

# Industrialization in the Third World

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Most developing countries recognized that they needed to industrialize to satisfy the material needs of their people. They recognized that:

- While peasant agriculture was economic sector that gave employment to the vast majority of their people, it was a sector with low productivity and with much under-employment. Industrialisation was therefore seen as a means of helping modernise peasant agriculture through mechanisation and the provision of better fertilisers, better irrigation, etc. Industrialisation also was seen as an avenue which would help provide jobs for the underemployed in the peasant sector.
- They also recognised that industrialisation was necessary to earn more foreign exchange. If raw commodities could be processed before export, this would fetch a higher price. Also if there could be some degree of import substitution and some of the consumer goods being imported could be manufactured locally, then precious foreign exchanged could be kept for the import of more crucial high tech goods and capital goods to develop the productive capacity of the national economy.

For these and other reasons industrialisation was seen as an important component of the effort to develop their economies and provide a better quality of life for their people. However, there are many hurdles that need to be overcome. One crucial one is the source of funds to finance the process of industrialisation.

## **Source of Funds for “Capital Accumulation”**

Investment in factories and in the infrastructure required for the industrial sector - roads, buildings, power supply, ports all require funds. Where are these funds to come from. Countries from the South, especially those with a low per capita GDP face a difficult choice. If they invite in foreign capital, then they have to provide terms that make profitable for these private companies. They also run the risk that these foreign corporations will win over the support and allegiance of a portion of the domestic elite who are rewarded handsomely by foreign capital. If they ask for loans from institutions such as the World Bank and the IMF, then there are conditionalities attached - these institutions tend to dictate terms - the borrowing country has to cut back on welfare expenditure; the borrowing country must subscribe to “free” trade ; the borrowing country should give access to

foreign capital: etc

The other source of funds for investment in industrialisation is domestic. Surplus can be squeezed from the peasant sector by means of pricing of goods, institution of taxes and levies on agricultural production etc. And this was the approach taken by some of the developing countries in the 1960's, for example Ghana. The limitation of this approach is that it is based on measures that the peasant sector find onerous, for it does mean the deferment of current consumption in the interest of developing productive capacity in the long run. But when the entire peasant sector is living at or just above the subsistence level, this deferment of consumption can be perceived as unfair and as reneging on the promises made by these same politicians during the campaign for Independence.

### **Industrialisation and the development of Authoritarian Rule**

The necessity of implementing not too popular policies, such as the limiting current consumption so as to pay for developing the productive capacity of the nation, has the tendency of encouraging authoritarian tendencies in the government. The nationalists see that this route is required to build a truly independent and self-reliant country. So they also "see" the need to suppress dissent of the "trouble-makers" who "stir up" peoples' dissatisfaction that their material condition has not improved much despite political independence. The history of the past 50 years has numerous examples of idealistic, socialistic and pro-democratic independence leaders implementing anti-democratic and repressive laws in their own countries once coming into power - curtailing press freedom; enactment of laws for preventive detention (without trial) if this is felt to be in "national" interest; imprisonment of opposition leaders; restriction of trade union activism and other similar actions.

Another corollary of this is that the nationalistic leader now has even more reason to promote himself and his party as the saviour of the country. To provide the legitimacy to unpopular projects he needs to build the personality cult around himself. (of course this is not to deny that there could have been other more crass impetus for the building of personality cults. Just saying that there were also reasons stemming from the problems associated with the difficult task of developing the economic capacity of a post-colonial society.)

As a result of the above two factors, among others, the drive to industrialise has led to the undermining of democracy in many of these post-colonial societies at precisely the time they needed more democratic space to dismantle feudal modes of thinking and operating.

### **Curtailment of Democracy promotes Corruption**

The need to curtail dissent necessarily precludes the development of community participation in the overseeing of the development process. This removes an important check-and-balance mechanism from the development process. Politicians, their close friends and family members, as well as the senior managers overseeing the development process are left with too much power and too little supervision. The narrowing political base of support for the regime - for suppression of dissent is politically costly - also limits the extent to which the nation's leaders can curtail the process of misuse of government funds. For the senior bureaucrats and managers of the development process become the main system of support for the national leaders. This has led to the ever increasing levels of corruption in the ruling elite, which leads to further disaffection of the people and which feeds into the loop of the need for further repression of dissent, which leads to further graft and wastage.

Many developing countries in Africa seem to have gone into this sort of descending spiral have are at present “failed states” which are propped up only by external financial aids from foreign governments and Bretton Wood institutions.

## The Way Forward

I do believe that “a better world is possible” but by no means is it inevitable. We have to gather our wits about us and work towards it. I also do not have all the answers, but I have some thoughts (no doubt shared by many others) as to how we should proceed. Permit me to briefly enumerate them -

1. People have to be at the centre of the development process. People need to be mobilised to not only to oversee but to take ownership of the process of building economic capacity of the nation. The “Philosopher-King” approach which gained credence with the Soviet Union command economy clearly does not work but leads to the spiral of repression, corruption and even more damaging, to the loss of ideals and hope that a better world is possible, as it gives substance to the neoliberal argument that “there is no other way”!

2. We must recognise the heterogeneity of Third World Nations. I am reproducing some figures below to give an idea of what I am talking about here

### **Senegal**

Per capita GDP (USD-PPP) 1,772

Under 5 mortality per 1000 births > 90

### **Uganda**

Per capita GDP (USD-PPP) 880

Life Expectancy M / F 49/51

Under 5 mortality per 1000 births 134

### **Democratic R of Congo**

Per capita GDP (USD-PPP) 270

Life Expectancy M / F 46/49

Under 5 mortality per 1000 births 205

### **Malaysia**

Per capita GDP (USD-PPP) 12,160

Life Expectancy M / F 69/74

Under 5 mortality per 1000 births 12

### **Indonesia**

Per capita GDP (USD-PPP) 3,310

Life Expectancy M / F 66/69

Under 5 mortality per 1000 births 34

### **Egypt**

Per capita GDP (USD-PPP) 4,940

Life Expectancy M / F 66/70

Under 5 mortality per 1000 births 35

### **Bangladesh**

Per capita GDP (USD-PPP) 1,230

Life Expectancy M / F 63/63

Under 5 mortality per 1000 births 69

### **India**

Per capita GDP (USD-PPP) 2,460

Life Expectancy M / F 62/64

Under 5 mortality per 1000 births 76

### **Nepal**

Per capita GDP (USD-PPP) 1,010

Life Expectancy M / F 62/63

Under 5 mortality per 1000 births 59

### **Germany**

Per capita GDP (USD-PPP) 32,680

Life Expectancy M / F 77/82

Under 5 mortality per 1000 births 5

### **Venezuela**

Per capita GDP (USD-PPP) 10,970

Life Expectancy M / F 71/78

Under 5 mortality per 1000 births 21

### **Bolivia**

Per capita GDP (USD-PPP) 3,810

Life Expectancy M / F 64/67

Under 5 mortality per 1000 births 61

Countries with a larger per capita GDP obviously have access to a larger stock of surplus within the local economy that can be mobilised to provide better services to the poorer 50% of the population such as better housing, better health care, free education, better public support (can call it the Venezuelan approach?) All of these will help shore up the legitimacy of the regime and allow for the opening of the democratic process that I believe is crucial for the longer term survival of the project! With the people mobilised and taking ownership of the process of change, the dismantling of capitalist modes of production and ownership can proceed on a broader and more stable political base.

A country such as Malaysia with its relatively larger per capita GDP is in a much better position to take on the "Venezuelan" approach to developing a pro-people economy. Obviously countries like Nepal, Bangladesh and Senegal would have far greater problems in attempting this as there just isn't that much surplus within the country that can be mobilised. It could well be that the course that Vietnam has chosen - of inviting in foreign capital to help develop the productive forces of a country devastated by a long war, might be the more appropriate for countries which do not have sufficient domestic surplus to chart an independent economic course.

And the heterogeneity of our countries go much more than the figures posted in the table above. The differences in possession of industrial technology is not shown in the table above. India, for example, would possess much more industrial capacity than a smaller country with a similar per capita GDP. That difference has to be factored in by anyone thinking about strategies for the "alternative pro-people" development of the Indian economy. One also has to remember that a country with better developed industrial capacity would also have a more virile National Bourgeoisie - one with deep roots in the political elite and in the Civil Service of that country - and such an entrenched elite stratum will not go easily to the night! They will fight tooth and nail! Also has to be factored in.

So, obviously, it cannot be a "one size will fit all situations" type of an analysis. The huge differences in our situations have to be factored in. And the very real possibility that the poorest countries of the world - in Africa and in Asia - will need solidarity support from richer countries that have undergone Socialist Transformation has to also be factored in!

3. Many members of my party, the Parti Sosialis Malaysia, are inspired by Che Gueverra. There is a 4 x 4 feet banner of Che in my service centre with the caption " Be Realistic and Do the Impossible!" All very inspiring, but those of us who wish to plan seriously have to be wary of the the limits of "subjectivism". If the real structural obstacles are not recognised and sound strategies for dealing with the are not debated and put in place, revolutionary fervour itself will not lead to success. The "Great Leap Forward" in China is just one example. There are several more like that, and it would be very educational for our "planners" to study these failures thoroughly to make sure that we don't stumble into similar potholes unprepared! There is still a regrettable tendency in the Left to give simplistic answers to the question of why particular attempts to embark on a non-capitalist trajectory of development came to grief - "they sold out to capitalist interests" or "they were Stalinists". They might have been, but even if they were not they would have faced serious problems arising from the nature of their own economy and the structure the global capitalist economy. We should not let labelling distract us from the real issues.

4. I believe that what might happen in the advanced capitalist societies is going to have an important bearing on the building of a better world. For decades, the majority of the working people in the

West were lulled into complacency because the global capitalist system had sufficient surplus to sustain the welfare states in these countries. With the fall of the Eastern Block, and the further globalisation of capital, national governments in the West have less and less surplus at their command to maintain the welfare net for their citizens, and this too at a time when outsourcing of economic activities to lower cost destinations is leading to serious employment problems in the Western countries. The recent financial crisis, and the need to intervene with huge sums to save the financial system from collapse, has severely depleted the treasuries of many Western democracies. They are now forced to accelerate the cutback of the welfare services that their people have become to expect as their right! The conditions are ripening for a serious revolt of the ordinary people and the youth in Europe and America. Unfortunately for us all, the far Left in the West, seems quite removed from the emerging tide of anger and frustration,

5. and it does not seem likely that they will be able to extract themselves from their sterile ideological debates of issues that were important 100 years ago, to lend meaningful leadership to peoples' movement that could develop from the revolt against corporate led globalisation.

### **We are entering an important period**

- the collapse of the centrally planned economies of the USSR has liberated global capital. The 500 richest corporations are now beyond the effective control of the States although these states still provide the military power to maintain conditions for the continued exploitation of the world.
- The attempts of the richest corporations in the world to maximise their returns has led to the undermining of aggregate demand (due to outsourcing and relocation of jobs to lower wage economies, etc). Effectively the 500 corporations are cutting their own throats, but there is little that Governments in Europe or the US can do about this.
- There is growing anger and dissatisfaction throughout the world. At present that anger does not have a sharp perspective on the nature of the solution.
- At the same time, we are close to the environmental limits of unlimited growth - peak oil, global warming, desertification, etc. Things look grim on the environmental front! And it will be the world's poor who will pay the highest price if the environmental situation deteriorates further.
- Many of the poorest countries in the world are close to being failed States. They are no longer able to support the basic needs of their people. They are dependent on aid for survival.
- There is a real danger that the frustration of the peoples of the world might be channeled along ethnic-chauvinist-religious lines by elites who want to maintain the system or more likely to install themselves as the political leaders of that society.
- The Left seems to be as lost as everyone else - divided, caught up in ideological debates that now should be consigned to the history of human thought, unable to touch base with the social movements, more comfortable in the role of arm-chair critics than as political actors in the current scenario.

This then, roughly, is how the PSM evaluates the problems facing us, the groups who wish to build a world that is not premised on maximising profits for the minority, but where the needs of the majority is the major priority, and where peoples participation and genuine democracy is strengthened to keep the entire project on course! As I said at the outset, there are many things we do not understand fully and we wish to learn. Thank you for extending us the opportunity for

attending this exchange of ideas.