

tion. (comparative-historical study suggests that Ming-ch'ing China enjoyed a savings level higher than that of Great Britain during the Industrial Revolution; inadequate social and technical innovation, not inadequate repression of consumption, was the main bar to rapid growth.) The task is to forge through politics—national politics and grass roots politics as well as the politics of ideas—the institutions that overcome the false dilemma of repression or chaos. To move in such a direction is to deepen democracy.

The deepening of democracy means the development of arrangements that heighten the level of political mobilization in society (for example, through public financing of political campaigns and broadened access by parties and movements to the means of mass communication); the preference for constitutional arrangements resolving impasses among branches of government quickly, by appealing through plebiscites and anticipated elections, to the universal electorate; and the establishment of social institutions that encourage civil society to organize itself, territorially and functionally, outside the state apparatus and to engage vigilantly in the collective discussion and resolution of collective problems. The general rule in the world is: political authoritarianism allows for a facile but precarious form of hardness of the state; relative democracy (the democracy of politically active elites and a relatively demobilized and unevenly organized society) softens the state; and hardness, in another, deeper form, becomes possible again if society is more thoroughly democratized.

The implications for China are clear. If it does not sooner or later take the road to the deepening of democracy, China will have to choose between the elitist and collusive form of hardness of the state and the softening of the state—its permeability to elite interests and elite deals, and to the conversion of public office into private privilege—accompanying a contained retreat from political authoritarianism. China has long since begun such a contained retreat. The logic of the path its

rulers have chosen is now, together with the failure adequately to educate the people, what chiefly limits its prospects for economic and social innovation. Like all retreats, this one threatens at every moment to become a disorganized rout. The fear of such a disorganization serves as a pretext to cling to the authoritarian apparatus.

The interests of the Chinese people, however, point in another direction. Only the radicalization of democratic experimentalism—not overnight and at once but step by step—can make possible the broadened economic experimentalism embodied in the strategy and the institutions we have sketched. And only this practical experimentalism can save China from becoming, like Russia today, a divided and despairing society.

## Between two futures

6. **C**hina must now choose between two futures. The path of least resistance is to treat its current innovations, such as rural industry and township-village enterprises, as mere transitions to the logic of traditional individual property rights, free-ranging inequality, and semidemocratized government. This would be a gradualist counterpart to the path Russia has already taken, and from which the Russian people now struggle, blindly, to escape.

The other path is that of democratizing innovation, in the economy and in politics, building upon its own peculiarities and inventions, and giving to both the market economy and political democracy a more radically experimentalist form than they enjoy in the leading Western powers. This second path, of national emancipation and popular empowerment, can already be imagined. It can begin to be opened, however, only when many people in Chinese society and the Chinese state have decided to seize fortune by the throat, and have understood that hope is the consequence rather than the cause of action.

# GARMENTS AS THE LEAD INDUSTRY THE WAY AHEAD

W.D. Lakshman

**T**he spectacular growth of the garments industry in Sri Lanka in the recent past is well known and requires no detailed elaboration.

Table I summarises the balance of payments or the export side of this spectacular growth. Let me draw out a few numbers from this table. Sri Lanka was basically an agricultural exporter fifteen years ago—81 per cent of

exports coming from three agricultural exports, tea alone bringing in 54 per cent. In 1993 the country stands out as basically an exporter of manufactured goods—the proportion of industrial exports rising to 73 per cent with agriculture being reduced to 24 per cent, with tea bringing in only 15 per cent. The lead role played by garments in this significant structural transformation is well

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documented; in 1993 the textiles and wearing apparel industry contributed as much as 50 per cent of total exports, with made up garments making up about 49 per cent. Among commodity exports, garments had acquired the leading position, sometime by the mid - 1980s, pushing tea, the traditional export leader, to the second position.

The other aspect regarding the leading position occupied by garments, namely its contribution to employment, is also well-known and well-documented. Further, the garments sector has taken the lead in a gradual, but massive social transformation that is taking place. It has led the way in the integration of the Sri Lankan economy with the global economy, making Sri Lanka an active, though subordinate partner in the on going globalization of capital. To be more specific, the garments sector has so far been the major attraction in Sri Lanka to international production capital. This process of global integration has carried with it numerous implications for society's consumption practices. But more importantly, the garments-led industrial process has produced irreversible changes in the labour market. By creating formal sector employment opportunities for a vast reservoir of women who would otherwise have remained outside the labour force, the growth of the garments sector has produced social changes, which while causing concern among certain segments of society, have nevertheless been significant in the capitalist transformation of society.

There are certain aspects of this garments-led process of capitalist industrialization which have been the subject of widespread criticism and adverse comment from the research community as well as from concerned policy makers. The lack of backward and forward linkages and the heavy dependence of this sector on imported intermediate goods and therefore its limited value-added contribution have been extensively discussed. Similarly, such issues as the dependence of the Sri Lankan garments sector on the MFA quotas, the resulting quota-jumping by foreign investors and the instability that may be a consequence of the presence of footloose multinational investors have been examined. It has also been pointed out that the heavy dependence of the garments sector and its exports on international wholesale buying groups would tend to reduce the benefits this sector can bring to local capital and to the national economy. The strong competition from a large number of similarly placed producing countries and the risks of opening up of the sector to general GATT rules have also received attention.

## Market-led Planning

I sympathise with most of these criticisms, and I am well aware of counter-arguments too. However, I hold the view that some guidance or governing of market forces, without in anyway hampering their effectiveness or making the state take over functions which markets can

better perform, is required to correct some of these imbalances and instabilities and to make the garments sector contribute more effectively to the country's industrialisation. What is required is a system of market-led planning, as I prefer to call such interventions.

It is not my intention here to elaborate on the weaknesses in the existing garments sector, or to the required form of state intervention. Instead let me focus on a few points to which, I feel, adequate attention has not been paid in the Sri Lankan debate on garment-led industrialization. Through a discussion of these points, I wish to draw attention to a few matters which I think are important in regard to the future of this sector of industry.

The export-oriented garments sector derives its sustenance from markets in industrialized countries. No doubt, South - South cooperation in general and South Asian integration in particular, are desirable objectives. Yet, the domination of export markets by industrialised countries is likely to continue, without any substantial change, in the foreseeable future. The gradual diversification of industry into other areas of activity is no doubt essential and indeed is slowly taking place. But, if we continue to depend on garments for export earnings, employment and other nationally desired objectives, there are certain lessons which we can learn from the developments in advanced societies. Let me briefly refer to some of the socially and economically significant transformations that are taking place in the advanced world in order to map out a way ahead for Sri Lankan garments sector.

## Post - Fordism

The industrialisation process in today's advanced countries has been historically characterised by the concentration and centralisation of capital. The corporate form of business organisation, facilitating mergers and cartels, produced massive scale production facilities. These processes gained momentum particularly in the first half of the twentieth century, helped by Fordist methods of mass production introduced through assembly line systems. Fordism also implied the spread of a mass consumption culture to support the mass production system. Yet in the present day advanced countries (i.e. since around the early 1970s), a transition in the regime of accumulation has been identified, from Fordism to a system of "flexible accumulation" or "flexible specialisation". The rigidities in the old industrial system are gradually being replaced by a more flexible form of specialisation and accumulation, characterised by fluidity with respect to labour processes, labour markets, products and patterns of consumption.

Fordist mass production systems have been introduced by MNCs to developing countries, characterised by conditions of low pay and negligible job security in the labour force which is obtained largely from the more docile female section. In advanced countries, however, one can



now observe strong tendencies towards using economies of scope rather than economies of scale and of increasingly preferring small batch production systems, networks of sub-contracting and out-sourcing. The service sector, rather than the factory, has become the main source of employment.

Along with these economic changes, there are numerous social changes. In consumer markets in particular, mass consumption practices of the old type no doubt continue to prevail, but increasingly, alternative consumption habits appear to take over. These new consumption habits emphasise difference, ephemerality, spectacle, and fashion. Turnover time in consumption has come down substantially as a result of greater attention to quickly changing fashions and the mobilisation of all the artifices that need inducement and cultural transformation. The textiles and clothing industry has been one of the most affected by these changes in consumption culture.

The Sri Lankan garments industry, having now achieved substantial growth on Fordist lines (mass production factories set up by multinationals, producing largely the supermarket-oriented garments for massive international buying chains), is now in a position to begin to respond to these developments in its major markets. There are pressing reasons, not only at the consumer end of the market, but also at the producer end, for rethinking. If Sri Lankan industrial progress were to become a real process of industrialization, wage rates in the system ought to start rising soon (and from a development point of view it should happen sooner than later). With that happening, the country will lose the major competitive advantage it has for the existing type of garments industry, as there are many other countries which could continue to offer, in order to attract footloose foreign investors, competitive lower wages.

Moreover, with GATT rules coming into effect in the near future for the world trade in garments, it is doubtful whether Sri Lanka, with its current levels of relatively low productivity, could continue to hold its competitive position in mass produced garments. Under these circumstances, it appears to be of paramount importance that diversification takes place within the garments industry, with the objective of reaching the up-market segments in the world garments trade. To remain competitive in the future, it is necessary that we put greater emphasis on training designers, textile technologists and efficient managers rather than sewing machine operators.

However, it is doubtful whether, in terms of human resource training, technological up-grading and other aspects required for the growth of productivity, the industry or the state is planning with adequate commitment for this necessary diversification.

## Post-modern conditions

The transformations taking place in advanced countries, from industrial to post-industrial and from modernist to post-modernist conditions, can also teach us something important about our own industrial organisation. As I have already mentioned, "flexible specialization" implies the significance of small batch production, sub-contraction and out-sourcing. In these transformations, modern, but small and medium, businesses are playing a major role. Sri Lanka no doubt has a very long way to go, before it reaches anywhere near the so-called post-industrial conditions, but there are well known domestic imperatives of a different nature which require placing a high degree of significance on the enhancement of productivity in at least the better organised portion of the country's small and medium sector of industry, through adequate capitalisation and modernization. This requires the development of effective sub-contracting practices within the country's industry—a practice which appears to remain among the least developed organisational aspects in Sri Lanka. It appears that some sub-contracting goes on within the garments industry, but the process requires to be strengthened, particularly because of the need to go up towards higher and more sophisticated niches in foreign markets for garments. The market forces appear rather slow in developing such inter-firm links on their own. It would be worth while to identify more focused interventions in this area. Without that, not only in the garments but also in other areas of industry, the objectives of full employment and growth in income would continue to remain elusive for a long time to come.

## Higher wages

This brings me to the final point I wish to discuss here. Wage rates are a double-edged weapon. On the one hand, they are a major item of cost in a labour-intensive industry like garments. On the other hand, the remuneration of employees - or wage income -, taken as a whole, constitutes a very large share of a country's national income and therefore a major factor governing the size of the domestic market. Export-oriented industry, no doubt, is a key to successful industrialization, as it has proved in a number of recent successful cases of industrialization elsewhere; but, overall development of a society requires, and necessarily implies, the expansion of domestic demand for a whole range of goods and services. A large part of this demand must come from the employed labour force, and in the current conditions in Sri Lanka, the most rapid expansion of employment appears to take place within manufacturing industry, and that too is primarily in the garments industry.

A demand for low wages and low working conditions is strongly expressed by the industrial lobby. I am tempted to refer to comments made by leading industrialists to "five star labour legislation" with obvious disapproval.



Such demands for primitive forms of hire and fire systems of labour management appear to receive tacit acquiescence from certain policy circles too. I strongly believe that these demands for the maintenance of a low wage regime are misplaced and misguided. Rising real wage rates are not only a desirable social objective, but also an indication that industrialisation and development are actually taking place. In the garments sector, which registered spectacular expansion in the recent past, the real wage rates for ordinary workers appear to have at best remained stagnant; if there was any increase at all, it was very negligible in real terms.

Apart from the adverse demand implications of such wage trends for overall growth of production and development,

they also have adverse implications for any given industry like garments. Poor wages and poor working conditions are, in the long run, counterproductive for an industry because these are major factors influencing work incentives and worker morale. It appears that conditions of profitability in the garments industry are not inadequate to offer its workers a better deal; these will not improve unless suitable action is taken to enhance productivity and to get out of the industry's excessive dependence on international buying groups and on production for a sellers' market. The government's recent declaration of a national minimum wage level, though announced during an election year, appears, from the point of view of the overall development of the economy and society, a move in the right direction.

### Export Structure of Sri Lanka 1977, 1987 & 1993

	1977		1987		1993	
	Rs. Million	%	Rs. Million	%	Rs. Million	%
<b>A. Agricultural</b>						
Tea	3502.5	53.86	10653.5	27.15	19911	14.59
Rubber	930.6	14.31	2929.3	7.46	3086	2.26
Coconut Products	495.5	7.62	2139.7	5.45	3745	2.74
Minor Agricultural Products	334.8	5.15	1714.2	4.37	5825	4.27
Total Agricultural	5263.4	80.94	17436.7	44.43	32567	23.87
<b>B. Manufacturing</b>						
				0.00		0.00
1. Food, Beverages and Tobacco	104.7	1.61	772.8	1.97	3054	2.24
2. Textiles and Wearing	143.1	2.20	12897.4	32.86	68150	49.94
(i) Woven Fabrics	2.2	0.03	172.1	0.44	1364	1.00
(ii) Garments	139.8	2.15	12387.6	31.56	62519	45.82
(iii) Other made up Textile Articles	1.2	0.02	191.7	0.49	1495	1.10
(iv) Other		0.00	148	0.38	2772	2.03
3. Chemical Products 100	19	0.29	447.8	1.14	2079	1.52
4. Petroleum Products	597.4	9.19	2592.2	6.60	3611	2.65
5. Leather, Rubber, Paper Wood and Ceramics	47.9	0.74	1663.4	4.24	12360	9.06
6. Cement	0.1	0.00	1.4	0.00	0.1	0.00
7. Machinery, Mechanical and Electrical Appliances	5.7	0.09	399.4	1.02	3528	2.59
8. Jewelry			61.7	0.16	582	0.43
9. Diamonds			1165.9	2.97	6867	5.03
Total Manufacturing	917.9	14.12	20004.2	50.97	100230	73.46
<b>C. Mining and Quarrying</b>						
Total Mining & Quarrying	321.3	4.94	1805.5	4.60	3653	2.68
Total Exports	6502.6	100.00	39246.4	100.00	13641	100