (b) payments for the use of technology—for patents, trade marks, know-how etc.; (c) payments for managerial and marketing services; (d) interest on loans from the parent firm; and (e) overhead charges levied by the parent firm on all its constituent plants and firms.

In addition to all these legal, overt payments, a foreign subsidiary can remit money abroad through the manipulation of what is widely known as "transfer pricing"—over pricing of imported inputs and equipment and/or under pricing of the exports of the output to parent firm (Helleiner, 1975 b, p. 648). Estimates of the extent of the manipulation of transfer pricing vary and there are theoretical arguments to show that the impact of transfer pricing is likely to be negligible (Reuber et al., 1973, pp. 145-8). But from empirical studies of the subject the undisputed fact emerges that it is one of the major channels of surplus appropriation available to foreign subsidiaries. The quantitative significance of the phenomenon of transfer pricing is difficult to determine because of the difficulty of finding "arm's length prices" for the entire variety of transactions that take place between the parent firm and foreign subsidiaries. "Nevertheless, it is clear that conscious transfer price manipulation is practised by a number of multinational corporations in order to reduce global payment of taxes and import duties, to avoid the impact of quantitative restrictions imposed by governments, to speculate on exchange rate movements and/or disguise high profits in politically sensitive host countries" (Hanson, 1975, p. 861).

It has been estimated that during 1950-1965, income remitted to the United States on account of US direct investments in Latin America and other LDCs, amounted to about three times the amount invested (Magdoff, 1969, p.198). Some writers who examined Latin American experience in this regard argue that direct foreign investment, instead of contributing capital, had in fact led to an "external decapitalisation of Latin America". (Frank, 1972, pp. 92-137). It is by no means certain that experience in Sri Lanka within a FTZ system will follow a similar pattern but neither is there a strong indication that it will be able to obtain a net positive capital inflow over a number of years. Even if there emerges a net positive capital inflow in the very initial stages of the FTZ, it is very unlikely to remain a positive inflow sustained over a period of time, since this requires the rate of growth of the stock of capital of foreign firms (exclusive of the contribution to this growth from local sources) to be higher than the rate of repatriated earnings.

In any case the strategy of inviting foreign private capital into FTZ-type investments might result in the subjection of the economy's balance of payments to a situation of risk and uncertainty. Foreign investors moving into FTZs in general, and particularly those attracted on account of cheap labour conditions, are known to be largely of the "foot-loose" or "migratory" type. Such industries are likely to move out as easily as they moved in, once market conditions have changed, a new technology is developed or a more attractive incentive package is offered elsewhere.

We are now left with the question of the balance of payments effect of the export activities of the FTZ investors. Let us first assume that the export and import-substitution activities of these investors generate positive foreign exchange

earnings net of imported inputs, both direct and indirect.⁶ The real net foreign exchange contribution of these investments to the merchandise account of the balance of payments is however, less than this, because the increase in domestic incomes resulting from such investments will necessarily lead to an increase in domestic consumption expenditure, part of which will be on imported goods. Given particularly the transfer of foreign consumption technologies along with foreign capital, this secondary import leakage on account of the increase in consumption is likely to be higher than in a situation where income growth was achieved entirely through domestic capital.

Even if the FTZ investments were able to produce a net favourable foreign exchange earning effect on the merchandise account, it is not possible to credit the full amount of this favourable impact to FTZ investments, unless none of the resources which went into FTZ industries were previously employed in export-earning/import-substitution activities. If their transfer into the FTZ produced an offsetting foreign exchange impact on their former economic activities, the balance of payments benefit of the FTZ should be reckoned net of such foregone benefits. It is quite possible that investments (domestic or foreign) in the FTZ would lead to the closure or reduced activity of some existing businesses generating foreign exchange earnings or savings. This may be due partly to intense competition in the product market and partly to the loss of skilled personnel and other crucial resources to foreign firms.

All the above reasoning was undertaken on the basis of the presumption that exchange earnings from exports (or exchange savings from import substitution) of FTZ firms

6. We may assume that the proportion of the cost of export sales accounted for by depreciation of fixed assets is supplied by the foreign capital inflow.

minus the cost of imported inputs is positive. This is likely to be generally true but the magnitude of the net amount involved cannot be expected to be very large in the light of the known fact of the heavy dependence of the productive activities of foreign affiliates on imported inputs.

This dependence would be stronger in export-oriented firms than in those with a domestic market orientation, since the domestic inputs, even if available, may be considered unsuitable to maintain the high quality standards set by such enterprises for the export market. In the case of the sample projects studied in (Reuber *et al.*, 1973), 58 per cent of production outlays was found to be foreign (p. 155). In its pronouncements, the GCEC has shown a clear preference for those investors who intend using local material inputs in their proposed manufacturing activity. Even the investment incentives provided are on a graded scale to take this among other things into consideration. But in the absence of a very wide range of material resources in the country to be used in manufacturing industry catering for the world market, the insistence of the use of local raw materials can be in sharp contradiction with the desire to maximise foreign manufacturing investment in the planned FTZs. In any case, considerable progress has already been made by domestic capital in processing local materials for export. Given the proven ability of domestic capital and entrepreneurship in this area, to invite foreign capital to undertake export-oriented manufacturing activity using local raw materials is hardly justifiable.

It is generally believed that in under-developed countries, foreign enterprises are better equipped to penetrate into export markets than local ones. A study which examined this hypothesis empirically in relation to conditions in Singapore, South Korea and Taiwan, however, did not find

sufficient evidence to support it. It has been found that the contribution of foreign firms was negligible in relation to that of local firms in bringing about the expansion of manufactured exports achieved by these countries (Cohen, 1975). Although this conclusion, according to the author himself, is subject to many qualifications arising out of data limitations, what Sri Lanka can learn from this experience of the "success stories" of South-east Asia is that the boost which can be expected from foreign investment even for gross export earnings cannot be all that significant in relation to what could have been achieved through mobilization of domestic capital. Taking into consideration all factors discussed in the preceding paragraphs, we may agree with Streeten that in Sri Lanka too, "...private (overseas) investment is not likely to make a sustained and substantial net contribution to the transfer of foreign exchange resources" (Streeten, 1972, p. 441). Such a conclusion appears even more tenable when one considers the fact that the heavy initial capital expenditure involved in the construction of the necessary FTZ infrastructure is bound to have a large foreign exchange component.

EMPLOYMENT OBJECTIVE

The government's commitment to establish a FTZ and to attract foreign private investment into it has been made in the context of heavy and expanding unemployment in the country. While the total number of workers in open unemployment was estimated at 552,000 in 1969/70 (14 per cent of labour force), it was found to have gone up to 793,000 (18 per cent of labour force) in 1973. (Central Bank, 1974, p. 143). Even at a rate of growth lower than the one implied in the above figures, the number of unemployed can be expected to exceed 1 million in 1978. In addition, there is the problem of heavy

under-employment. These are no doubt highly explosive issues from a political point of view and it is therefore not surprising that the government places top priority on measures designed to meet the problem of unemployment and under-employment. Within a multi-pronged attack on the problem of unemployment, the government places a heavy reliance on the FTZ as a source of job opportunities. Figures as high as 100,000 were at one stage quoted in public statements as the direct FTZ contribution to the creation of new job opportunities. In a major public statement made recently, the President of the Republic was much less optimistic and indicated that 50,000 new job places are expected from the FTZ projects within two years of the inauguration of the Zone (*Ceylon Daily News*, 1 June 1978).

Any evaluation of the full employment impact of the FTZs requires consideration of both the job opportunities created *directly* within the approved FTZ projects and those created (or destroyed) in the rest of the economy as an *indirect* result of the operation of such FTZ projects.

The direct capacity of a FTZ to generate job opportunities would depend partly on the volume of total investments attracted into the Zone and partly on the average volume of capital required to generate one job opportunity. The second factor is essentially a matter of the technologies adopted by investors, which in turn would be influenced by the type of industries concerned. Such direct employment effects must of course be reckoned net of what could have been produced with the expenditure of the local resources going into the FTZ in the best possible alternative way. The total employment impact of the FTZs particularly over the long run, including indirect effects would depend on a whole series of interconnected effects: (a) influence on total availability of

investment funds, both foreign and local. (b) income effects of FTZ investments and their composition, (c) factor allocation or displacement effects, (d) consumption structure and domestic demand effects and (e) technology selection and adaptation effects (Vaitsos, 1974, p. 332). A consideration of all these interlinked effects is not proposed here; what needs to be emphasised, however is that all these factors are of relevance in any attempt to evaluate the employment contribution of the FTZ and not merely the "direct" part of that contribution.

Technology is considered to be the principal contribution of foreign private investment to a host country. In Johnson's words, the transfer of technology is "the crux of the direct investment process". (Johnson, 1972. p. 455). Foreign investors are known to be using capital-intensive, unskilled-labour-saving technologies irrespective of the environment in which they make investments. This is due to: (a) non-existence of alternative technologies which are more suitable for labour-surplus conditions; (b) inappropriate market incentives in underdeveloped countries reflected in availability of cheap capital, distorted factor prices, low productivity of the available unskilled labour and the absence of a need to develop labour-intensive technologies because of the monopoly power of the multinationals in developing country markets; (c) "technological fixity" (or factor substitution inelasticity) arising out of the highly standardised and quality-controlled nature of the products; (d) lack of complementary inputs to go with labour-intensive techniques, (e) preference of foreign investors for large scale operations which are generally capital-intensive; (f) low risk involved in using well tried out techniques in developing countries where the degree of uncertainty in labour relations and market conditions is high; and (g) the desire of foreign investors to promote a "good citizenship" image by bowing down to pressures

for "prestige" and "latest" technologies (Helleiner, 1975a, pp.88-91). The empirical validity of some of these factors may be questioned as has been done by the above author himself. It has moreover been argued that multinationals have often proved to be rather more responsive to domestic resource needs, more adaptable in their resource use and to have a higher capacity to undertake such adaptations than local firms. The former are found to have tended to employ more labour-intensive technologies than the latter particularly when price competition was intense (Helleiner, 1975a, p. 91-4). "The evidence, though sketchy (however) points in one direction. Multinational corporations have been responsible for transferring modern technology to developing countries, with very little modification to the core plant or process and product, but, with some variations in labour use in ancillary activities (Stewart, 1974, p. 117).

All these arguments are relevant if the question at issue pertains to relative labour intensities of the technologies adopted by local and foreign firms. They are of no relevance when what is at issue is the capacity of foreign direct investment to create jobs. The prime objective of foreign investors in their choice of technique and technologies is private profit. They are concerned therefore, not with economising capital, labour or any other factor, but with lowering their total costs of production. The factors (a)-(g) above are likely to encourage these investors to go for well-tried technologies. If such technologies are used, a job opportunity can only be created at a capital investment which is heavy in relation to the domestic availability of capital in a typical under-developed country like Sri Lanka and also in relation to the volume of capital that the country might be able to attract from abroad.

Estimates of capital invested per employee in foreign firms in developing countries are rare and not very reliable.

On a global scale it has been estimated on the basis of data for U.S. manufacturing affiliates in the less developed countries that an average investment of \$ 6,569 was required to create one job opportunity in the late sixties. According to information collected through a survey of foreign affiliates in developing countries (Reuber, *et al.*, 1973) it was estimated that capital per worker in the sample firms amounted on average to \$ 18,200, although the authors did not assign much significance to this figure (p.168). Productive activity established in FTZs is believed to be more labour-intensive than foreign private firms in general and therefore capital per worker in such activity is expected to be rather low. The available data for FTZs in South East and East Asia are, however, not at all conclusive as can be seen from Table 1.

TABLE I — CAPITAL PER EMPLOYEE IN SELECTED
ASIAN EXPORT PROCESSING ZONES^a

Name of Zone & Country	Year	Capital per Employee in U.S. \$
Kaohsiung, Taiwan	1975	1,296
Nantze, Taiwan	1975	2,711
Taichung, Taiwan	1975	2,881
Bayan Lepas, Penang, Malaysia	1974	3,698
Masan, S. Korea	1975	3,940
Prai Wharves, Penang, Malaysia	1974	4,863
Pulau Terejak, Penang, Malaysia	1974	10,067
Mariveles, Philippines	1975	11,721
Prai, Penang, Malaysia	1974	26,425

Note : a. According to the same source a job opportunity in a FTZ located in Indonesia involved a capital

cost of \$ 386,363 in 1975. This figure has not been given in the table because it appears to be highly atypical of FTZ conditions.

Source : Pacific - Asia Resources Centre, 1977, p. 2.

It is possible but not quite meaningful to assess the direct employment potential of the Sri Lankan FTZ on the basis of an average capital per employee worked out using the data in Table 1. This is because average capital cost of a job opportunity here cannot be predicted with any confidence without some knowledge of the composition of the Zone investments in terms of industrial categories and the nature of productive techniques that will be chosen by such investors in situations where a choice is available. The information in Table 1 nevertheless seems to suggest that the older and better established FTZs are able to provide job opportunities at lower average capital cost than newer and less well established ones. Thus at the initial stages, it is more likely than not for the average capital cost of a job opportunity in the Sri Lanka FTZ to be nearer the top than the bottom of the range indicated in the Table, namely US \$ 1,296—26,425, in spite of (a) graded investment incentives to favour industries with high job-creating capacities and (b) low unskilled labour wages prevailing in the country. Even on an optimistic estimate of a capital of \$ 10,000 per employee in the case of the Katunayake Zone⁷ an investment of US \$ 100 million would be required to generate a mere 10,000 job opportunities. Of the well established FTZs shown in Table 1, total investment exceeded US \$ 100 million only in the Philippines Zone. None of the Taiwanese Zones was able even by 1975 to attract investments exceeding \$ 60 million. Capital invested in the Korean Zone amounted to \$ 89 million in 1975.

7. This is an optimistic estimate particularly because of the implications of world-wide inflationary trends since the period to which Table 1 data pertain.

At the present investment approval stage, however, the GCEC is more optimistic and hopes that the Katunayake FTZ in its very initial stages will surpass even the most "successful" Asian FTZs' employment achievement at the corresponding stages of their development.⁸ Unfortunately there is as yet no firm basis to choose between the very optimistic predictions of the GCEC and the much less optimistic views expressed in the preceding paragraphs. Even if the GCEC's optimism is vindicated by subsequent events, it must be stressed that any proper assessment of the direct employment potential of FTZ undertakings, however, requires something more than a mere enumeration of the work places generated within the Zone.

The establishment of the FTZ involves the investment of a large volume of local capital both in the provision of infrastructural facilities and the creation of productive capacity in Zone undertakings. It is extremely unlikely that

-
8. According to the *Ceylon Daily News* of 15 September 1978, the GCEC expects that the first 34 projects approved for the Katunayake FTZ will have a total investment of Rs. 948 million of which Rs. 691 million will be foreign and generate 15,400 jobs in the very first year of their operation (Note: \$ 1 - Rs. 15.65 at the time of this announcement). The *Ceylon Daily News* subsequently (4 October 1978) reported a GCEC announcement to the effect that the number of approved projects had increased by that time to 40, total investment to Rs. 1 billion and total number of jobs to be created to 30,000. The same report states that one of the projects approved since the first announcement was made in September 1978, is the largest so far approved with an investment of Rs. 500 million. If these newspaper reports are correct Rs. 1 billion above (presumably Rs. 1000 million) clearly is understating the total investment involved by about Rs. 500 million. But as a weekly news magazine commented: "In an effort to make their projects attractive, foreign investors coming before the GCEC are (likely to be) inflating the employment potential of their plants" (*Lanka Guardian*, 15 August 1978).

such domestic capital would remain idle in the absence of a FTZ and the consequent influx of foreign capital into Zone projects. Under such circumstances, the direct employment potential of the FTZ should be reckoned net of the employment opportunities which are likely to be created by investment of this domestic capital in alternative channels.

As already mentioned, any evaluation of the full employment impact of the FTZ requires consideration of the indirect, as well as the direct, component of this impact. Such indirect employment effects depend on the impact of the Zone on (a) domestic investment elsewhere in the country and (b) production techniques used by non-Zone producers. The impact on domestic investment elsewhere would in turn depend on the spread effects of FTZ investments as determined by the extent of their backward and forward linkages,⁹ the multiplier effects of expenditure from incomes generated within the Zone, backwash effects of Zone industries to be determined by how far they are allowed to compete in the domestic market with non-Zone producers and the extent to which the operation of the Zone affects domestic market conditions so as to influence investment patterns and investor preferences. The impact on production techniques adopted by non-Zone producers will, on the other hand, be determined by the "shop window" effects of the Zone on domestic producers.

The magnitude of the indirect employment impact of the FTZ arising out of all these inter-linked phenomena is highly uncertain. On average, phenomena leading to a favourable indirect impact are likely to be outweighed by

9. Some of these spread effects may operate also in the case of alternative investment of local capital which will find its way into the FTZ and therefore it is not correct to credit the benefits of such spread effects in their entirety to the FTZ.

those leading to an unfavourable impact. Some such phenomena may be mentioned : (a) the possibility of substantial relocation of domestic industries within the area of GCEC jurisdiction, (b) apparent absence of a policy of discouraging foreign investors who are likely to compete with domestic industry : (c) the likelihood of low-linkage industries characterising FTZs in general coming up in the Sri Lankan Zone too in large numbers ; (d) the possibility of the multiplier effects being rather low because of the known tendency elsewhere for incomes derived from FTZs to be spent heavily on imported goods ; and (e) the fact that the Zone may stimulate utilisation of more capital-intensive techniques in domestic non-Zone manufacturing activity either through a demonstration effect or through loss of skilled workers to Zone industries.

The size of the full employment potential of the FTZ, both direct and indirect, covering favourable as well as unfavourable elements of it, particularly in relation to possible alternative investment patterns, is difficult to quantify even after the event, and nearly impossible to predict.

ECONOMIC GROWTH OBJECTIVE

In addition to foreign exchange and employment objectives, the government hopes that the FTZ strategy will bring about the necessary conditions for rapid growth of value-added in the manufacturing sector and of national product in general by means of attracting private foreign investment into the country. The contribution of an enterprise to Gross Domestic Product is measured either by summing up its payments to factor services — compensation of employees, depreciation allowances, rent and interest payments *plus* net profit before income tax — or by calculating the difference between its sales revenue and intermediate payments.¹⁰

10. See (Lakshman, 1978) for more rigorous statement.

A local enterprise is likely to contribute to *national* product more or less the same amount it contributes to *domestic* product. But a foreign enterprise's contribution to *national* product is invariably less than its contribution to *domestic* product, by the amount remitted abroad in the form of dividends, licence fees etc. on account of foreign capital and knowhow *plus* remittances on account of salaries paid to expatriate personnel. In this context, the foreign affiliate firm's contribution to national income growth has to be reckoned specifically in terms of its contribution to national rather than domestic product.

The contribution of the FTZ to national income growth so defined also has two components – direct and indirect. Both components need to be evaluated in relation again to what the country can achieve by alternative utilisation of the domestic resources going into the Zone. The proportion of the value-added generated *directly* by a foreign enterprise and remaining within the host country borders accrues primarily to the nationals employed by the enterprise, the owners of the land and buildings occupied by it and the government. The very FTZ strategy comprising of a low wage policy, cheap infrastructural facilities, tax holidays and other fiscal incentives, amounts in fact to a minimisation of the above payments. It is therefore quite possible that the investment in alternative avenues of the local component of the capital going into the FTZ would add more to *national* product than would be added *directly* to it by this local plus foreign capital invested within the FTZ system.

The indirect impact of the FTZ on national income and its long-term growth, which is a mixture of both favourable and unfavourable effects, arises out of a number of different factors. Firstly, the FTZ industries will promote growth of output in other domestic industries which are producing either inputs for FTZ firms or processing the outputs of FTZ firms further before export (or domestic sale). The size of this indirect growth impact obviously

depends on the extent of backward and forward linkages of the FTZ firms. Given the known heavy dependence of foreign firms on imported inputs and the fact that FTZ outputs are primarily for export without any further domestic processing, one cannot expect the secondary growth stimulus due to the FTZ to be of significance. The enclave type pattern of development which characterised foreign investment during the British colonial period may reproduce itself under the FTZ without much spread effects in the rest of the economy.

Secondly, since FTZ firms will be allowed to sell upto 50 per cent of their output in the domestic market, at least a small group of domestic manufacturing enterprises will be subjected to strong competition from foreign affiliates working within the FTZ. Given the consumers' preference for imported articles over domestic substitutes, based on the belief, right or wrong, that the former is of superior quality, and also their tendency to go for articles with known brand names, the products of foreign affiliates working within the FTZ which penetrate into the domestic market will lead to closure or reduced activity of local firms producing substitutes. Foreign producers locating their subsidiaries within the Zone here will obtain an overwhelming competitive edge over domestic producers of substitutes, as a result of (a) the reduction of transport, insurance and also perhaps packing costs, (b) the possibility of using cheap Sri Lankan labour, (c) the gaining of a detailed knowledge of Sri Lankan market conditions and (d) lavish fiscal incentives provided by the government. Provision to allow FTZ firms to sell upto 50 per cent of their output in the domestic market will thus bring about strong backwash effects on domestic manufacturing activity which might outweigh the favourable direct growth impact of the FTZ to a large extent.

Thirdly, the operation of the Zone and the GCEC in the country leads to a system in which non-Zone (or non-GCEC-licenced) firms are discriminated against and this will obviously hamper their further growth.

Finally, the FTZ strategy is likely to introduce a high degree of instability into the economy. Production for export inherently is subject to greater instability than production for the domestic market because export markets are intrinsically more unstable. In so far as investments attracted into the Zone are those looking primarily for cheap labour conditions, the FTZ strategy brings in an additional element of instability by promoting what has come to be known as "migratory industries". The better and cheaper the conditions under which the initial infrastructure is provided, from the point of view of the foreign investor, the more "migratory" the investor can be. The instability brought into the economy through the emphasis on outward-looking industrialization based on foreign investment can be, in the long-run, inimical to self-sustaining growth.

IMPACT ON ECONOMIC STRUCTURE

Our attempt to evaluate the effectiveness and efficiency of a FTZ in Sri Lanka in helping to achieve the objectives sought through it has so far been within the accepted neo-classical frame of reasoning. This analysis lacks the historical understanding and awareness required to correctly understand the "development of underdevelopment" in countries like Sri Lanka and the process of transforming the socio-economic structures of these countries to attain self-reliant and self-sustaining development. The poverty of these countries is the consequence neither of any peculiarity in the national environment and human behaviour in these countries nor of divinely determined conditions. It is instead the result of the specific historical circumstances in which production relations and productive forces have developed in these countries.

As in the case of many other underdeveloped countries, Sri Lanka too has a long history of foreign private investment. The country's present dependent economic structure has its origin in such investments in the plantation sector during British colonial rule. Paul Baran's thesis, subsequently developed by Frank and Amin, to mention only two writers in this tradition, that "development of underdevelopment" occurred through the transfer abroad of the surpluses generated in the domestic economy by foreign investors is quite applicable in any attempt to explain and understand the colonial historical process in Sri Lanka too and the state of the economy at the time the country won its "flag" independence (Baran, 1957; Frank, 1969; Frank 1972; Amin, 1972; Amin. 1976). The dependent economic structure which emerged thus is characterised by "...the reliance on foreign technology, the critical role foreign decision-making plays in domestic employment, output and income generation and the persistent income drains which occur because surpluses obtained locally are being transferred to the owners of capital, technology and managerial skills in metropolitan countries" (Thomas, 1974). This dependent structure still remains largely intact. The "peripheral capitalist" mode of production which developed in Sri Lanka remains "...extraverted, based on the external market, and could therefore not lead to a full flowering of the capitalist mode of production..." (Amin, 1976, p. 199) in the country.

The country is now planning to open up its doors to foreign capitalists for yet another spell of direct investment hoping that under the present "independent" and "sovereign" state the consequences will be different from those of private foreign investments of the colonial era. The experience of the so called "success stories" of South East and East Asia (e.g. Singapore, Taiwan, Hong Kong and South Korea) is used as the model for emulation. Despite rapid output growth on conventional standards and big increases in

exports, particularly manufactured exports, there is no unanimity of opinion that these countries have attained a level of autonomous, self-sustaining growth. "Despite a big increase in exports, the balance of payments of ... (these countries) has remained very vulnerable ... The external balance worsens when the rate of inflow of new capital slows down, reproducing the familiar pattern of the blocking of independent growth ... They are even more dependent than they were twenty years ago" (Amin, 1976 p. 213). Should these countries lose their favourable position in world capitalist centres, they will no longer have their sources of capital (both private and official) and markets and their further growth will be blocked. Clearly this is not the kind of situation that Sri Lanka should wish to create for itself.

The structural conditions needed for independent self-sustaining growth are unlikely to be adequately promoted by an influx of foreign private capital, whether it is for export activities or for import-substitution activities. Firstly, this needs a convergence of productive resources and production systems of the country with the requirements of the domestic market. In other words, there must be an "...organic link rooted in an indigenous science and technology, between the pattern and growth of domestic demand" (Thomas, 1974, p. 59). This is clearly not an argument for the type of import-substitution of the recent past which everyone is now disillusioned with. Such import-substitution was never an attempt to link production systems with the needs of the broad masses of the population but an attempt to link production systems with the demand patterns of the upper strata of the population, which have in turn been shaped by foreign influence. If production is geared to meet the needs of the masses, inefficiencies due to small-scale production can be avoided. But the opponents of this approach may counter this argument by saying that, though there are large numbers of people, their purchasing power

is low. The consequent small size of the market produces an inability to attain efficient scales of production.

Here we come to the second condition for a pattern of autonomous development. The market in underdeveloped countries is small because the wage levels in these countries are kept low through "unequal exchange" (Emmanuel, 1972). Private foreign capital is not likely to be interested in correcting this state of affairs. On the contrary, it is attracted because of low wages and its interest would be to perpetuate unequal exchange as far as is possible. It is true that generally foreign investors pay better wages than local firms but this is in terms of host country conditions. Wages they pay will remain miserably low in comparison to wage levels in the central capitalist countries. Moreover: the so called "labour aristocracy" created by foreign investors will be small in size and therefore will have marginal significance in expanding the size of the local market.

Thirdly, direct overseas investment, particularly in a FTZ will not develop inter-sectoral and inter-regional links within the economy, which are essential for autonomous development. As in the classical colonial pattern of development, the area of foreign investment is likely to remain an enclave cut off to a large extent from the rest of the economy. The sectoral unevenness in productivity and the consequent inequality in income and wealth distribution will remain.

Finally, technological self-reliance and a developed local capital goods sector, two other prerequisites of self-sustaining development, are unlikely to be promoted through foreign private capital.

Even if, in the short-term, the FTZ and foreign private investment attracted into it generate net benefits to society, the long-term structural impact of such investment is not at all likely to be favourable for independent development. Short-term net benefits, if any, are undoubtedly of significance in the context of the country's

pressing problems of foreign exchange scarcity, unemployment and poor standards of living. But if foreign investment is more likely to frustrate the country's chances of independent, self-sustaining development in the long-term, the significance one may attach to short-term net benefits (if any) requires to be re-examined.

CONCLUDING THOUGHTS

As the very title of the present article shows, the author has restricted himself to the examination of only *some* aspects of relevance in a discussion of the FTZ. As a result certain aspects have been completely disregarded — e.g. questions of working conditions for labour in the FTZ, problems of smuggling and similar illegal activities connected with it, political implications of operating a FTZ and its income distributional effects. Certain other relevant aspects have been inadequately dealt with, e.g. the impact of the FTZ on consumption patterns. All these aspects are of crucial significance and therefore a full evaluation of the FTZ strategy requires consideration of these aspects in addition to the ones discussed in the preceding pages.

However, the establishment of the FTZ is now an accomplished fact and the most that can be done is for the government to take steps to ensure benefits to the maximum possible and to curtail the damaging effects, both short-term and long-term. This requires monitoring the activities of foreign firms that will be operating in the FTZ. This in turn requires an *ability* and a *political will* to control foreign investors' activities. Even if the government has both the ability and the will, does it have the *political power* to do so, particularly in the light of the fact that the power of the governments of foreign investors are likely to be behind them? (Streeten, 1971, p. 242). Within the confines of the present article these questions can only be raised without any attempt to answer them.

REFERENCES

- S. AMIN, 1974, *Accumulation on a World Scale*, 2 Vols., Monthly Review Press, New York.
- S. AMIN, 1976, *Unequal Development* The Harvester Press, Sussex.
- P. A. BARAN, 1957, *The Political Economy of Growth*, John Calden, London.
- CENTRAL BANK OF CEYLON, 1974, *Labour Force Participation Rates in Sri Lanka*, Colombo.
- B. I. COHEN, 1975, *Multinational Firms and Asian Exports*, Yale University Press, Yale.
- A. EMMANUEL, 1972, *Unequal Exchange: A Study of the Imperialism of Trade*, NLB, London.
- EXPORT PROMOTION SECRETARIAT, (Sri Lanka), 1974, *Export Processing Industrial Estates in Sri Lanka*, Report to the National Planning Council by a Special Committee of the Export Promotion Secretariat, Colombo, mimeographed.
- A. G. FRANK, 1969, *Capitalism and Under Development in Latin America*, Monthly Review Press, New York and London.
- A. G. FRANK 1972, *Lumpen-Bourgeoisie. Lumpen-Development: Dependence, Class and Politics*, Monthly Review Press, New York & London.
- J. S HANSON, 1975, Transfer Pricing in the Multinational Corporations: An Initial Appraisal, *World Development*. Vol. 3. Nos. 11 & 12, pp. 857-865.
- G. H. HELLEINER, 1975a, The Role of Multinational Corporations in the Less Developed Countries' Trade In Technology, K. Kohima and M. S. Wionizdc (eds.), *Technology Transfer in Pacific Economic Development*, Japan Economic Research Centre, pp. 79-120.
- G. H. HELLEINER, 1975b, Transnational Enterprises in the Manufacturing Sector of the Less Developed Countries, *World Development*, September, pp. 641-650.
- C. R. HENSMAN, 1971, *Rich Against Poor: The Reality of Aid*, Penguin Books.
- INTERNATIONAL LABOUR ORGANISATION (ILO), 1971, *Matching Employment Opportunities and Expectations : A Programme of Action for Ceylon*, Geneva.
- P. JALEE, 1969, *The Third World in World Economy*, Monthly Review Pres, New York and London.
- H. G. JOHNSON, 1972, The Efficiency and Welfare Implications of the International Corporation, J. H. Dunning (ed.), *International Investment*, Penguin Modern Economics Readings, pp. 455-475.
- H. G. JOHNSON, 1975, *Technology and Economic Interdependence*, The Macmillan Press Ltd.

- W. D. LAKSHMAN, 1978, *The Role of Public Enterprises in the National Economy of Sri Lanka: An Analysis of Their Value-Added Data for 1975*, *Modern Ceylon Studies*, Vol. 6, No. 2, July 1975 (published in 1978)
- IAN LITTLE, T. SCITOVSKY and M. SCOTT, 1970, *Industry and Trade in Some Developing Countries : A Comparative Study*, Oxford University Press
- H. MAGDOFF, 1969, *The Age of Imperialism : The Economics of U. S. Foreign Policy*, Monthly Review Press, New York and London.
- MINISTRY OF PLANNING AND EMPLOYMENT 1971, *The Five Year Plan, 1972-76* Colombo.
- PACIFIC ASIA RESOURCES CENTRE, (PARC), 1977, *Free Trade Zones and Industrialization of Asia*, AMPO, Special Issue of the Japan-Asia Quarterly Review, June 1977, Tokyo.
- G. L. REUBER et al., 1973, *Private Foreign Investment in Development*, Clarendon Press, Oxford.
- P. STREETEN, 1971, Costs and Benefits of Multinational Enterprises in Less Developed Countries, J. H. Dunning (ed.), *The Multinational Enterprise*, George Allen and Unwin, London, pp. 240-258.
- P. STREETEN, 1972, New Approaches to Private Investment in Less Developed Countries, J. H. Dunning (ed.), *International Investment*, pp. 436-52.
- FRANCES STEWART, 1974, Technology and Employment in LDCs, E. O. Edwards (ed.), *Employment in Developing Nations*, Columbia University Press, New York and London, pp. 83-132.
- R. B. SUTCLIFFE, 1971, *Industry and Underdevelopment*, Addison-Wesley Publishing Co., London.
- P. M. SWEEZY, 1978, Global Capitalist Crisis, *Monthly Review*, April, pp. 1-12.
- C. Y. THOMAS, 1974, *Dependence and Transformation: The Economics of the Transition to Socialism*, Monthly Review Press, New York and London.
- C. V. VAITOS, 1974, Employment Effects of Foreign Direct Investments in Developing Countries, Edwards (ed.), *Employment in Developing Nations*, *op. cit.*, PP. 331-49.
- N. VITTAL (ed.), 1977 *Export Processing Zone in Asia : Some Dimensions* Asian Productivity Organization, Tokyo.

MULTI - NATIONAL CORPORATIONS — DEVELOPMENT FOR WHOM ?

WHAT IS A MNC ?

There does not appear to be a generally accepted definition of a multinational corporation although there is no lack of mystification and fruitless argument. A flood of books, articles, reports, seminars and discussion groups—official and unofficial—have been devoted to the Multinational Corporation : what is it and why ? With what weapons can poor countries, whose people might find their lives and social values disrupted by the irresponsible use of power exercised by these alien representatives of modern capitalism, confront the ammunition of these establishment scholars who act as an articulate front for the business and political supporters of the MNC's ? How can they deal with their own local technocrats returned from their training stints at Harvard, MIT, Columbia or Stanford and have learnt all about the "technological and integrative systems of the world" ?

But Sri Lanka has experience on her side — if she will only learn well the lessons to be drawn from it. Sri Lanka's experience of the operations of multinationals is probably as long as the history of Sri Lanka as a colony, reaching its zenith during the occupation of the British who owned, controlled and managed the tea plantations, operated their own agency houses and brokerage firms and dominated all the service industries, international trade, shipping, insurance, banking, etc. The British companies

produced the tea and marketed it. The same companies were the sellers and buyers and most of them were tied together by interlocking directorates.

With so much earthly experience to draw from, those of us who think of development in terms of an economy sufficiently diversified and productive to provide the means for the people themselves to build a life that is rich and full for everyone, liberated from material fears and official pressures—those of us who think thus must not permit ourselves to be terrorised by the mystifying jargon of the technocrats and experts.

We can, for example, settle for a very plain definition of the multinational corporation as a term for companies whose ownership is based in one country and are controlled from that home base but who can produce and sell their goods in many countries the world over. Writing in the *Saturday Review* of January 24th, 1976 in a section devoted to "Multinationals at Bay", Breckenfeld, one of the editors of *Fortune*, says that "at its simplest, a multinational corporation is one that owns or controls production or service facilities in at least two countries outside the country where it is headquartered". Most authorities appear to agree, he holds, that to qualify for the label, a company should operate in six or more countries and have sales of at least 100 million (US) dollars a year.

Production is usually for export, often back to the home base and also to subsidiaries or branches in other host countries. If there is a significant market in the host country a certain amount of production could be diverted to it. Multinational corporations are multinational only as far as production and marketing are concerned. When ownership is considered, or location and citizenship of top management, or the locus of serious decisions regarding operations and pricing, a multinational corporation reveals itself as decidedly national. What has been stated applies also to

service facilities such as banks, insurance, shipping, import-export trade, etc.

WHAT MAKES A FAVOURABLE CLIMATE FOR MNCS ?

There may be a lack of clarity about many aspects of government policy in Sri Lanka but it does not extend to its attitude to foreign investment as a basic requirement for development. There the policy is clear : “a favourable climate for foreign investment” must be created in order to provide inducement to foreign capital to invest, particularly in the Export Processing Zone, where the emphasis is to be on export-oriented industrialisation,

What are the chief ingredients of “a favourable climate for foreign investment”? Here, since the Sri Lanka Government has officially accepted the view of development sponsored by the IMF and negotiated an understanding with the IMF as the basis for the “aid” which is an integral part of the programme, we turn for an answer to IMF policy.

We start with the assumption that the IMF, bound as it is by its Articles of Agreement to oppose restraints on international payments and trade, such as controls on profit remittances and imports, is basically in line with the economic beliefs of the creditor governments who control the Fund.

There are well-meaning negotiators from the poor countries—and Sri Lanka does not lack them—who even believe the IMF can be made to “see reason” and play a positive role in the development of the third world. But the IMF does “see reason” and the reason it sees dictates to it that the Fund must oppose import controls by poor countries, attempts to limit foreign remittances by multinational corporations, nationalisation without what it considers adequate and ample compensation.

An IMF programme would have pressed for the following : Liberalisation and eventual abolition of foreign exchange and import controls ; devaluation of the exchange rates : anti-inflation programmes that involve control of bank credit to reduce money supply regardless of the effect on the ordinary man ; higher interest rates and reserve requirements ; control of the government deficit through curbs on spending ; increase in prices charged by public enterprises as well as reduction leading as quickly as possible to abolition of all consumer subsidies and the total dismantling of price controls.

In addition to converting a country such as Sri Lanka into a respectable client for foreign aid, such a programme is triply blessed in that it creates not merely a favourable climate for foreign investors, which is essentially a passive conception, but a promise of the warm hospitality they can expect.

IMPACT OF IMF PROGRAMME

Unless we are prepared to assume that what is good for a rich and powerful MNC is good also for the poor, that there is harmony possible between the class interests of the exploiter and the exploited, it is necessary to ask what the effect of such a programme will be on the mass of the citizens of a country ? What will be the effect on the domestic capitalist who has survived without direct foreign connections ?

Opening the door to imports is likely to benefit foreign-owned firms and squeeze out domestic capitalists. This is so because firms that depend on foreign inputs—raw materials machinery and spare parts—import these commodities from another branch of the same MNC. The price does not necessarily represent the real cost of the merchandise. It

may, for example, be set much higher than cost under cover of being an "essential import" so that they can in this way transfer profits out of the country. If there are controls on profit remittances or even a tendency for too many critical eyes to be cast on them, over-pricing becomes particularly important to a production unit of the MNC based here.

"Transfer-pricing", as this device is called, is an obnoxious practice carried on by the MNC's—it will be further discussed later in these comments. Transfer-pricing can, of course, be attacked by a strict control of foreign exchange for imports. However, if such exchange is rationed and licensed, the MNC factory might cut down production for lack of their usual inputs and they might even look elsewhere for a more favourable atmosphere. This is one reason why the IMF insists upon a package programme.

The aim—never clearly stated of course—is to reduce local consumption in order to free resources for export. As far as a government is concerned, it may fear the consequences of reducing the present miserable levels of mass consumption, but it cannot escape them once it has turned back on self reliance and accepted the demands of foreign creditors as expressed by the IMF conditions for "aid". Foreign aid, foreign investment and export orientation mainly through MNC's are thus officially accepted as the basis for a kind of development that will speak with one tongue in the statistical charts and with another in the lives of the people.

There is a dangerous discrepancy between a favourable climate for foreign investment and a climate that would be favourable to the mass of the urban and rural people who bear the burden of high investment and discrimination in favour of the rich who flaunt their unrestrained consumption of non-essentials in the faces of

the poor. Dependence upon foreign capital investment, upon investment by MNC's is likely, sooner or later, to demand the imposition of a repressive regime in one form or another. Otherwise dissent and discontent would reach explosive levels. This is the lesson taught by conventional wisdom.

For its own protection a government tends increasingly to rely on force, for multinational corporations are certainly not prepared to start enterprises in countries whose governments may be sent packing in a way that would lead to a cooling down or even a freezing of the warm welcome that had been extended to foreign capital.

Apart from what has been touched upon, there are several factors which exacerbate the discontent and make it even more inevitable that there will be a resort to repression.

On the one hand there is a barrage of paid and unpaid propaganda aimed at urban centres but penetrating everywhere—through newspapers, radio, TV where it exists, cinema and the all-important grapevine. The aim is to create wants far beyond the means of 90 per cent of the media audience which, it is assumed, will be largely hypnotised, treating these artificially induced wants as authentic needs. It is a terrible insult to human needs to press upon men and women a need for chocolates when they cannot afford rice, perfumes when there is no crude household soap for sanitation, automobiles where there are no bicycles and where public transport is in a chaotic state.

Nevertheless, such a strutting of riches that only the favoured few can afford, while unemployment, festering slums and inadequate food remains the lot of most others, intensifies a feeling of social alienation, of uprootedness, among the people.

Apart from stability, export-oriented industrialisation demands cheap labour. MNC's expect host governments to build up systems to control or abolish trade unions, prevent strikes and altogether to cushion their managements from exposure to the normal mechanisms of labour-management relations. For example, in an Export Processing Zone, it is accepted practice to employ long-term workers as "temporary" so that they are excluded from whatever protection the labour laws might have given them. Grievance procedures deteriorate to nothing more than a loaded formality and strikers are usually sacked enmasse, to be replaced by others from the army of unemployed.

The economy increasingly comes under the management of a small, technocratic elite which tends to sweep aside as redundant and an obstacle to efficiency, all the old political pressures which at least reflected, however imperfectly, the social interplay and class conflicts of various interests; small and large traders and landowners, professional groups, mass-based movements, unemployed rural and urban workers and others.

Efficiency Dedication, Selfless effort for "generations yet unborn" — these become the orders of the day. It is apparent that something akin to a military command structure would be required to put such orders into effect. Training in the business and military systems of the powerful industrial states which are the home bases of the MNC's is always available. In the end, it is their "generations yet unborn", and not those of the people of the former colonies for whom this new colonial relationship has been concocted, that tend to be its beneficiaries.

The government of a Third World country that depends upon stability at any cost as basic to its programme and that must therefore put down even the most justifiable

and legitimate unrest or protest as "subversion" must and would ultimately tend to call for massive military aid. Politics would thus become militarised. The military tends to flex its muscles more openly and to take a new view of itself as the new political force which, without the interference of politicians, can make the suffering country safe for "generations yet unborn". Translated, this means safe from radical and socialist influences that will demand from them – in the name of the urban workers and peasants, landed and landless, the unemployed and underemployed, the intellectuals who identify themselves with the people and not with an elite – an answer to the central question: at whose expense is the country to be developed and for whose benefit? Once they have found the answer and clearly understood that they have been the victims of a development hoax that has intensified their poverty for the enrichment of local and foreign exploiters, they will no longer be manipulable, not even by force.

FINANCING MNC's

The operation of financing a Multinational Corporation may be highly technical and largely swathed in secrecy, but in principle it is simple: a foreign subsidiary is expected to earn a profit for its parent. If it runs at a loss for a period of time, it is because the parent finds it profitable to the whole family for a particular offspring to be temporarily subsidised.

Tugendhat, whose book "The Multinationals" examines the MNC's and their growth in Europe and North America, holds that successful subsidiaries tend to be net exporters of capital to the host country; their access to new capital is dependent upon approval of their head office.

Global Reach (Barnet and Muller), which is concerned mainly with the implications of MNC's in Latin America, confirms what Tugenhadt found and what we in Sri Lanka know from various studies of the operation of those MNC's that are here. (Logos, Volume 15, Nos. 1 and 2 Multinationals and Liberation) The tea companies, for example, did not bring any significant fresh capital to Sri Lanka from 1919 to the time they were nationalised. Ceylon Tobacco Company and Lever Brothers have brought no fresh foreign capital in since 1953. During these periods their local capital assets have increased enormously and there has been a substantial outflow of remittances back to the parent companies. For example, from 1950 to 1970 the plantation companies remitted about £57 million (about Rs. 800 million) to the UK — which also benefited by enjoying excellent tea at very low and declining prices. From 1947 to 1972, according to a reply of the Minister of Finance in the National State Assembly on 6th June 1973, Sri Lanka sent out over Rs. 3,000 million as dividends on profits, interest and capital repayment both private and official. Of this, the remittance of dividends is calculated at Rs. 1,096 million; private capital outflow at Rs. 721 million. Yet, the total private investment in Sri Lanka between 1965 and 1972 is estimated to be about Rs. 141 million.

Investments have brought about a significant flow of profits from the Third World. In the special issue of the Japanese publication AMPO published in 1977 on Free Trade Zones and Export Oriented industrialisation in Asian countries, Muto Ichiyo calculates that in 1960-1971, U.S.-based MNC's invested 10,160 million (U.S.) dollars in Third World countries and received gains totalling about 37,600 million (U.S.) dollars. In the same period these MNC's invested 24,965 million dollars in advanced countries and gained 35,026 million dollars. The rate of gains to investment was thus about 72 per cent for the Third World compared with 29 per cent for advanced

countries. We know nothing in the past behaviour of MNC's toward the poor countries to give us reason to doubt the conclusion drawn: that U.S.-based MNC's would have invested their enormous gains from developing countries in their works in the affluent countries.

A study of capital accumulation by global corporations made for UNO by Fernando Fajnzylber cited in *Global Reach*, for example, found U.S.-based global corporations taking an average of 79 per cent of their net profits out of Latin America between 1960 and 1968 and using scarce local capital to finance 83 per cent of their local investment. They preferred to leave their profits in the developed countries of western Europe which they considered relatively stable. Countries of Latin America and Asia — with the possible exception of the highly publicised "successes" such as Singapore, South Korea and Taiwan — are considered far too volatile, potentially, to ensure a continued favourable climate for their profits in the future.

British-based companies, accustomed to much tighter controls in the export of capital from Britain, financed at least 60 per cent and sometimes nearly 70 per cent of their new foreign investment between 1964 and 1969 from unremitted profits of their foreign subsidiaries. On the other hand, between 1960 and 1967, the outflow of capital from Britain in the form of dividends from the 115 foreign subsidiaries then operating in the U.K. was over one and one-half times the inflow of funds from the overseas parents of their foreign subsidiaries and affiliated companies. According to the Survey of Current Affairs, April 1976, Britain received a total of £5.152 million (about Rs. 75,000 million) as interest, profits and dividends from foreign investment in the three years 1973-1975. During that period much of Britain's capital investment in foreign countries came from unremitted profits.

A RIVER THAT FLOWS BACKWARD

So — it would seem that this is one river that does flow backward: the river of foreign capital investment. The flow is back to the parent, the headquarters of the MNC's in the industrial countries.

In this connection we are tempted to pause for a moment to cite a passage from a speech of Che Guevara who, as Minister of Finance of Cuba, represented his government at an UNCTAD meeting in 1964. This was three years after the Alliance for Progress was formed at Punte de Este, Uruguay, which was greeted by President Kennedy, who also promised two billion dollars a year as assistance, as meaning "full recognition of the right of all people to share fully in our (U.S.) progress..... there is no place in democratic life for institutions that benefit the few while denying the needs of the many". What Guevara said in 1961 has even more universal application today than it did then as more and more are learning the lessons of foreign aid and foreign investment. As Guevara said:

"The paradoxical situation now, is that, while the loans are either not forthcoming or are made for projects which contributed little or nothing to the industrial development of the region, increased amounts of foreign currency are being transferred to the industrialised countries. This means that the wealth created by the labour of people who live for the most part in conditions of backwardness, hunger and poverty is enjoyed in U.S. imperialist circles. In 1961, for instance according to ECLA figures (UN Economic Council for Latin America), there was an outflow of 1,735 million dollars from Latin America, in the form of interest on foreign investments and similar payments, and of 1,456 million dollars in payments on foreign short-term loans. If we add to this the indirect loss of purchasing power of exports (or deterioration of terms of trade), which amounted to 2.66 billion dollars in 1961, and 400 million dollars for the flight of capital, we arrive at a total of 6.2 billion dollars, or more than three 'Alliances for Progress' a year. Thus, assuming that the situation has not deteriorated further in

1964, the Latin American countries participating in the Alliance for Progress will lose directly or indirectly, during the three months of this (UNCTAD) conference, almost 1.6 billion dollars of the wealth created by the labour of their peoples. On the other hand, of the two billion dollars pledged for the entire year, barely half can be expected, on an optimistic estimate, to be forthcoming”.

DISTORTION OF WORLD TRADE PICTURE

There does not seem to be available a reliable breakdown of international trade that would make possible to demonstrate with any precision the extent to which the movement of goods between subsidiaries of MNC's in different countries distorts the world trade picture. Tugendhat holds that the position of MNC's makes nonsense of conventional theories of international trade as taught in classical economics, where it is assumed that international trade is the result of bargaining between independent traders in different countries with a willing buyer in one doing a deal with a willing seller in another on the basis of such commercial criteria as price, quality and the date of delivery.

The MNC is a producer, a buyer and a seller. Its plants in different countries, although separated by thousands of miles, may be linked to cooperate in the production of a single product. The patterns of trade are set by the management's decision on where to locate its plants and what the task of each affiliate is to be.

Most pertinent for Sri Lanka are instances which relate to the Asian countries. AMPO takes the Export Processing Zone MASAN as an example from South Korea. Most of the firms are foreign, producing 100 per cent for export. Raw materials may be brought in from outside the country or from somewhere in the country outside the EPZ. They are all registered as *imports*, along with some semi-finished

products, into the host country, South Korea. They are processed at MASAN, or partially processed, and shipped to another FTZ or EPZ in, let us say, Hong Kong, for marketing. This is registered as an *export* from South Korea.

Or, another case: one MNC of US or Japanese origin, might use its facilities in three FTZ's in different countries in the following way:

The first to process raw materials into semi-finished products; the second to make them into 90 per cent finished products; the third to complete them and package them as finished products. The materials and products will have to move — all within a single MNC — across national borders six times. (This is the way electronics were developed by the Japanese firm TOKO).

In all of these cases the importers are the same company — all different branches of the same MNC. The parent company is inclined to consider the FTZ's involved as its enclaves, since it is totally free of any customs or other barriers and the areas in which it operates are virtually closed to the host country. The production process, the rhythm and style of business, are not subject to the control of the host countries. The entire process, alien and unrelated to the economic life of the host countries, is as, AMPO puts it, 'formalistically and statistically' registered as the host countries' imports, manufactures, and exports.

But this is not merely a distortion of language: it is standing language on its head. For how can such "exports" and "imports" be considered, for statistical purposes, as the equivalent of export and import transactions that have their roots in the internal economy of a country and are integrated in its life — whether it be a ton of steel from Japan or watches from Switzerland. In EPZ export-import transactions, neither the host government, its businessmen and

certainly not its workers, have the right to intervene at any point in decisions as to what to make, how much to make, how to make it, how to price it and to whom to sell it. All of these decisions are made exclusively by the MNC which also takes total control over the economic surplus generated by the labour of the host country's workers.

TRANSFER PRICING

“Transfer Pricing — to which we have already referred as an “obnoxious practice” is a normal exercise in the kind of export-import game played by the MNC's among what they consider their FTZ (or EPZ) enclaves. A primary condition for Transfer Pricing is that the host country abandon its responsibility to stop it, which can do by applying sensible controls over exports and imports from and to the EPZ. There the host country is in a dilemma if it is committed to providing what the MNC accepts as a “favourable” climate for its investment.

Fortune Magazine puts it this way:

“The multinational firm can...adjust prices on these intra-company sales according to a deliberate plan. For example, if a country is in foreign exchange difficulties, it may earmark scarce exchange for imports but not allow dividends to be remitted abroad. The MNC could simply ‘take out’ its dividends by raising prices on intra-corporate sales proportionately.

“Transfer prices are also a useful device for keeping down overall corporate tax liability. Subsidiaries can be instructed to set high prices on intra-corporate shipments to high-tax countries, low prices on those to low-tax countries”.

According to *Global Reach*, there is a whole new literature of advice to MNC's on how to set their prices on

intra-company transfers to maximise the global profits of the parent corporation. This is considered “sound” business, for the business of business is still *business*. These “export platforms”, as Export Processing Zones are called, have not been devised in order that MNC’s help their hosts to solve their balance of payments problems — whatever the host feels necessary to tell the people of his country.

A study of 53 foreign enterprises in Columbia showed the declared profits of these firms after tax amounted to 8.4 per cent of their net worth, rising to 13.1 per cent when royalty payments for technology were included. When over-pricing of inputs imported from subsidiaries of the same MNC was added, the 13.1 per cent leapt to 52.0 per cent of the net worth of the firms.

Closer to home, it seems that the Japanese use of “transfer pricing” is sophisticated to a point where if ever it needs to be unravelled for investigation the first impulse will be to call in Japanese experts.

Occasionally a ray of light is permitted to break through the corporate secrecy that conceals these dealings. Thus the following instance from AMPO, reporting an interview in an economic journal by the President of Mitsumi Electric Co., Moribe Hajima. Mitsumi Electric Co. is known as the pioneer of Japan’s offshore manufacturing with factories in FTZ’s in Taiwan, South Korea and Malaysia. Mitsumi has three factories in Taiwan. They produce 500-600 million yen worth of products monthly, about half of which is registered as Mitsumi Electric’s own sale (that is, Mitsumi Japan’s sale) and the remaining half as Taiwan Mitsumi’s sale. But, according to Moribe, another 20 per cent of Taiwan Mitsumi’s sale is registered as Japan Mitsumi’s sale. This is how they do it.

“Our products in Taiwan go straight to Hongkong”, says Moribe. “but for some part of them, we make different bills of lading to leave on record in our books as though that part of the product were once exported to Japan and then re-exported to Hong Kong. This portion of production... accounts for about 20 per cent of Mitsumi Japan’s sales.”

The products have thus moved to Japan only in the account books. These “imported” by-Japan Mitsumi products are priced very low; “exported” to-Hongkong-from-Japan (on paper, of course). they are priced at world market prices. In this way (one of many) the profits of Taiwan Mitsumi are shifted to the Japanese parent firm’s account.

As a final example, a spokesman for the head office of TOKO lists four methods used by that company in “transfer pricing”.

1. Raw materials are sold to Toko Malaysia at higher than standard prices.
2. Toko Malaysia’s products, when sold to Toko Hongkong, must be sold at lower than standard prices.
3. The profit is repatriated from Hongkong to Japan in the form of dividends.
4. TOKO Japan repatriates profits from Malaysia, South Korea (Masan), and Taiwan subsidiaries, in the form of licence fees.

CONCLUSION

The river of foreign investment and the “aid” that supports it continues to flow backwards from the Third World Countries. The beneficiaries of this investment and “aid” are the home bases of the MNC’s— the affluent,

industrialised countries, particularly the United States and its competitive allies in western Europe; and, of course, Japan, which is of growing importance in the Third World. These countries are also the donors of "aid" and controllers of the IMF (again-primarily the United States, which commands 23 per cent of the votes by virtue of its financial commitment) and the World Bank, which has always had an American President. This whole process is like a tribute of food from those who do not have enough to eat to those who eat too much.

SELECTED BIBLIOGRAPHY

GLOBAL REACH, the Power of the Multinational Corporations, Richard J. Barnet, Ronald E. Muller, Simon and Schuster, New York.

THE MULTINATIONALS, Christopher Tugendhat, Penguin, London.

THE DEBT TRAP: the International Monetary Fund and the Third World, Cheryl Payer, Monthly Review Press.

FREE TRADE ZONES AND INDUSTRIALISATION OF ASIA, AMPO: Japan-Asia Quarterly Review, Special Issue. 1977 Published by Pacific Asia Resources Centre, Tokyo.

MULTINATIONAL FIRMS IN AFRICA, edited by Carl Widstrand, a joint publication of African Institute for Economic Development and Planning, Dakar, Senegal Scandinavian Institute of African Studies, Uppsala, Sweden.

MULTINATIONALS AND LIBERATION, Logos. Vol. 15, No. 1 April 1976 and No. 2 July 1976.

MULTINATION CORPORATIONS IN WORLD DEVELOPMENT, United Nations, 1973, New York. A useful bibliography can be constructed from sources given along with text.

SOCIAL SCIENTIST No. 80-81 : Multinationals and Underdevelopment Trivandrum, India.

SOCIAL SCIENTISTS ASSOCIATION OF SRI LANKA

OBJECTIVES AND PROGRAMMES

1. INTRODUCTION

The Social Scientists Association of Sri Lanka was formed in early 1977 by a group of Social Scientists and other interested individuals who felt that the social sciences and research in associated fields had, due to a number of reasons, failed to make a significant contribution to the study of the problems of development and social change in Sri Lanka.

It was felt that social scientists in Sri Lanka had generally tended to work in isolation, concentrating on their own fields of specialisation without much contact with others working in parallel disciplines or with mass organisations in the country. Moreover much of their research had failed to relate to a general theory of society and largely dealt with marginal issues having little reference to the crucial problems of a society in the process of modernisation and development.

Research in Sri Lanka has also for long been restricted by the distortions and constraints of academic methods and systems adopted from colonial and neo-colonial sources. The topics of research have been heavily influenced by foreign interests while the methodology has been purely imitative based on models taken uncritically from abroad.

The group felt that there was an urgent need not only to break away from these traditions and to promote a research that was both nationally and socially relevant but also to build a scientific tradition that safeguarded the sovereignty and served the interests of the great majority of the people of Sri Lanka. There was also a need to disseminate the results of relevant research among the people.

It was also felt that an association would be of help in keeping social scientists in Sri Lanka informed of international developments in the field of social sciences and in establishing links with like-minded institutions and associations in other parts of the world which are committed to goals of national independence and social change.

The Social Scientists Association of Sri Lanka was accordingly formed for the achievement of these general objectives. It has sought incorporation as a non-profit organisation under section 19 of the Companies Ordinance and has received the necessary approval.

2. AIMS AND OBJECTIVES.

The Association shall, in the furtherance of its general objectives:-

- (a) Serve as a forum for discussion and debate both among Social Scientists and the general public
- (b) Undertake, sponsor or co-ordinate research projects in the social sciences
- (c) Undertake a programme of publications designed to publish original research in the social sciences as well as to disseminate such findings among the people as widely as possible
- (d) Develop and organise a library and documentation centre
- (e) Participate in programmes designed to further development and social change.

3. ACTIVITIES AND PROGRAMMES

- 3.1 The Association will hold regular meetings, seminars and workshops on topics of historical and current interest for Sri Lanka Social Scientists and others interested in the social sciences.

It will organise lecture/discussion meetings by foreign scholars in the social sciences.

It will arrange meetings for wider audiences to discuss issues of topical interest.

It will co-operate with other organisations conducting similar education programmes with inputs and resources.

- 3.2 The Association will promote research through full-time and part-time researchers on subjects relevant to a scientific understanding of Sri Lanka Society, both historically and in the process of development and change. It will also undertake jointly determined research projects with foreign scholars, organisations or institutes on the basis of mutual benefit.

It will attempt to co-ordinate the work of researchers already working in various fields and organise joint inter-disciplinary discussions among such scholars.

The Association has tentatively selected the following areas as of central concern in a study of society in Sri Lanka; the notes are indicative only and the areas are not enumerated in any order of priority.

- (i) *The historical development of social formations in Sri Lanka.*

Feudalism in Sri Lanka; the nature and form of colonial domination; primitive accumulation and the rise of a bourgeoisie; the growth and nature of the nationalist movement; rise and growth of political parties; the development of capitalism; the nature of the state, the bureaucracy and social classes.

- (ii) *Political institutions, democratic processes and mass movements in modern times.*

The growth of democratic institutions, popular participation and the growth of people's institutions;

development of the working class and other class formations; the trade union movement; problems of organisation of the working class; role and status of women; youth and students' movements.

(iii) *The national question*

Theoretical content of the national question; the problem of the minorities, in a historical perspective and in modern manifestations— factors affecting inter-communal harmony; countering communal ideology in literature, mass media and school texts.

(iv) *Agrarian policy and the situation of the peasant.*

Farming systems, irrigation, land settlement and colonisation policies and their impact on agrarian structure; guaranteed price and purchase policies with regard to food grains, mainly paddy, land reform and its consequences; the economic and social conditions of the peasantry; the organisation of the peasantry and the rural poor; the impact of the introduction of new farming technologies; the penetration of neo-colonialist influences into the countryside; caste and class in rural areas; the co-operative movement.

(v) *Economic and Industrial policies since independence.*

Central planning and its successes and failures; the growth of the public sector — its nature and characteristics; industrialisation policies; relations between the urban and rural sectors; the impact of technology — the nature of its development and absorption; the growth and development of the private sector in trade, industry, tourism, etc. the penetration of trans-national firms.

(vi) *Social policies*

Demography and population planning; social welfare policies; health and education policies; the content

of education; legal institutions; human rights; the growth of mass - communications and the media; the impact of social welfare policies on class structure and relations; accessibility of social services.

(vii) *Culture in relation to society.*

Traditional culture and its disintegration under colonial domination; culture in relation to the national movement; neo-colonial influences on culture; class-nature of culture; religion and society; culture in a multi-national society; development of new forms of cultural and artistic expression.

(viii) *Sri Lanka and the World*

The dependent economy; patterns of foreign investment and aid; neo-colonialism; international economic relations and movement towards a new international economic order; the impact of multi-nationals and international agencies; regional co-operation; the free trade zone strategy; foreign policies; non-alignment.

(ix) *Development ideologies and problems of development*

Nature and processes of development; different development models; their ideological bases and applicability; self-reliant development.

3.3. In its publication programmes, the association will:

- (a) publish a regular journal to be called "Social Science Review" containing original articles on subjects of interest to the Association; the journal will first appear in English and later in Sinhala and Tamil.
- (b) publish the findings of research studies undertaken or sponsored by the Association

- (c) assist scholars to publish important and relevant research work which remains unpublished
- (d) disseminate relevant research findings in the form of books and pamphlets in Sinhala, Tamil and English.
- (e) publish translations in Sinhala and Tamil so as to make material available to the widest possible sections of people.

3.4 The Association will set up and develop a library and documentation centre containing books, journals and other documents published both locally and abroad. It will serve as a resource centre both for the members of the association and other researchers and for the research undertaken by the Association. Emphasis would be laid not only on published books and journals but also on the collection of unpublished papers, reports and case studies. The Association will attempt to build up material from national and international sources and will establish links to exchange resources with other associations and institutions.

All those who generally share in the Association's attitudes are invited to write in to the Secretary of the Association at the following address:

*c/o. The Association for the Advancement of Science,
120/10, Wijerama Mawatha, Colombo 7.*

Responses to the Association's projected programme of activities will be very welcome.

Contributors to this issue

- Newton Gunasinghe** - engaged in research at the Institute of Development Studies, Sussex, England.
- K. Sivathamby** - Associate Professor of Tamil, University of Jaffna, Sri Lanka.
- W. D. Lakshman** - Lecturer in Economics, University of Peradeniya, Sri Lanka.
-

PRINT: **SAMANALA**
105, Hultsdorf Street
COLOMBO 12

Social Science Review

Price per copy (local) — Rs. 15.00
(overseas) — \$ 1.50

Subscriptions (4 issues)
Individual (local) — Rs. 55.00 inclusive of postage
(overseas) — \$ 10.00 inclusive of postage

Libraries & Institutions
(local) — Rs. 75.00 inclusive of postage
(overseas) — \$ 15.00 inclusive of postage

All enquiries and subscriptions to :

Editor, Social Science Review
C/o SLAAS
120/10 Wijerama Mawatha
Colombo, Sri Lanka

All cheques, money orders, drafts, etc. should be made out
in favour of The Treasurer, Social Scientists Association

