



## Beyond the Financial Crisis

*People's Responses  
and Alternatives in Action*



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## People's Responses and Alternatives in Action

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# Preface



Exchanges, the Regional School, held the first workshop named 'People's Alliance in the Age of Globalisation' in Antipolo, Philippines in September 1998. The Antipolo workshop served to identify a number of critical issues like politics, culture, gender, governance, development, alternatives and people's initiatives in alliance building, while mapping them in the larger context of Asia in the age of globalisation. In the evaluation meeting of the Antipolo workshop, a need was felt to focus more on the political development in Asia while addressing the different contexts of the emerging socio-political and economic phenomena in the region. Dialog and exchange around visions, practices and strategies of different forms of activism and responses to the changing situation in the region needed to be encouraged.

It was agreed that the second workshop of the Regional School should be focused on issues arising from or intensified by the financial crisis of 1997, and the workshop be named: 'Beyond the Financial Crisis: People's Responses and Alternatives in Action'. The financial crisis is usually referred to as the currency crisis in East and Southeast Asia instigated by global financial speculators. What started off as a financial crash later swelled and spread to different Asian countries, and developed into crises of different forms. A re-reading of the 'financial crisis' and a collective reflection on the responses of different forms of movement in the region with regard to their respective experiences of the crises is needed. It is hoped that more space will be opened and more solid ground be given to people's interventions in the changing arena of global capitalism.

Apart from the re-reading of the financial crisis, the workshop should also look into the experiences of different alternative practices at the local level, especially in the area of community and cross-border alliance building. What is the meaning of 'community' and 'alliance' in the context of globalisation? How can they be powerful grounds of resistance against

the monopolisation and manipulation of state and global capital over people's lives, whether social, political, economic or cultural?

The workshop was held on 19-26 September 1999, in Lembang, Indonesia. Indonesia was chosen not only because it was one of the countries first hit by the financial crisis, it is also a country that receives the deepest vibes, many of which we are still witnessing and are to overcome in the coming years. Swept by overwhelming changes, like the devaluation of the rupiah, the food crisis, the disclosure of economic scandals in the government, the closing down of banks, the downfall of the Soeharto regime, the eruption of ethnic and religious conflicts, and the intensification of violence against women, etc.. The country also witnesses a burgeoning of people's movements and civil organisations. How do local movement organisations and individuals react and situate themselves amid the cracks and cleavages thus opened in a country that has been suppressed under the New Order for the past 30 years? What are the visions behind their actions and how can solidarity be built in the midst of social disintegration?

In an attempt to network with partners and NGOs, Dessa Quesada and Oiwan Lam from ARENA went to Jakarta in June 1999, and two local organisations were identified to coorganise the workshop. They are Selandang Lila based in Jakarta and Akatiga in Bandung. The former is a women's organisation that advocates women's participation in politics and communal work as well as monitors state policies from feminist perspectives. The latter is a social research institute conducting researches concerning workers, women, small enterprises and the urban poor. The workshop in mid-September 1999, a time between the parliamentary and presidential elections, provided a unique opportunity for the participants to share the heat, the aspirations as well as the passions and agonies of the grassroots activists, the intellectuals, and the Indonesian people in general.

The workshop was divided into three parts. The first part was an introduction to the post-Soeharto scenario in Indonesia. Thanks to the help of the local hosts, dedicated activists from different fields of activism were invited to give insightful expositions. They are Debra Yatim, who has been actively engaged in women's movement and alternative media election campaigns; Ahmad Human Hamid, who is devoted to the struggle for justice in Aceh; Budi Susanto, who teaches anthropology in a university while working on human rights violations of the Indonesian military; and Alex Irwan, who has been doing political-economic research and is now engaged with a grassroots organisation. And with the assistance and arrangement of Akatiga, exposure trips were arranged to three

different areas in Bandung: Cicadas for an exposition of the sufferings and survival tactics of the urban poor women; Ciwedy, a Muslim school practising organic farming; and Majalaya, which shows how small-scale, traditional textile weaving enterprises are hit by economic crises at different stages and how they readjust to the challenges.

The second part of the workshop looked into the various responses to the socio-political and economic impact of the financial crisis by movement organisations in different countries in the region. The cases of South Korea, Thailand, the Philippines, Indonesia and China were presented. Joel Rocamora from the Institute of Popular Democracy, the Philippines, talked about the role of the state and how movement agents should put the crisis back to the larger landscape of global capitalism and capitalise on the fractures that surfaced. This was followed by a sharing of the experiences of three alternative practices of people's science movement and people's planning in Kerala, India; cross-border, people-to-people trading between Japan and Negros, the Philippines; and the community currency project in Thailand. To open up space for the diverse interests that cannot be covered in the workshop schedule, informal sharing sessions were organised on subjects like globalisation and food security; politics and political parties in Indonesia; China in the age of globalisation; and the relative insulation of South Asia from the financial crisis. Participants were eager to bring in their imminent concerns and experiences to turn this workshop into a cocktail mixture of different tastes.

If the financial crisis demonstrates what monstrous forms the self-expanding and self-reproducing global capitalism and neoliberalism can take, 1997 is just a time of conscientisation on our part of the logic – or rather the illogic – of such a process. The structures of globalisation and the financial crisis; its hold on the collective and the individual; the slippery ground, the 'always-already' that the grassroots finds while situating itself in the macro landscape; the need to articulate a fuller picture from the sporadic experiences and resistance attempts, no matter how minute, for an alternative vision, etc. – these are not just epistemological challenges. They are questions underlying our anxieties, constructing our conflicting sense of identities in the era of globalisation, challenging our actions for initiating changes. Our workshop ends here, but the quest has begun.

*Oiwan Lam*  
*Monina Wong*



# Table of Contents



Preface .....	iii
<i>Oiwan Lam, Monina Wong</i>	
Introduction: Grappling with Theory and Practice .....	3
<i>Lau Kin Chi and Jeannie Manipon</i>	
<b>PART A</b>	
<b>People's Responses to the Financial Crisis and Economic Transition</b>	
KOREA	
From Asian Tiger to Asian 'Beggar' .....	15
<i>Yeon-hee Cho</i>	
PHILIPPINES	
Why Women, Why Work? .....	21
<i>Whelma Villar</i>	
INDONESIA	
Women in Small Business Hardest Hit .....	25
<i>Foundation for Women in Small Business</i>	
The exposure trips – <i>Akatiga</i> translated by <i>Carla Bianpoen</i>	
• Poor Urban Women as Household Managers .....	29
• Weaving Textiles, Reaping Rupiahs .....	33
• Organic Farming: An Alternative for Survival .....	37
THAILAND	
Development Paradigm and New Alternatives .....	41
<i>Somkiat Pongpaiboon</i>	
CHINA	
Responses of Women/Workers to Economic Transition	
• Overcoming the Dark Side of Reality .....	53
<i>Feng Xiaoshuang and Wang Hong, translated by Sit Tsui</i>	

- Personal Letters and Private Lives ..... 61  
*Tan Shen*, translated by *Lau Kin Chi*
- Occupational Inter-Flow of Urban and Rural Population ..... 67  
*Tang Can*, translated by *Lau Kin Chi*
- Conditions in China after East Asian Financial Crisis ..... 71  
*Feng Xiaoshuang* and *Tang Can*

## PART B

### Alternatives in Action

- People's Alternatives: Roundtable Discussion ..... 77  
*KK Krishna Kumar*, *Menno Salverda*  
and *Somkiat Pongpaiboon*

#### ALTERNATIVE TRADE

- Grassroots Trading Initiatives  
in Negros and the Philippines ..... 85  
*Raymundo G. Tenefrancia*

- Notes for the Coming Millennium ..... 111  
*Raymundo G. Tenefrancia*

#### COMMUNITY CURRENCIES

- An Innovative System  
to Promote Economic Self-Reliance ..... 117  
*Jeff Powell* and *Menno Salverda*

- Balancing the Power of Money ..... 131  
*Menno Salverda*

#### PEOPLE'S PLANNING

- KSSP and the People's Plan Movement of Kerala ..... 145  
*KK Krishna Kumar*

- Know the Country, Change the Country ..... 153  
*All India People's Science Network*

## PART C

### Beyond the Financial Crisis

- The 1997 Financial Crisis and Asian Progressives ..... 177  
*Joel Rocamora*

## Appendix

- Statement of Solidarity for Democratic Indonesia ..... 197  
Participants' List ..... 199

# Introduction





# *Grappling with Theory and Practice*

## *Search for People's Alternatives and Alliances*

 **Lau Kin Chi and Jeannie Manipon**

THE FINANCIAL CRISIS hitting Asia in 1997 compelled an incisive analysis of the myth of capitalist expansion in East Asia that would see East Asia becoming the centre of world development in the 21<sup>st</sup> century. National governments were not only incompetent in the rescue of their national economy, they were also impotent in the face of the powers of Soros, a material as well as symbolic staging of global capitalism. With almost all sectors of the population being affected, the crisis apparently acquired a universal character in the victimisation of both the rich and the poor. However, an apocalyptic view of the crisis is irrelevant to immediate pragmatic remedies for especially the marginal sectors, nor is it productive in offering different readings and experiences of the crisis in order to probe alternatives for the rallying of forces to counter the negative impacts on the people.

In this context, in the aftermath of the eruption of the crisis, in collaboration with concerned NGOs in Hong Kong, seminars were conducted with a focus on understanding the nature of the crisis, the ways in which different sectors are differently affected, and ways in which NGOs may possibly intervene. In order to further the understanding, in September 1999, ARENA organised its second alternative regional school in Lembang, Indonesia, in collaboration with Indonesia-based Akatiga and Selendang Lila. Indonesia was selected as the venue for the school partly because it was one of the hard-hit countries, and local people's experiences in responding to the crisis could offer insights into the strengths and shortcomings of such efforts. More importantly, triggered by the financial crisis, the upsurge of protest which brought down Soeharto's dictatorship

and which continued to clamour for *reformasi* resulted in profound changes in the political landscape. Bitter political struggles were still being fought out, and the burgeoning of NGOs and various sectors of the civil society drew particular interest.

The workshop, entitled 'Beyond the Financial Crisis: People's Responses and Alternatives in Action', brought together scholars and activists from Indonesia, Malaysia, Thailand, South Korea, the Philippines, India and Hong Kong. The workshop was divided into three major parts: the political situation in Indonesia; people's responses to the financial crisis in different parts of Asia; and alternatives in practice in people's planning, community currency and people-to-people trade.

What is collected here includes workshop proceedings, papers solicited for or presented at the workshop, roundtable discussions, and relevant materials secured after the workshop for this edition.

The experiences offered by the workshop go far beyond what is presented here in black and white. Here, we have more or less coherent papers expounding specific themes. The lively exchange of ideas in the form of commentaries of presentations, or questions and answers, would be too fragmentary and voluminous for reproduction in this collection. Yet, it is often during the discussion sessions, and often, during coffee breaks or informal evening chats, that some of the most interesting and dynamic ideas are exchanged, urging each of us to continue harbouring those ideas and reflections for further fermentation. Apart from the sharing of information and the exchange of ideas, the opportunity of staying together for a whole week and interacting with people with different faces, temperaments and histories is an experience of affectivity from which comradeship or relationships may further develop.

Let us attempt to narrate some of our personal experiences and reflections as participants in the workshop.

## **Tensions and Transitions**

The thought of being physically present in Indonesia at a time when the country was undergoing profound political changes was exciting. Street demonstrations in Jakarta, contests between the military forces and the various political factions, the struggle for independence of East Timor, all these had been in the news for quite some time. Imagine actually talking to scholars and activists in Indonesia and getting acquainted with the situation with first-hand information! However, being there meant being 'deprived' of the privileged, outsiders' view we were so used to when reading newspaper

reports. Being physically there, we were constantly provided with reports of what had happened at a certain hour at a certain place from phone calls from friends, from the local radio, which induced a sense of urgency and gravity of the situation. There was a dimension of affectivity, a sense of involvement, accompanied by a sense of uncertainty arising from the feeling of being 'too involved' in the details. Like walking in a forest, seeing fungus on a tree trunk or insects crawling on the ground, with a strong sense of presence, smelling the air, feeling the humidity, yet, at the same time, feeling unable to form an overall, 'rational' view of the forest and to find one's position in it. A Chinese poem recounting the experience of visiting the famous Lushan Mountain goes: 'one knows not the true countenance of Lushan mountain, one merely knows one is within the mountain.'

One episode. Early one morning, one workshop participant, a community worker involved in organising street children, reported to the group that she just received a report that 300 parents of street children in Surabaya had suddenly disappeared. She said, with both definiteness and anxiety, that they must have been rounded up by the military and transported to Jakarta, where they would be forced to loot and then they would be seized by the police. According to her, this could be a repetition of what happened a year ago during the mass mobilisation in Jakarta: street sleepers from other parts of the country were transported to Jakarta and incited to looting and then shot dead as rioters by the military. A conspiracy of the military, the dedicated community worker said, with tears in her eyes. Asked what could be done, she said that voluntary groups working for street children and street sleepers had for some time tried to liaise with each other and exchange information, which was why they were vigilant about 300 people missing that morning. They had already notified partner groups in Jakarta to watch out. The participants shared with her not just information and stories, but also anxiety and concern.

In the week in Lembang, we had the invaluable experience of encountering activists from various social movements in Indonesia, and learning from them different stories of how the movements were suppressed or contained and how they had come to develop in the political spaces that had opened up in the last few years. We also came to sense the unspoken tensions and differences among the different groups. Such tensions could not be simplistically presented as political immaturity or lack of understanding of the need for unity. They had to be understood in the context of the wide cultural and social diversity of Indonesian society itself and the complex history of the construction of the Indonesian nation and Indonesian people's struggles for social change and *reformasi*. In such a context, the differences that constitute animosity and hostility are not simply political or ideological.

There are questions of class, and agencies of particular classes (the middle class and the very poor), ethnicity (Acehnese, Javanese, Chinese), religion. There are different generations of political forces and activists. There continue to exist intensely complex questions of gender.

But perhaps, more importantly, such tensions need to be seen as part of the effects as well as the legacy of decades of repression which had sown much division, suspicion and fear among the people, and allowed very limited spaces for dissent to burgeon and solidarity to develop. Hence, in trying to understand the militancy as a response to the autocratic rule, we had to grapple with both its vibrancy and also its limitations. In many senses, perhaps, the 'tensions' and 'differences' which inevitably marked such militancy need also to be appreciated as constituted by, as well as constituting, both 'vibrancy' and 'limitations'.

Transitions always usher in new challenges, among which is the question of how one makes sense of new situations. Like Lushan's mountain, the new political situation in Indonesia, given both the opportunities as well as the new problems that have opened up, gives one the keen sense and consciousness of 'knowing' that one is in a mountain, yet being unable to grasp in one's hands and one's mind the full countenance of such a mountain. This leaves one with feelings of despair, helplessness, uneasiness, confusion. In such moments and situations emerge competing claims to 'truth'; and such struggles for interpretation and articulation in order not only to make sense of the past and the present, but also to lay claim to one's role, constitute a central part of the struggle to shape the future. Amidst these, or perhaps in the light of these, one can only sense in Indonesia, as perhaps one did in other societies in Asia which struggled to emerge from the darkness and the rubble of war, repression, or crises, the profundity of both anguish and hope.

### **Theorising Activism**

Another kind of tension was prevalent during the workshop. September 1999 saw some of the most uncertain moments of the people's protest and the repression from the military and the police. Our Indonesian partners were particularly torn by the dilemma of the need for conceptualising and theorising the struggles, and the actual involvement in actions of protest and struggle. While presentations and discussions were taking place in a conference room in Lembang, Indonesian participants were often drawn away by a phone call from Jakarta reporting the latest casualties or turn of events. Yap Yun Hap, a close friend of one student leader who participated

in the workshop, was gunned down by the military in front of Rumah Sakit Kajarta (RSJ) – Jakarta Hospital. He was part of a massive demonstration by students and citizens against the infamous State Emergency Act. The workshop participant was much grieved and she said, had she not come to the workshop, she would have been with her friend in the protest action, and could have also got killed, but at least she could have fought along with her comrades. What was the point of talking when the struggle in the street called for the mobilisation of activists in action? She left the workshop one day before it ended, in order to join the funeral procession in Jakarta, taking with her a solidarity message and some modest contributions made by workshop participants.

Indeed, the tension between conceptualisation and activism was pronounced during the workshop. But even during times of less foment, the tension is there, expressed as the gap between theory and praxis, and sometimes as distrust between intellectuals and activists.

Despite the urge for the workshop to adjourn so that the participants could join the protest demonstrations in Jakarta, the workshop proceeded as scheduled, adding special sessions to discuss a solidarity statement and follow-up solidarity actions. Some foreign participants spoke on the local radio and took part in the demonstrations after the workshop. On the part of the activists in particular, when we came to more in-depth discussion, the doubt was not simply the usefulness or relevancy of conceptualising, but also the effectiveness of activism. A sense of helplessness and disorientation was felt about activism that addressed immediate conjunctural issues, in crisis moments often provoked by the 'enemies', and there was a desire for immediate actions to be sustained by a vision and a faith in long-term goals.

It was amidst these uncertainties and tensions that the workshop proceeded. Participants benefited from the presence of Indonesians from different sectors of the social movements. There was not much discussion about East Timor where dramatic developments had taken place, because attention was drawn to the issue of Aceh which did not receive ample coverage in mainstream media. Several speakers relayed their personal experiences, as Acehnese in Jakarta whose identity and interest were disputed by Acehnese in Aceh, or as supporters for the movement actually involved in facilitating negotiations between Acehnese fighters and the Jakarta government. From leaders of the student, peasant, worker, women and resident movements, we heard stories about the status of the movements, current issues of major concern, difficulties within the movements and conflicts among the movements. One observation made by some foreign participants was the apparent lack of dialogue and cooperation among the

different groups and movements. The question of handling the seeds of distrust either sown by the government or grown as effect of long years of autocratic rule in the culture of atomisation and fear was therefore put on the agenda.

Hence although the Soeharto regime was brought down during mass mobilisations, the empowerment of the people and the strengthening of civil society against a new regime in which vested interest groups were intricately linked to the military forces became a priority issue. Besides the question of consolidating the gains of people's political struggle, the question of survival in the financial crisis remained a pressing question.

Given the urgency of the need to respond to pressing problems, there is always the temptation to lay aside the more tedious task of theorising activism. Should there indeed be a contradiction between the task of 'theorising' on the one hand and of 'living out' activism on the other? How can activism, even when called forth by the most intensely difficult situations of struggle and transition, become the life of theory? And how can theory give inspiration, guidance, challenge – give new life and hope – to a dynamic, creative, and committed activism? These questions, which became pronounced in our minds as we bore witness to the events in Indonesia during the Lembang workshop, will, hopefully, not only permeate ARENA activities, but animate and inspire new agenda and trajectories for critical debates, exchanges, collaborations, and solidarities among Asian scholar-activists and grassroots practitioners.

## **Surviving the Crisis**

The workshop tried to take a serious look at how the people organised around economic issues. The several exposure trips documented here are a few experiences of efforts for survival in the financial crisis. We visited the women weaving textiles, the laid-off workers making soap, the *pesantren* (traditional Islamic groups) practising organic farming, and the neighbourhood groups extending mutual aid loans and services. They demonstrated multiple survival strategies which might not be impressive or even adequate, yet they conveyed a spirit of tenacity and tolerance, not despair and despondency.

Informed by the efforts of the local responses to the financial crisis, participants from other Asian countries such as South Korea, Thailand and the Philippines presented some cases of people's responses. The Thai presentation drew attention to the efforts made by the government and contrasted them with alternatives posed by movement alliances such as the

Assembly of the Poor. The divisions and contradictions between promoting a 'national' rescue policy and safeguarding the interests of underprivileged groups such as slum dwellers or poor peasants were highlighted. The former, for example, converted private debts into public ones; the rescue of specific financial and industrial sectors was presented as a national obligation, whereas this meant putting the burden on all society, hence further impoverishing the poor. The need for a national agenda proposed by grassroots forces was argued, with not only principles such as decentralisation and contents such as land reform and social security provisions, but also actual strategies of mobilisation and struggle by the people's organisations and social movements in order that there is collective agency to push for a national agenda that addresses the needs of the majority of the people.

The situation in China was included in the workshop deliberations. While China was not devastated by the financial crisis in the same ways as Thailand or South Korea, it was not shielded from the impacts of the crisis either. The 20 years of economic transition have prepared China for more vulnerability to hiccups in the global economy. The workshop therefore took a selected group – the peasants who provided transient, super-exploited industrial labour in the cities – for scrutiny, and tried to understand not only their economic conditions but also their subjectivities constituted in this process. Through life stories told by women themselves and private letters that belonged to victims of a factory fire, the aspirations and frustrations of young women peasants-turned-workers were presented.

While East and Southeast Asia were preoccupied with their struggles, was South Asia insulated? What were the implications of China's inclusion in the process of globalisation? These informal evening chat groups continued discussions late into the night, with participants making use of all opportunities to learn from each other. Unfortunately, these sessions were not taped, and so are not reproduced here. The lively evening chats, however, complemented an important part of the workshop: the search for alternatives.

### **Alternatives in Action**

One of the underlying objectives behind the workshop was to engage in a rereading of the 'Asian financial crisis' in ways which could lead us to think beyond coping mechanisms and survival strategies toward the broader question of alternatives. In many ARENA discussions in the past, we had always tried to probe into this question, certain that immediate responses

that temporarily cushion the negative impact of economic crises by themselves may not – or more precisely do not – constitute alternative solutions. What goes into the making of alternatives?

Three experiences of practising alternatives were discussed in-depth. The importance of identifying alternative practices and understanding their experiences for us testifies not only to the emphasis on future-oriented modes of criticism, but also to the importance of the relation between theory and practice, indeed, the inextricable ties of the two. We would be doing ourselves a disservice if we ignored this condition that underlies our thinking and action.

The People's Science Movement and the people's planning campaign allow us to see that theory is part of practice and practice part of theory. Hence, rather than setting one against the other, it would be more constructive to work for the strengthening of the ability of the agencies in question to actively relate the two, so that the agencies concerned can articulate the problems confronting them in such a way that makes it possible for them to act and intervene in their own context as well as to open to cross-border alliances. The people-to-people trade and the community currency project, together with the People's Science Movement and people's planning, are creative examples offering us valuable experience for the strengthening of the people's power to learn from each other and explore modes of alliances to counter the aggression and polarisation induced by the globalisation of capitalistic and colonial relations. These practices express both a desire as well as concrete ways of altering or transforming the relationships of power in particular situations which impact on, or have the potential to impact on, social, economic, cultural, as well as political relationships in a much wider context. They are not without problems, however. Rather than being uncritically offered as perfect solutions, the case studies on 'alternatives in action' were presented in ways that expressed consciousness of their own limits and, sometimes, self-doubts about achieving their modest but impassioned hopes and dreams.

What would be the significance of their successes and failures, especially in resolving tensions and differences that are deeply rooted and that are inevitable results of imbalances of power? It would seem that 'tensions and differences' will not be erased totally. However, alternatives do seem to have the potential to change the context in which such tensions and differences are played out, giving fuller play to the empowered agency of 'victims', communities, and other non-state actors. When certain relations of power are transformed, the 'tensions and differences', which often are so easily manipulated by vested interests during moments of crises, are themselves transformed into more easily negotiable forms.

It would be interesting to note that these, as perhaps many other 'alternative practices', did not emerge from a political vacuum or an empty context; rather, they emerged from situations of crises or near-crises as bold, daring, and often courageous ways of imagining and rebuilding lives and communities beyond the destructive and life-threatening impacts of crises. On the one hand, as alternatives in action, such practices are not limited to addressing day-to-day needs for survival, nor are they devoid of vision. On the other hand, they go beyond parroting clichéd abstract formulae and theories. By engaging in such practices, communities become involved in counter-hegemonic struggles which articulate and live out a resistance that affirms the possibility of alternatives 'in the here and now.'



PART A



**People's Responses  
to the Financial Crisis  
and Economic Transition**



SOUTH KOREA

## *From Asian Tiger to Asian 'Beggar'*

 Yeon-hee Cho

ON NOVEMBER 21, 1997 Korea swallowed its pride and went to the International Monetary Fund (IMF) for a multi-billion-dollar bailout. Even up until the summer of 1997 Korea had been praised by international financial institutions as a success story, or even a miracle of economic growth. Thus the sudden IMF bailout in December of the same year was more than a shock, it was an unacceptable and incomprehensible reality for most Koreans. Since the onset of IMF intervention, Korea has experienced far-reaching and dramatic changes in all aspects of life under the 'supervision' of the IMF.

What I hope to convey here are the changes that have taken place and the social impacts of the IMF-imposed policies in Korea since the end of 1997. I will focus on the unemployed and their suffering, and people's responses, including the activities of NGOs.

### **Financial Crisis and Its Impact on People**

When Korea asked the IMF to piece together a rescue loan two years ago, economists and government officials predicted difficult times ahead. They warned of high unemployment, a business downturn and bank closures. Over the past two years, however, the reality has become far more painful than predicted. What started as a financial crisis was soon transformed into a general crisis throughout the whole nation.

Over the past two years, Korea has suffered a dramatic downfall from the Asian 'tiger' to the Asian 'beggar'. Industrial outputs declined and negative growth continued for months before swinging slightly upward in September 1998. Capacity utilisation at manufacturing plants has fallen to 60 percent, with production of cars and other leading industrial goods being halved.

The spectre of bankruptcy has threatened most of the small and medium companies and the nation's industrial foundation has only recently been pulled back from the brink of collapse.

The IMF prescription of open markets, deregulation and transparency has substantially increased the forays of foreign companies into the local market. Riding on the wave of liberalisation, Wal-Mart Stores Inc., the US retail giant, arrived and ignited a 'price war' with local discount retailers in August 1998. Local companies are being turned over to foreign owners as restrictions on foreign equity purchases have been dismantled. Many local companies have been acquired by foreign ventures and this trend is expected to persist for some time.

The wind of restructuring has hit almost all sectors. The government announced reforms in the finance, corporate, public and labour sectors and substantial progress has been made in this direction. Nearly 100 troubled financial institutions, including five commercial banks, have been liquidated and corporate reforms have taught the nation the difficult lesson that the 'too-big-to-fall' myth no longer applies.

Labour market flexibility was enhanced with the legalisation of layoffs and the number of jobless soared to nearly two million at the end of 1998 as companies went bankrupt under heavy debt loads amid the restructuring drive. As a result, more and more homeless have been left sleeping in public parks and subway stations. Those who are still employed are struggling with pay cuts and many of them have drastically cut spending out of fear that they may eventually lose their jobs. This compounds the already sluggish domestic consumption. It is only recently that consumption began to pick up again. The middle class, which had developed very slowly over the past several decades, was destroyed as a result of absorbing the brunt of the economic crisis. The following is a description of people's suffering and their responses related to the matter of unemployment.

### **Unemployment and Worker Resistance**

Contrary to the signs of economic revival, it is estimated that about 20 percent of the population has been hit by unemployment with no signs of obtaining jobs in the near future. The official unemployment rate jumped from 2.6 percent in November 1997 to 7.9 percent in December 1998. Independent trade unions and a prominent finance research institute (Korean Finance Institute, 8 May 1998) estimated the figure to be 19.1 percent (four million) with the inclusion of discouraged workers, temporary workers working less than 18 hours a month, and other minimally employed

workers. The rate of long-term unemployment (for over six months) is estimated to take up about 20 percent of the 7.9 percent unemployment rate. The government only started an unemployment insurance scheme in 1995, so very few are covered by it. Instead most sacked workers rely on their severance pay until it runs out.

The average yearly wage of a worker in enterprises employing 10 or more people was cut by 12 percent in one year along with cuts in holidays and free lunches, overtime freezes, reduced severance pay since September 1997. Many workers were shifted to temporary contracts.

The resistance of workers is manifested in the sharply increased number of arrests and police searches of trade unionists in relation to strikes and other protest actions – about six times greater in number in 1998 than in 1997. In 1999, massive workers' struggles were initiated by public sector workers against the government's policy of privatisation of the state sector. It coincided with the general strike of the Seoul Subway Workers Union on April 19-26 and with the strike of the Korean Metal Workers' Federation (KMWF) on May 12-15. The Korean Confederation of Trade Union's (KCTU) main policies after the IMF intervention were focused on preserving job security for the workers and obtaining social security for the unemployed as well as strengthening the collective bargaining power.

Migrant workers have fallen in number as many returned home after the crisis. The government says about 30,000 are still in Korea. Those who remain face unemployment and falling wages. The numbers of migrants from China, Russia and Mongolia have been increasing in recent years, whereas those from Southeast Asia are decreasing.

### **NGO Role in Coping with Social Crisis**

The effects of the IMF intervention are manifested in the collective and very often that leads to an increase of human rights violations. The weak and the vulnerable groups were more immediately and more seriously affected. The rapidly deteriorating conditions and the scale of the social impact were unusual to be addressed by ordinary measures. Probably the social disintegration of the middle class will become the long-term social problem for the Korean people in the long run.

- Family suicides were reported almost weekly in 1998. In most cases the distressed male head of a family would commit suicide after killing all his family members. The abrupt dismissal of the husband or the father from the company and bankruptcy of the breadwinner were

among the most common causes of their suicides. This was aggravated by the extremely poor welfare system and the pressure of a male-oriented family culture. The average suicide rate in 1998 was 59.4 percent higher than in 1997 (*Hankyoreh*-21, 18/03/99).

- NGOs providing legal services and counseling for women in difficulty reported that they saw a sharp increase in the incidence of divorce and domestic violence during the first three months after the layoff. Divorce by agreement increased by 30.9 percent in 1998 compared to 1997.
- At least 10 percent of the men who lost their jobs recently could not afford higher education for their children, and the number of abandoned infants increased to some 5,700 in 1998 from 3,200 in 1997. There are also other reports testifying to a sharp increase in abandoned or runaway children as well as starving children during this period (*Joong-Ang Ilbo* 02/05/98).
- Victims of occupational diseases caused by overwork and work stress rose by 61.4 percent in the first two months of 1999 compared to the same period in 1998 (*Kyung-Hyang Shinmun* 01/04/99).
- The death rate from industrial accidents increased from 3.9 percent to 4.4 percent and the severe injury rate from 37.8 percent to 45.5 percent over the period of one year since 1997.
- The number of children under constant starvation, which had been a negligible fact in previous years, was reported to be some 150,000 in 1999.

Because the IMF-imposed reform policies were not designed in anticipation of their specific social impacts on Korea, they resulted in creating huge social dislocations victimising the majority of the people in both short and long-term. In recognition of this, NGOs in Korea developed many strategies and programmes to cope with the crisis.

- Campaign for the Legislation of the National Basic Life Guarantee System: The National Basic Life Guarantee System proposed by civic organisations was enacted by the 206th extraordinary session of the National Assembly on August 13, 1999 and is scheduled to take effect from October 2000. The National Basic Life Guarantee System which was proposed by the People's Solidarity for Participatory Democracy (PSPD) and others is a system in which the government insures the livelihood support – including education, healthcare and housing – for households below the minimum cost of living standard. We expect the system to be the minimum safety measure to protect the livelihood and family bond of the poor.

- Unemployed-relief Civil Movement in which many community-based NGOs and religious NGOs are involved began in June 1998. Fundraising is done nationally to support community job creation and retraining programmes, and provide livelihood support for the jobless and their families.
- Movement for collective actions against the IMF.
- Campaigns for the reform of *Chaebol*, social security expansion, and tax reform.
- Movements to build labour unions for the unemployed.
- Provisions of shelters, counseling centres, meal and medical services for the homeless.
- Offering after-school programmes for children in families hardest hit by the crisis.

Most of the NGOs are working to resist the government's social restructuring as driven by neoliberalism. Graver is the struggle against restructuring in the labour market as imposed and collaborated by the IMF and the state authority. NGOs are urging for social reforms for the deprived and victimised in the crisis. To realise these goals, I think we should emphasise a restrengthening of the labour sector and the solidarity links between reformist NGO groups and labour groups.



## Why Women, Why Work?

 **Whelma Villar**

FIRST ALLOW ME to cite a narrative from an article by Alecks Pabico, 'Labouring Under a Crisis', to establish the platform for this discussion. I am coming from a context that is so very fundamental but yields an enormous chronicle of what women went through with work particularly at the onset of this economic malaise:

*She was used to a hard life, especially so after her husband was laid off by a state agency and had to take on odd jobs. They had three children to feed, clothe and send to school after all, and Leonida Antonio did not have to be told to look for means to augment the family income. It helped that she was a genius at handicrafts... . But that was before the onset of Asian financial crisis. Today, more than a year and a half following the nasty tumbles of currencies across the region, women like Ka Nida [Leonida Antonio] are seeing their hopes take a furious beating... our orders have gone down while our materials are now more expensive, we now have to compete with (faster) machines from Japan....*

This and some other stories of women in the Philippines briefly describe what went on at the outbreak of the crisis and the structural adjustments that detrimentally went with it. The impoverishing effects of the slump do not just cut across classes and economies but clearly they have a stark gender dimension, which find women bearing much of the hurt in this season of pain. This subjects them, therefore, to more vulnerable jobs, clustering around the bottom rung of the work and pay ladder.

Women in the work force alone were victimised by the larger atmosphere of reducing production costs, especially in times of crisis. Lured by promises of cheap labour, multinational firms operated within special zones (export processing zones) with the local government providing the amenities. The

bulk of cheap labour is provided by women who are preferred by employers because of their 'natural feminine attributes' of dexterity, attention to detail and docility in the face of union organising. But unlike men who lost their jobs due to dissatisfactory performance, women as a group tend to be laid off or terminated for economic reasons. In the agricultural sector alone, women are seldom targets of technical training programmes.

So why then, despite all these circumstances, do women still enter the work force?

- For most women, poverty and the need to earn a living or augment family income are the major factors driving women to work. This is so especially in situations where the husbands are laid off as a result of the restructuring of companies in response to the crisis.
- The problem of low income is exacerbated by the high population growth rate, thus resulting in keen competition for the few available jobs. This also increases the burden for the income-earning members of the family.
- Education, which is widely available, equips women with the minimum levels of skills and literacy needed to find off-farm work despite the fact that the generally low standards of education qualify many women (and men) only for low-skilled jobs.
- An awareness of opportunities abroad is promoted actively by the recruitment sector and by the demonstrations of 'success' stories.
- Philippines has a strong culture of contributing to family welfare. Women are socialised to look for work, even at their own risk, in order to contribute to the family, or to support their younger siblings to go to school.

Because of economic reasons and their willingness to take up jobs even at the expense of their personal security, women succumb to providing cheap labour. They become a good resource for companies which care only for increasing production output at a very minimum cost. This complicity between the government and entrepreneurs subject women to be one of the most adversely affected sectors under the crisis. They are the worst hit, both on the familial and the personal level, by the devastating impact as brought on by economic and structural adjustments. The cuts in public expenditures (particularly on health and education) tend to place an additional burden on women not only in their familial roles as mothers and homemakers, but also in their capacity as producers. In addition, the government's unrelenting persistence to service the national debt has tightened the economy as a whole and the labour market as well, thus

causing large outflows of migrant workers, many of whom are women and they are subjected to various violations and indignities. As the crisis set in and deepened and as employment opportunities became scarce and real wages continued to fall, an increasing number of people also leave to work in other countries.

### **Structural Adjustments and Women at Work**

The conceptualisation of structural adjustment in response to the financial crisis recognises three basic issues. First, because much of women's reproductive work remains invisible and unrecognised, when they are forced to enter the labour market to support the family, they end up taking additional burden both from the household and the paid work. The situation is the same if they are pushed to take on community management work which is also not counted as economically productive. Second, the assignment of burdens between females and males as the households adjust to changes in their economic conditions reflects the power and gender relations within the households. And third, the traditional gender-biased culture of entitlement governs the ways in which the household resources are allocated or the household income spent. This is exacerbated in times of crises as both income and the supply of resources in the household dwindle.

### **Manifestations of the gendered differences of economic adjustments**

- Cutback in government services – the effect of cutbacks is likely to be greater on women than men and the gap rests on gender difference. Cutbacks usually fall on social service sectors including public healthcare, and, among public health employees, women outnumber men. Given the unequal gender composition of the sector's employment, a layoff is tantamount to a layoff of female workers. Similarly, a cut or a freeze in wages is bound to affect women more than men.
- Industrial and agricultural restructuring – when a wife works and even earns more than the husband, it is often considered demeaning for the husband, not to mention sharing domestic chores. As women get jobs and men lose theirs, the resource positions of men and women are reversed. When this happens within a household, the men might resort to violence against women as a way of restoring the male-centred balance of power. The nation's focus on export-oriented production

could also result in more work opportunities being offered to homebound women. With more and more young women leaving home to work in factories, mothers lose their household support system at a time when they too have to look for food and/or cash-generating opportunities. All these point to two attendant issues: not only do women workers suffer from physical exhaustion, they are pressured and smote by a sense of guilt when they have to leave their children for work.

- Changes in prices and incomes – loss of income could result either from job loss or from a freeze of wages. Faced with increasing prices this means a reduction of available cash for food consumption. This could mean more work for women. In the rural areas, they have to grow more subsistence food crops, whereas in the urban areas, that means more time for processing food, to make the most of the scarce supply. In addition, pressured by the tradition of entitlement to food and other basic goods, women have to make do with less or without while their spouses and children are given priority to whatever food is available.

Even before the crisis and the subsequent adjustment programmes set in, women like Leonida Antonio have been suffering from social construction, playing dual roles as housewives and mothers as well as producers and managers of community resources. Many of these diverse roles are often unrecognised. In many cases, unless the women are themselves wage earners or running a substantial business, it is their spouses' work alone that is given value and legitimacy in the labour market; while women's housework and childcare are invariably considered as non-work. This is true even in rural Philippines where women's work is much more diffused and their micro-economic activities get subsumed – this view is even held by women themselves as they think this is how they fulfil their role as a housewife (*maybahay*).

If there is any sector that is going through hard times because of the crisis, it is women. And the accounts of women like Leonida prove that much still has to be done, especially in analysing what sort of measures properly fit and answer to the demands of the crisis – measures that recognise and look into the interplay of different sectors, measures that take into consideration women as a key sector in that interplay.

## *Women in Small Business Hardest Hit*



### **Foundation for Women in Small Business**

(Yayasan Pendamping Perempuan Usaha Kecil, YASPPUK)

THE MONETARY CRISIS, followed by the economic crisis, has been going on for approximately two years. A number of economic sectors could not survive. If the figure of -12.73 percent of the national economic growth rate and the skyrocketing unemployment rate are amazing enough, worse still is the fall of the small business sector which had earlier been regarded as an important source of local production in Indonesia. These include the handicrafts, food and shoe industry in West Java, as well as 75 percent of the small silver firms in Central Java and Yogyakarta.

The small business sector in Indonesia (91 percent of them have a turnover of less than Rp. 50 million) absorbs around 59 million workers (1996) or around 88 percent of the total workforce. If one pays close attention, many of them are women labourers. The figure continues to increase and in 1999 it already equaled that of their male counterpart (BPS, Central Board of Statistics). The available field data show that the crisis has more vicious impact on women in small business. This is also the conclusion drawn in the series of workshops on 'Impact of the Crisis on Women in Small Business' held in Jakarta and five other regions, including Kalimantan, Sulawesi, Sumatra, Nusatenggara and Java. The workshops were organised by YASPPUK (Foundation for Women in Small Business), Jakarta, from mid-1998 to early 1999.

### **First-hand Accounts**

Women in Small Business (PUK) from various regions discussed their miseries in the workshops through the representation of member NGOs of YASPPUK. They work with the PUK at the grassroots level. In Java, for example, the majority of small businesses run by women are home-based.

These PUK thus have less access in terms of procuring credit, skills training and membership to cooperatives and associations. In addition, most women work as subcontract workers which make them more vulnerable when they are thrown to market forces. This is especially so at this time of crisis when there is no assurance that PUK can have guaranteed access to buyers any more.

Besides that, the miseries of women performing dual roles was also aired in the workshops, especially by women farmers in Sumatra. Pressures in life which were already heavy before the crisis, became worse. Not only are women required to make ends meet in the family – as was required of men before the crisis – they are also required to increase agricultural produce. According to a delegate from Sumatra, it is not surprising that disputes frequently occur between husbands and wives, especially when the husband is preoccupied with making more money without showing any understanding of the roles the wife has to play.

In West Nusatenggara, the situation is quite different. The monitoring work conducted by the Department of Cooperatives and the Empowerment of Small and Medium-Scale Enterprises indicates that up to April 1998, the local small business sectors worst hit by the economic recession are poultry breeding, trading services, weaving, garment and food processing. And women play quite a significant part in these businesses.

What is recognised as the common problem faced by Indonesian women in small business in general during the crisis by all workshop participants from different regions is the double gender role of woman. On the one hand, they are required to play a leading role in the household; at the same time they also have to make a living or run the business single-handedly. The burden of women as caretakers in the family becomes heavier due to high inflation.

Prices of basic necessities for family consumption are pushed up and the cost of living increases. They have to face the pressing needs of food, education and health, as well as attend daily business activities. They must perform like superwomen.

Other negative effects of the crisis suffered by women include the spread of prostitution. As women are easy targets for employers to lay off in times of crises, they have to find a way to support their families and prostitution is one. In this way, they also become the targets of crime. To go a bit further, as the family conditions and health of mothers worsen, their infants are also adversely affected which in turn means heavier family burdens for the mothers. Infant mortality rate also shows signs of increase.

To conclude briefly the nature of the problems faced by PUK after the crisis are:

- First, businesses that suffer most are the home-based ones, the so-called informal sector.
- Second, the kind of productive activities taken up by PUK are gender stereotyped.
- Third, the problems PUK faced in such dire situations are also related to gender stereotyping.
- Fourth, most of the PUK are aged around what is generally regarded as the end of a woman's productive years.
- Fifth, the need of PUK for credit is not merely for business purposes, but also for maintaining the well-being of their families. Hence one can say that to a large extent the problems faced by women in small business during the crisis are gender problems related to issues such as division of labour in the household, and sexual stereotyping of women's work and images.

### **Apathetic Macro Policy**

Irrespective of the macro policy of the state to overcome this crisis, PUK remain tough in facing the impact of the monetary crisis. State relief programmes tailored for victimised people are biased and show no gender sensitivity whatsoever. To take an example, there is the opinion that men should be given more attention during the crisis so that they can concentrate on their role as breadwinner in the family, the dominant stereotyped role for men. This is evident in several labour-intensive programmes which were set up for the laidoff and unemployed. The gender bias is so obvious that the role of women in these areas is totally ignored. Yet a closer look would reveal that many of those laid off are women. But statistics on that are limited and unclear as it is assumed that it is not proper to think about the fate of women at the time of crisis. Hence even researchers occasionally feel somewhat reluctant to examine the issue.

The same can be seen in the application for bank credit. In addition to the problem of liquidity stress and high interest rate, the few government provisions and new regulations that have been stipulated do nothing to improve the access of PUK to credit. One of the provisions requires that the name in the certificate of guarantee must agree with the name of the applicant's business unit. Yet it is common practice for PUK to put their husbands' names there as owners of the business, and the provision proves to be of limited help to them.

Take the latest relief programme, the Social Safety Net (JPS) Aid Fund, which is largely run by the government. Many of the aspects also lack gender

sensitivity. Because of these gender biases in the macro policy level, they are also replicated at the grassroots level of the society. Worse, the target of the JPS is not even right in the first place.

It should be recognised that more attention should be paid to the status and condition of women in business, whether as an entrepreneur, a sub-contractor, or a domestic worker. It is important also to provide PUK with more digestible information on what the crisis is about, how it affects their businesses, what kind of policies are issued and what are their impacts on them.

We would thus like to recommend that:

- First, it is necessary to review the policies of the New Order government and the transitional government that have been harmful to small businesses especially those involved with women, so that the policies can be more sensitive to the needs of women.
- Second, it is necessary to have a special team in the government that develops a vision on social and gender justice.
- Third, the mass media also has a role with regard to raising gender consciousness towards the promotion of justice for women, especially those involved in the sector of small business.

## Poor Urban Women as Household Managers

 Akatiga

Translated by Carla Bianpoen

THE DEVASTATING INDONESIAN crisis of the past two years has been marked by price hikes and mounting unemployment. Price hikes occurred at the same time of income cuts, thus resulting in reduced purchasing power. Those worst hit by the crisis are the urban poor who constitute the largest number amongst the laidoffs and unemployed. In early 1998, 40 million people were estimated to have fallen under the poverty line. In a country which is still largely patriarchal, women are disadvantaged both culturally and structurally, particularly when it comes to accessing resources and information. Such a system leaves women, the managers of the household responsible for the daily survival of their families, on a tight budget and thus in a vulnerable position.

What is the impact of the crisis on the women of the poor urban households? What survival strategies do they adopt?

Two poor communities in Kelurahan, 'Kebon Lega' and 'Cicadas', were selected for the exposure. Kelurahan Kebon Lega is situated south of Bandung covering an area of 110 hectares. With a population of approximately 18,000 its density is 165 per square km. More than 50 percent of its work force is unemployed with an average education level of SLTA (senior high school). The majority of the men work as *tukang cet* (painting cars), or as factory workers, while women are housewives or working in textile factories. Most of their houses are permanent dwellings with cement walls and floors, simple furniture and a private bathroom.

Kelurahan Cicadas lies slightly east of the centre of Bandung. The size of the Kelurahan is 55 hectares. It has a population of 13,000. Overall the people are unschooled or have not finished SD (basic school). Most of the men there work as drivers of public transportation or as *becak* drivers; while women are housewives, who sometimes also provide laundry service, or

work as servants or in nurseries. In general their houses are semi-permanent with triplex walls, partly cement floors, sink or wooden roofs covered with plastic. They do not have private bathrooms in the house. Their income is just enough to survive, so they have no means of building a better house. But even if they had the means, they would not be allowed as the land belongs to the army.

Women as household managers are responsible for the daily sustenance of the family, keeping the house clean and tidy, and taking care of children's health and schooling. When the crisis hit the country, such gendered responsibilities became the cause of stress and disputes for women. This was particularly so for the low-income couples whose husbands had lost their jobs. During the crisis, staple food like rice hiked as high as 300 percent, and the problem became worse when school fees fell due or family members fell ill. As a result, these women tend to be more easily upset with their children and their husbands. Stress relief for these women include chatting with neighbours, watching TV or gambling.

Besides stress increase, some women also have to put up with an increase of work load as they must seek extra work to make both ends meet. The kinds of additional work women do are fairly restricted and marginal, such as working as servants, laundry women, cooks, or nurses. Some may open a small stall or work as a delivery maid.

The crisis caused a reduction of 50-80 percent in the incomes of poor families. This was one of the main problems faced by the urban poor. In response, both husband and wife and out-of-school adult children had to make efforts to earn money. But jobs for men and sons, like construction workers, *becak* drivers, *tukang cet*, or assisting in home industries, were the hardest hit and therefore rarely available. As a result, husbands had to stay longer at home. And if the wives started grumbling and complaining about their financial situation, disputes resulted. While sons worked as street singers, daughters went for shop assistants, and some got married early. Either as wives or single parents, the double burden fell on the shoulders of these women.

What were the steps taken by these women to overcome the hardships? Urban poor women did not have much choice due to different constraints, both material and ideological. Most of these women received limited education, they did not have professional skills. Besides, they had to face their spouses' objection because taking care of children was deemed their duty. What's more, it was also their own conviction that they had to perform their natural duty to the household and that women's work was just a supplement to the husbands', although they had been the main family earners during the crisis.

Two main measures adopted by the urban poor women can be distinguished as:

- Tightening household needs such as primary ones on food, health and education, while eliminating some of the secondary needs like clothing, housing, cosmetics, entertainment and adjusting to a modified food and consumption pattern.
- Seeking ways out by buying on tick, pawning to rentiers, *arisan* (informal lending), borrowing from neighbours, etc. In addition, women also took on marginal jobs like petty trading, laundry services, nursing, cooking and carrying out errands for people.

Women could do all that because of certain support factors, one of which is the presence of a strong network between neighbours, particularly among women in the community. Another is the strong bond of kinship, based on either similar beliefs or the same patron-worker status. In addition, there was the possibility to work in marginal fields where they could use their dynamic creativity to make money. Informal dealings like selling household assets or personal belongings, as well as informal lending mechanisms like *warung*, *arisan*, saving and borrowing cooperatives provided important ground of support to them.

Nevertheless, poor urban women remain vulnerable due to their limited economic power, low level of education, absence of specific skills, deprivation of access to assets and information, limited support from formal or informal institutions. Very often, exhausting their own means in surviving the crisis catches them in a trap of rolling debts and heavier burdens.

One of the most significant forms of help on which the urban poor women very much depend is the mutual aid system between neighbours. Such kind of mutual help is based on informal relationships and trust, like the *arisan* as a form of saving and borrowing. Yet, these remained practices between individuals, not having expanded into a collective strategy nor strengthened into a community movement. Formal relationships with government institutions were scant, indicating the insignificant role formal institutions played in helping the urban poor to overcome the aftermath problems of the crisis.

The above picture shows that women bear the heaviest burden of the crisis, and that their efforts to get over the hardships at the household level are constrained due both to their marginalised and gendered position in the society. The lengthy crisis has forced some women to step beyond the community norms. Some became agents for the gambling games probably because the laundry work they used to do was no longer available as even

the wealthy now did their own laundry. The type of work women did to increase household money differed very much from what men do. Yet in times of crisis, the household is mainly supported by its female members.

It is therefore time to acknowledge women as an economic unit and counterpart to men in the family. Women's positions, their role and their constraints must be taken into account in the struggle of poverty elimination.

## Weaving Textiles, Reaping Rupiahs

 Akatiga

Translated by Carla Bianpoen

### Majalaya and Traditional Weaving by Hand

THE TEXTILE INDUSTRY in the Bandung Regency, especially that in Majalaya, was a major producer of textiles in the 1970s. Handmade by thousands of housewives, the weaving industry was the regency's local production which was exported to almost the whole island of Java.

Around 90 percent of Majalaya's textile industry is home-based. Traditional methods and tools are used and production is conducted manually. These tools are known as non-machine weaving tool (ATBM), which the local community also calls *tustel*. Because of its dependence on manual operation, Majalaya's weaving industry absorbed a significant part of the labour force, at least in the 70s.

### Entering the Period of Darkness

Economic crises hit the Majalaya textile industry in two waves. In the early 80s, raw materials were monopolised in the hands of a few. Acquiring raw materials at an affordable price was particularly hard for small traders who purchased on a small scale. Keen competition also led to unhealthy imitation and copying of designs, thus affecting the quality of production.

The presence of large, capital-intensive enterprises in the area using modern, efficient machinery, out-competed the small traders. Producing at a faster speed, lower cost and in massive scale, the first wave of the crisis cut the Majalaya traditional weaving industry by over 50 percent.

The second wave came in mid-1997 when the monetary crisis hit Indonesia. Again raw materials remained a major problem for the weaving industry in Majalaya. If raw materials had already been hard enough to acquire, the crisis made them even scarcer. Many enterprises succumbed

under the drastic price hikes. Only a few indigenous enterprises survived, but they had to give up their production independence for a subcontract (*makloon*) from the large, usually non-indigenous, enterprises.

Year	1980	Jun 97	Jun 98	Dec 98	May 99
Price of yarn per kg (in rupiah)	12,000	18,000	20,000	150,000	65,000

## Making a Way Out

The emergence of Pak Eme despite the downfall of the traditional Majalaya textile industry, tells a success story that sets an example of seeking alternative possibilities in times of crisis. Pak Eme is an indigenous entrepreneur of Donggala *ikat* weaving, whose business grows even bigger and firmer as he managed to find a way out of the crisis. It took the following steps:

### Modification of the traditional ATBM

One of the unique features of traditional *ikat* weaving is that its production is hard to achieve through automated textile machines (ATM). Yet in order to satisfy the market demand, an increased capacity was necessary. In search of innovative measures, Pak Eme started the hunt for knowledge and information through dialogues and discussions with various research institutes and large textile enterprises. One of the most frequented was the Sekolah Tinggi Tekstil.

With the acquired knowledge, Pak Eme started experiments to begin production by modifying his ATBM. He did so by adjusting its *bum* with the yarn needed to obtain a certain design. Through tireless trial and error, and using part of the money for raw materials on his explorations, he finally arrived at a semi-mechanical ATBM which achieved a higher production level.

Year	1988	1992	1997	1998	May 99
No. of ATBM	40	40	15	15	15
No. of ATM machines			12	12	12
Approx. production/day	60m	150m	300m	500m	300m

Following his successful innovation, Pak Eme reaped even more as the adapted ATBM became popular. Since the end of 1997, he has sold 100 machines to interested parties throughout Indonesia.

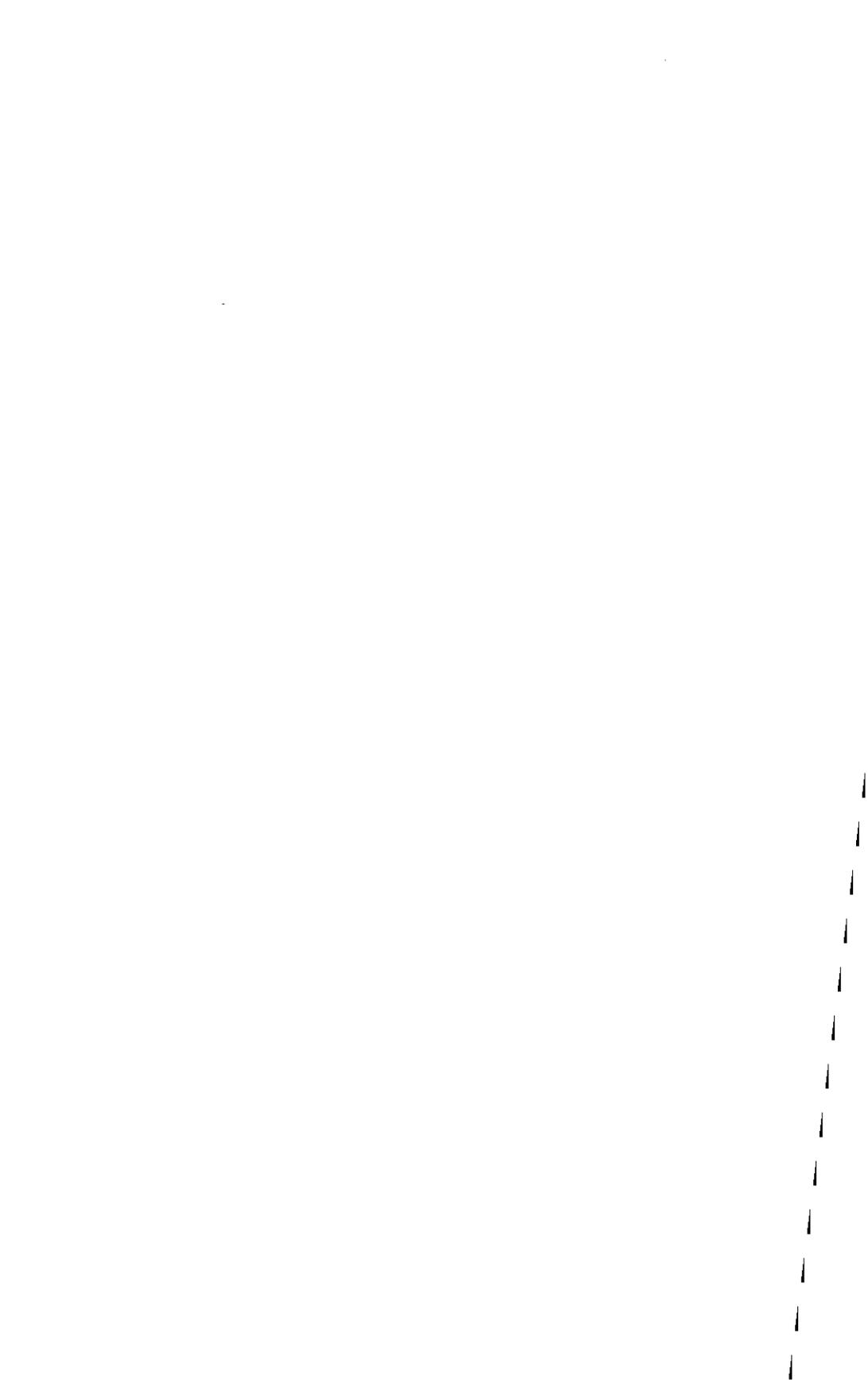
### Combining designs and efficiency

Knowing full well that his textile production was a piece of art, Pak Eme never thought of mass production. He sought another way out by utilising the raw materials with more efficiency. He did so by designing motifs using existing yarns and existing colouring components so that the raw materials were put to a maximum use with virtually no waste. He continuously went on with his explorations developing new colours and motifs although they differ from the originals. This kind of *ikat* weaving became known as Donggala *ikat* weaving.

### Achieving greater autonomy in production

Currently, Sekolah Tinggi Tekstil and traditional artisans in Garut are in the process of developing yarn from various plants growing in Indonesia. Today, there is already yarn made from the pineapple plant, but improvements are necessary to make it suitable for quality weaving. If experiments succeed in producing yarns made of local plants, it would mean a significant decrease in the dependence on imported yarns. In the 80s, there was an almost 100 percent dependence on imported yarn, but the year 1990 saw a decrease of 30 percent in that. It is hoped that relying on local pineapple yarn can cut imported raw materials down to 20 percent only.

Although this traditional *ikat* small industry survived the two economic crises, skilled operators of the ATBM are needed to ensure sustainable success. The ATBM is usually operated by women who do not have the skills required by the new ATM. Continuity and sustainability is still a problem for this traditional industry.



## *Organic Farming: An Alternative for Survival*

 **Akatiga**

ECONOMIC CRISES ARE, more often than not, measured in terms of their macro impact on or damages incurred by the national economy or the big businesses. The stories and strategies adopted at the grassroots level are usually neglected. Al'Ittifak, a traditional Islamic school or *pesantren* in Ciwidey district, Bandung, has a success story to tell in surviving the economic crisis that has been ravaging Indonesia since 1997.

Situated in Alam Endah village, Kecamatan Ciwidey, Kabupaten Bandung, the *pesantren* switched to organic farming as a way to adjust to the price hike of imported chemical fertilisers and pesticides. For Al'Ittifak inhabitants, the current economic crisis pushed them to take this turn.

### **Socio-economic Context of the Pesantren**

Located in the fertile agricultural land at an altitude of 1000m in southern Bandung, Kampung Ciburial of Alam Endah village is a farming community known for growing vegetables.

Kiai Muhammad Fuad Affadi, a Muslim priest, has been leading the *pesantren* that he founded in 1970. The main goal of the school is to enhance human resources development in Kampung Ciburial. Despite the fertile soil and other natural resources, the village is classified as impoverished. Since its foundation, the *pesantren* has been cultivating vegetable plants. When the subsistence needs of the disciples are met, the *pesantren* sells the surplus as a source of revenue. There are about 390 disciples staying in the *pesantren* of whom 320 are male and 70 are female.

Most of the disciples originated from poor families from Kabupaten Bandung, while some are from outside the district. The majority of the disciples have finished primary school but they can obtain higher education without taking up the obligation to pay for tuition in the *pesantren*.

Besides religion, the pesantren also teaches agricultural skills in its farming plots. The disciples are treated as apprentices rather than subordinates in the client-patron relationship with the teachers. Even though there has been no obligation for the disciples to work in the fields, it is common that the disciples perceive farming in the fields as moral responsibility to return the generosity of the pesantren in providing free food, shelter, and education. In return, the pesantren has provided transportation allowances for disciples to return to their home villages twice a year in addition to the gifts of two sets of clothing, especially for those who work in the fields. The involvement of the disciples is crucial in cutting the production costs. They are not paid in cash and are always available because they live within the pesantren compound.

Agricultural harvests are also derived from other fields outside the pesantren compound, which the farmers' groups control several hectares for practising organic farming near the pesantren compound. The main yields range from cabbage, tomato, carrot, radishes to celery and beans.

### **Religious Local Entrepreneurship**

A centralist teacher-disciple or *kiai-santri* relationship along the line of traditional Islamic boarding school is established amongst the inhabitants. The schoolmaster or *kiai* holds the highest position in decision-making. The disciple or the *santri* will obediently implement the decision. As a charismatic leader, the *kiai* has the strong influence to direct the community to obey his teachings as long as the community living around the pesantren can see the benefits from that. The *kiai*, therefore, should be considered the prominent agent of change within the Islamic boarding school as well as the societies in the vicinity of the school compound.

The social and business relationship established in the Islamic boarding school and societies in the vicinity are framed by their religion. The provision of educational facilities for *santris*, for instance, is often framed as aid for the poor in line with the belief that Islam obliges everyone to attain education. These patterns of relations translate as power relationships in social, economic and political spheres within the Islamic boarding school. This is the main social background that explains the wide acceptance of organic farming by the community around the pesantren following the launching of this scheme by the master. Community support is an essential factor to determine the successful application of integrated pest management that requires full community participation. Furthermore, this community participation will benefit the pesantren in building business network with

other communities living around the school compound. The business network grows significantly between the school and the villagers.

### **Al'Ittifak's Organic Farming Scheme**

Following the green revolution, heavy doses of chemical fertilisers was used in the area under the instruction of the government. Back then, the pesantren was no exception. Farmers were satisfied to witness the impressive increase in production in the days of the green revolution. However, few years later, farmers were forced to deal with mounting environmental problems related to excessive use of pesticides, insecticides and herbicides. Dead fishes were found due to water pollution. Dependence on chemical products on the farmers' part deepened when they discovered that some of the chemical substances remained in the soil and that required even larger doses of chemicals to deal with them. Eventually all of these problems led to depleted production.

In the mid-1980s, the Integrated Pest Management (PHT) was implemented by the government. The project met with obstacles as the school needed full cooperation from farmers who owned fields near the school compound. In 1990, farmers and pesantren people attempted to work on soil preservation; at the same time training on integrated pest management was given using the ecosystem approach. Spiders were introduced for pest control. These efforts were fruitless since the farmers did not stop applying chemical fertilisers, thus defeating the project.

In 1994, the pesantren embarked on producing organic fertilisers by processing local ingredients. As a result, in 1996, the pesantren came to a breakthrough in the production of soil fertilisers by means of natural fermented micro-organisms (or locally known as MFA). Various organic insecticides and fungicides such as sirnabat, inabut and ciknabat/fungisida are produced. The main ingredients involved are red chilly, shallots, curcuma, sour sop's seeds, kaliki ria and broad beans. All of these plants are deliberately planted around the pesantren.

### **Environmentally-sound Farming at Low Cost**

Complementary to using organic fertilisers and pesticides in organic farming, in certain cases, pesantren farmers still apply small doses of chemical fertilisers and pesticides especially at times when organic stuffs fail to resolve agricultural problems in the fields. While fertilisers and pesticides can be

produced locally, the pesantren cannot provide organic seedlings themselves, therefore dependence on imported seeds remains.

In general, the use of organic fertilisers has decreased the production costs to a new low. An estimate shows that just before the crisis, the production costs of potato farming fell from 13 million rupiah per hectare to 10 million rupiah. Having shifted to organic fertilisers after the crisis, the price of potato planting and maintenance was cut from the staggering 24 million rupiah per hectare to 18 million rupiah. Before and after the crisis, harvests of potatoes have been steady with a total yield of 20 tons, of which 75 percent are A-grade potatoes, and the remaining ones are of B-grade. Before the crisis, potatoes sold at Rp 1,200/kg for A-grade and Rp 1,500/kg for B-grade.

The use of organic farming has increased the production quality of Al'Ittifak pesantren, enabling them to meet the product requirements of some supermarkets in Bandung and Jakarta such as Hero, Gelael, Matahari, Yogya, Ramayana and Makro. Some of the harvests are sorted for export. The outlets that retail Ciwedey potatoes keep expanding with the addition of two supermarkets like Siamond and PT Gogrin.

While the farmers obviously enjoy the benefits of using fertilisers, the practice of organic farming is limited within the Islamic boarding school. One of the constraints is that the use of organic fertilisers requires a processing period and it may sound less practical and less efficient compared with chemical fertilisers.

### **Seizing Market Opportunities**

The financial crisis of 1997 hit agricultural production in Indonesia by pushing production costs to a steep rise, thus casting a heavy burden on farmers, especially those reliant on imported chemical fertilisers. The prices of pesticides and other agricultural products had gone up to 300 percent compared to that before the crisis. Seed potatoes which were retailed for Rp2,500/kg before the crisis, climbed up to Rp 12,500/kg, whereas the production costs of organic fertilisers only increased by 10 percent.

In one sense, the financial crisis has forced farmers to reduce the application of fertilisers in their fields. Meanwhile, potato farming in Al'Ittifak, which has been using organic fertilisers since 1996, is not affected by the crisis. Moreover it has been enjoying yields steady enough to gain a larger market share than before, since many farmers have failed to supply and satisfy the market because of their inability to adjust to the crisis.

THAILAND

## *Development Paradigm and New Alternatives*

 **Somkiat Pongpaiboon**

### **Background**

In 1998 Thailand's think-tank, the Office of the National Economic and Social Development, predicted an increase of 8 percent in the national economic growth rate, but in reality the country experienced a 9.4 percent decrease in its Gross Domestic Product.

Earlier, both the governments under Gen. Chavalit Yongchaiyut and Chuan Leekpai had declared several sets of strong policy measures which covered the following:

- A devaluation or 'floating' of the Thai baht on July 2, 1997, following fluctuations in the capital and financial markets, known as 'Managed Float'.
- The first set of measures was adopted on July 20, 1997 called the 'Economic Stimulating Measures' and 'Easing the Financial Flow'. Public enterprises were allowed to postpone submitting incomes to the government and business sectors were allowed to delay tax payments. At the same time, the government's investment in public enterprises increased. But all these measures failed to address and tackle the problems.
- The second was launched on August 3, 1997 consisting of 25 items.
- The third, declared on August 14, 1997 was called 'Total Measure' which aimed at regulating financial institutions. It gave way for the government to take over problematic and corrupt private banks and financial firms and inject into them new capital amounting to more than 600 billion baht from the Budget, thus transferring the burden of

the non-performing loans of these firms and banks to the people. The government had earlier guaranteed additional bad debts of 56 financial firms which had closed down. It put up for public auction the seized properties of these firms but was able to recover only 25 percent of their value, amounting to around 150 billion baht.

- The fourth measure launched on March 30, 1998 aimed at stimulating the economy and redressing the social devastation wrought by the financial crisis. A number of tax and tariff measures were initiated to stimulate domestic consumption, such as reduction in value added tax and personal income tax, and lowering of electricity, cooking gas and fuel charges. Simultaneously, loans from the World Bank, OECF, and JEXIM Bank under the 'Miyasawa Plan' amounting to a total of 53 billion baht were pooled to create jobs in the rural areas. These actions were a total waste of money, like the Thai proverb '*Tam nam phrik lalai mae nam*', meaning 'diluting the chili paste in the river'.
- The fifth measure initiated on August 3, 1998 was to stimulate investment in the business sector through the setting up of the Venture Capital Fund and the National Liquidity Fund, worth US\$ 1 billion each. These actions, together with seven letters of intent (LoIs) in which the Thai government committed itself to the IMF, have brought Thailand to the brink of catastrophe with the poor, who were already neglected, now having to bear the brunt of further economic hardships brought on by the new measures.
- Besides, the Thai government also took certain measures which were a sell-out to foreign capital:
  - » It adopted 11 so-called 'Nationalisation laws' also known as 'Slavery laws'.
  - » It seized local banks and privatised three government-owned banks (Government Saving Bank, Government Housing Bank, and Bank of Agriculture and Cooperatives).
  - » It passed a bill on 'Standard Qualification of the Highest Executive Bodies and the State Enterprise Officials' approved by the Cabinet on October 27, 1998, which allows foreigners to join or even take over the executive board of state enterprises.

All these have had profound consequences, tearing the Thai economy apart and subjecting it to the manipulation of global capital. They have paved the way for Thailand to become a 'peripheral state' of the global economic system.

## The Old Paradigm

The Thai government playing the role of the 'peripheral state', is deeply influenced in the market and the neoliberal approach endorsed and promoted by the 'supra-national' organisations, which preach that economic recovery and improvement can take place only by:

- Letting capital flow in. All we need is wait, and wait longer still;
- Generating higher national income to repay debts by selling off profitable state enterprises;
- Encouraging new investments in the industrial and services sectors; and
- If the first three conditions are satisfied, more employment will be generated.

Therefore, the government has adopted every possible way to create a good environment for investment and boost the confidence of investors, putting the country on the 'fast track' of capitalism. However, this paradigm is widely questioned by the public as certain conditions still persist.

- There are serious doubts about economic recovery under this approach. The government is claiming every day that the crisis has already subsided and the situation is improving now. But many still believe that the Thai economy will never recover that easily. Government measures will bring about deflation. Many would rather believe that by 2000 year-end, we would observe the second wave of the crisis with more non-performing loans and unsatisfactory export performance.
- Corrupt and paralysed financial institutions/ firms are still prevalent.
- There is no change in sight in the continuing slump in Thailand's five main industries — metal and construction, petrochemicals and its products, garment and textiles, paper and pulp, and ceramic. All these industries together are being subsidised by the BOI (Board of Investment of Thailand) to the tune of about 63 billion baht (exchange rate: US\$ 1 = 36 baht at the time of writing).
- Income from the agricultural sector is decreasing as also the incomes of the people in general.
- The BAC (Bank for Agriculture and Agricultural Cooperatives) is exploiting the situation by raising interest rates to 10.5-11 percent while commercial banks charge only 7.5-9 percent.

It belongs, once again, to one of the 'myths' in the Information Age that the government can cover the 'old bad news' by creating 'new news' and that the public would be fooled into believing that the economy is already recovering. The ultra-state organisations together with the State through their media machinery have never stopped propagating and claiming their success in combating the crisis.

## **Mobilising fear**

How do they do this? The peripheral state of Thailand in the mainstream economic development system has propagated that the Thai economy, which basically refers to the rich and the business sector, will not recover if:

- The NPL problem is not resolved. Non-performing loans account for around 47 percent of all loans of the economy, approximating 2.65 trillion baht (as of June 1999) in the total of 5.59 trillion baht. The NPLs in the government's commercial banks amount to about 1.18 trillion baht while those held by the private commercial banks total 1.22 trillion baht, other financial institutions firms accounting for the remaining NPLs.

Research into financial institutions indicates that:

- » There are about 620 NPLs accounting for 1.08 trillion baht among a total 1,200 corporate customers.
  - » Around 300,000 NPLs exist in the Small-Medium Enterprises (SMEs), the majority of which are middlemen or brokers in businesses such as petrol pumps, car dealing, mini stores, small scale theatres, real estate and so on, and their debts amount to 1.23 trillion baht.
  - » About half of the 800 billion baht disbursed to one million personal loan takers, mainly towards mortgages on housing in urbanisation schemes, is considered as NPLs.
- Exports do not fulfil targets. The export target for 1999 was an average of US\$ 4.9 billion per month (or US\$ 56 billion for the year) at an anticipated growth rate of 4 percent over 1998. The export target for 2000 is US\$ 59.43 billion.

While export figures increased between January-May 1999 in industries such as automobile and spare parts, electric and electronic circuits, plastic, gems and jewellery, their value was lower. This created

more competition in the agricultural and agribusiness sectors whose main products are rice, rubber, tapioca, sugar, and frozen food. The only option is to look for new markets, as finally there appears to be no future for agricultural production.

And from January 1, 2001 onward, the three main exports of Thailand – fisheries products, fruits and vegetables, and processed food – will not get any GSP at all from the European Union (EU). That means they will have to pay full tax and tariffs for exports to the EU market.

- The possible devaluation of the Chinese currency ‘yuan’ (as RMB) happens. The government claimed in a Cabinet resolution on August 3, 1999, that China’s exports had decreased by 4.5 percent while Hong Kong’s 3.2 percent. If China does devalue its currency, the financial situation in the region would be adversely affected and the Thai baht might have to be devalued again (perhaps to a new low of more than 40 baht to the US dollar) which may see resumption of the attack by hedge funds as in 1997.
- Other factors change. Some key factors are increase by the US in interest rates, and OPEC members reducing oil production which would lead to a hike in oil prices so steep as to spark another bout of economic crisis which would further worsen people’s lives and livelihood.

### **The Previous Proposed Alternatives**

Recently, one of the key scholars from the Political Economy Study Group, Dr Narong Petchprasert of Chulalongkorn University’s Faculty of Economics, presented a paper on ‘The crisis of the Thai Economy and the IMF’. The paper outlined three approaches the Thai government had adopted to deal with the financial crisis:

- Increasing exports: To increase the volume of exports, a much higher volume of imports are required which may possibly be as high as 85 percent of the export volume;
- Privatisation: This includes partial or total sales of shares of government-owned enterprises to the private sector or transnational corporations. The scheme, however, met with strong opposition from the staff of the enterprises and a section of the public;
- Granting loans: It seems to be the easiest way and is already done.

Petchprasert proposed three approaches to address three dimensions of the crisis:

- Resolving the unemployment problem by cooperation between employers and employees through trade unions. Loans can also be utilised in job creation as well.
- All governments negotiating with the IMF to soften conditionalities so that the rate of economic growth can pick up without affecting the livelihoods of the people.
- At the regional level, three things can be attempted:
  - » Increasing the volume of international trade.
  - » Developing some kind of multilateral agreement within the region, such as the use of a mutual currency based on the Japanese 'yen'. That means using the yen as the main reference for currency exchange, but making actual transactions in local currencies.
  - » ASEAN countries establishing a Regional Monetary Fund in which Japan and China can play key roles as both have a huge volume of reserves fund.

Petchprasert concluded that the Eastern Bloc should work together to overcome this critical economic war.

### **Paradigm Shift and New Alternatives**

To have a paradigm shift which allows for different concepts and principles, which would not resort to a reconciliation with the existing macro structures of the mainstream global economic system; that should be the basic idea behind the search for resolutions in the aftermath of the financial crisis.

To achieve such a paradigm shift, we need the following:

- Place 'people' at the centre – it should be the people who decide their own future.
- People's organisations should act as the nucleus – people's movements and organisations in the country should unite with such movements all over the world in solidarity to fight against imperialism and the ultra-state organisations. New ways of allocating and managing resources have to be attempted to ensure equity and justice and the establishment of a self-sufficient and self-sustaining system.
- A new paradigm of development which takes into account environmental concerns, spirituality and cultural roots, so as to avoid falling back into the trap of consumerism.

## **New Alternatives**

**At the nation-state level:** For the Asian nation states, the Asian people and people's organisations, it should be recognised that the region should be united. The Asian peoples make up nearly two-thirds of the world population. They should have their voices heard and not to be manipulated by the US or other western countries. For instance, the Asian Corporate Governance Association comprising businessmen, academic and executives from seven Asian countries was formed on August 3, 1999 to resist western and US manipulation.

The G77 composed of 132 countries of Asia met in Beirut, Lebanon, on August 11-22, 1999. They issued a statement asking the developed countries to act strictly in accordance with the stipulations of the WTO in opening the first world market to developing countries. They also sought review and scrapping of protectionist policies such as those setting strict standards for imported goods, those restricting the marketing of capital, counter-subsidy measures, etc. They were also convinced that cooperation was needed not only among themselves but among developed and developing countries also, and also with the IMF and World Bank. Such cooperation among global communities would not only to ensure better atmosphere for international investment, economic growth and sustainable development of the earth but also enable developing countries to equally participate in a global economic system that is just and equitable.

**At the NGO level:** Regional networks of people's organisations and non-governmental organisations should be fostered to fight against neo-imperialism in the globalisation era, against ultra-state organisations such as the IMF, World Bank, Asian Development Bank (ADB), OECF and the WTO, disguised as free trade policy. There have been several instances of such networking as the Anti-Imperialist World Peasant Summit held on November 10-13, 1996, in Quezon City, Philippines, and the conference on 'Financial Crisis: Our Responses' in Hong Kong, June 15-18, 1998. Similar activities have been undertaken by the La Via Campesina (International Farmers Movement) and the conferences in Bangkok, Thailand during March 5-13 and August 10-16, 1999.

**At the community and individual levels:** New sets of social values and awareness have to be created and upheld for an alternative vision for the future and for spiritual development. In recognising their own worth, people have to respect the dignity of all humans. A self-sufficient economy in alignment with other people's movements and

economies; one that combines body and soul, family, community, the environment, and different cultures should be the goal of development. And that means a 'no' to consumerism.

**People's action:** People's movements should press for review of existing government structures that have been manipulated and controlled by organisations like the IMF and World Bank and throw off the shackles of slavery. The movements should have a clear vision and a set of goals to mobilise the people to stand up and resist imperialism, trade liberalisation, and the WTO. People's movements should also seek an alternative to the existing paradigm, extend solidarity and expand the network with other social forces. Public opinion should be properly channeled in pursuit of a people's platform, people's political school and grassroots empowerment.

In Thailand, an effort is being made by people's movements networks and NGOs to operate as the 'third force' to counteract the forces unleashed by neoliberalism. The Assembly of the Poor is one such third force which is neither on the side of the government nor the business sector. The assembly organised several effective protest rallies which have led to many positive changes, an example being better access to natural resources which was the outcome of the protests against dam construction and demand for compensation and funds for community revival. Other areas of some success have been in pressing for structural changes and participatory democracy, monitoring the operation of the state and the management of natural resources by the community. Some of the successful work done by the Assembly of the Poor should be attributed to the strong support of allies such as the Slum Dwellers Movement, fraternal NGOs, Friends of the People Action Group, workers organisations, academics and media persons.

### **Mobilisation to Form a National Agenda**

The poor is increasing greatly in number in Thailand. The World Bank study report in 1992 put Thailand on the 6<sup>th</sup> rank of the worst Income Distribution countries.

At present, the academic has classified the poor into 3 main categories namely the rural poor, poor workers, and the urban poor. According to the official figures in 1998, the poor took up about 11.4 percent (or approximately 6.8 million) of the total population. The statistics was not challenged by the academia and the media, although it was believed that the actual figures should be much bigger, probably double that of the official ones in the time of the economic crisis.

In the past 40 years, the Thai society has witnessed the implementation of a total of eight National Economic and Social Development Plans under different governments. Yet neither was the number of the poor reduced; nor their quality of life improved. On the contrary, the situation is getting worse than ever before.

Therefore, it is high time the movement initiates a comprehensive action plan based on a new paradigm and pushes it as the NATIONAL AGENDA.

We are in the opinion that this National Agenda proposed by the grassroots would take up the following principles:

- To build a strong community based on sustainable agricultural production, a self-sufficient economy and a respect for local wisdom.
- To promote and create a supportive environment to mobilise the idle labour back to the agricultural sector.
- To let people participate fully in drawing up development plans, in the democratisation/ decentralisation process; and have a say over the management of the country's natural resources.
- To organise strong People's Organisations and Social Movements based on powerful and sustained participation from the people in finding solutions and alternatives to the existing model.

National Agenda that need to be initiated and promoted are:

- Land Reforms: a just and fair distribution of land holdings should be initiated.
- Strengthen community-based systems like cooperatives to act as bases for production, consumption, and trade.
- Initiate and expand the existing social security provisions to cover employment assurance. In 1997 - 1998, more than 3 million were unemployed according to the statistics of the Labour Coordinating Centre.
- Set up a Community Development Fund to be the support-base for Community Cooperatives.
- Set up the Thai Investment Development Organisation (TIDO) to support the recovery of the real economic sector with particular emphasis on supporting the SMEs.
- Legal measures: people have to work collectively to exploit the existing constitutional channel in taking legislation initiatives (under the present Constitution 50,000 eligible signatures are needed to initiate the draft laws). These should be people's bills reflecting the urgent needs and concerns of the people like:

- » The Land Management for People's Security Bill
- » The Peasants' Debt Arrangement Bill
- » The Urban Poor Bill
- » The Community Forest Bill
- » The Agricultural Area Protection Bill
- » The Plant Genetic Protection Bill
- » The Agricultural Council Bill
- » The Establishment of Local Bank, Community Bank and Cooperatives Bank Bill
- » The Provincial Governor Election Bill

However, we believe that Thailand may not be able to help itself out by quitting the global system. Yet it is important to play the game with dignity. In this light, reorganising the National Order and striving for conscientious state governance are essential tasks. Some academia proposed to classify the Thai economy into three sectors as follows:

- **The economic sector** including the financial and banking sectors, and large-scale export and import industries which rely on high level of technology and capital investment. They are highly integrated with the global system and grafted in the globalisation process. This sector needs to be regulated. The government should have its hands off from this sector and allow it to develop according to the market mechanism. However, at present, the Thai State has shouldered the burden this sector is facing by converting private debt to public debt. The financial burden the government has taken up to relieve the pressure faced by this sector amounts to nearly 1.2 trillion baht. All that has now fallen onto the shoulders of the people.
- **The self-reliance economic sector** refers especially to the agricultural sector
- **The domestic market economic sector** refers to small and medium scale enterprises/ industries which employ and utilise raw materials to provide for both local consumption as well as neighbouring countries within the subregion.

A Dual Economic System is needed in Thailand. But more emphasis should be given to the agricultural sector. State policies should not be biased in favour of the industrial and financial sectors that have already inflicted much devastation to the economy as a whole.

CHINA

## *Responses of Women/Workers to Economic Transition*

*EDITORS' NOTE: The following papers were written by women researchers from China who had for years studied the migration of women from the countryside to the cities in China in the 80s and 90s. The translations of excerpts of their work here offer some idea of their research output. The stories of the three women interviewed by Feng Xiaoshuang and Wang Hong, as well as the private lives of the women workers from the Zhili Toy Factory as disclosed by their personal letters and recounted by Tan Shen, are stories of individual women peasant workers. They may not be 'representative' of the millions from the countryside who have moved to the cities and towns in the coastal or southern regions to take up transient urban jobs.*

*Yet each story may be read as a personal response to the vicissitudes of forces emanating from changes in the state policies, or the whims in domestic market demands and the disruptions in the global economy. Most of the stories speak of mixed feelings and frustrations in the face of exploitative capitalist production and human relationships. Some even ended up in tragic deaths like the case of the Zhili Toy Factory workers. Nevertheless, in face of frustrations and hardships, the women demonstrate their will to cope with the circumstances. Not every woman may have the strong sense of pride and the fortune that Yu Hua, one of the interviewees, had. But the spirit embodied in each one of them in maximising the available space, and making most with whatever resources accessible to them, is very much akin to the spirit of their counterparts in other parts of Asia in response to the financial crisis.*

*In similar light, women and workers in Indonesia and in other Asian countries had to negotiate with the adversities and hardships inflicted by the crisis. Despite their disappointment with the state of affairs they were in, the two interviewees, Xu Ling and Xue Yun, did not give up but tried their best to learn new skills such as computing and bookkeeping*

which they saw as a possibility, however remote, of improving their present situation.

Tang Can's paper offers an interesting look at the downward mobility of workers made redundant under state reforms of the urban economic structure. The situation of the workers was worsened by the Asian financial crisis which slowed down the growth of the Chinese economy. How do the once relatively more privileged workers from the urban, state-owned factories cope with this downturn in their working and social life? How do they negotiate with a lowered social status coupled with fresh humiliations, as they join the scramble for jobs with other peasant workers moving in from outside provinces? Some even have to accept employment from the 'less civilised' and 'less educated' folks from the countryside. These are issues that may ring resonance in other Asian countries which also witness a large number of middle class people descending disgracefully to the level of poverty, hardships and humiliation during the financial crisis.

We would like to thank the writers for their contribution of papers to this collection of Asian Exchange despite the fact that Feng Xiaoshuang and Tang Can, invited participants to the workshop, were unable to turn up in Lembang due to technical problems. An interview with Feng Xiaoshuang and Tang Can was conducted on 7 January 2000 in Beijing, in which Lau Kin Chi and Sit Tsui followed up some questions in relation to Tang Can's paper.

# Overcoming the Dark Side of Reality

 **Feng Xiaoshuang and Wang Hong**

Translated by Sit Tsui

## **Translator's Introduction**

The research team on 'Migration of Women Peasants' of the Department of Sociology, Chinese Academy of Social Sciences, conducted a series of interviews from 1993 to 1996. Two migration groups were interviewed, one from Hunan province to the Pearl River Delta, and the other from Anhui province to Beijing. Selected interviews and reports were compiled into a book, *Rural Migration and Gender* (Zhengzhou: Zhongyuan Nongmin Press, 2000). The book includes about 40 interviews of women peasant workers engaged in diverse jobs such as domestic helpers, cleaners, restaurant waitresses, hawkers, or manufacturing workers. It also includes a collection of analytical papers based on the above interviews, reports from both the out-migrating and the immigrating communities, and a section on rural migrant labour and gender-related issues, such as gender difference, the problem of love, marriage and family, the changing patterns of the migrants' family, and sexual harassment.

It is generally perceived that young women peasants seek jobs in the cities for different reasons, like satisfying economic needs, seeking personal development, wider horizons, or better living. However, through the interviews, we see that they have to confront many problems, such as the exploitation of labour, deprivation of urban residence status, discrimination, alienation, the marriage problem, and sexual harassment etc. Moving from inland to coastal areas, changing themselves from peasants to temporary urban workers, they have experiences very different from their parents despite the fact that they have been raised up under the influence of the older generation. The interviews offer us a glimpse into the inner worlds of the subaltern women peasants, worlds that are full of desire, frustrations and everyday struggles. The following three interviews are selected from the original manuscripts, and two of them have been included in the book.

**Xue Yun, Electronics Factory Worker**

20 years old, finished junior high school, from Jiangxi Province

*Interviewer:* Wang Hong

*Place and Date of Interview:* Dongguan, Guangdong Province, 24 Jan 1995

I came to Dongguan after seeing a television advertisement of recruitment. I insisted on going out even though my parents did not approve of it. I borrowed some money and went away. After junior high school, I learned tailoring but I did not like it. I was eager to venture into the outside world. Later, I came to work in a factory in Dongguan. A friend from my village told me that the factory was not good because you had to work 14 hours a day and food was not enough. She advised me to quit. At that time, I did not have enough money to switch to another factory. Afterwards I found that what my friend said was true. The work was hard and tough. We did not have any hot water for bath after work and even worse, cold water supply was only for half an hour in the morning and evening. Women workers always quarreled and fought over the water amongst them. Later, my schoolmate introduced me to a better electronics factory. My wages was about 300 yuan a month. At the beginning, I found the work interesting. Later, it became meaningless. We worked intensively under great pressure. I always felt dizzy and sick after a long day's work. Originally, I imagined everything to be better in the city. However, it turns out wrong and I feel very disappointed.

I had a boyfriend but my family thought that he was not good enough for he was a widower. At that time, I was mad about him. Nevertheless, I could not bear the rumors, so I escaped to the city. Unexpectedly, the outside world was not easy. I have a strong sense of face, so I cannot go back home. Anyway, I can earn a living in the city. With some experiences of working outside, I have understood that it is useless to be an honest person. Although we were taught to be honest at school and at home, in reality, an honest person is abused. I had an unpleasant experience. One day I queued up for food in a crowded canteen. By accident, I bumped into a male worker and he dropped his bowl. He went mad and wanted to beat me up. I apologised but he still wanted to beat me up. I argued loudly with him. He then pulled my hair and pushed me down on the floor. At that moment, someone said, 'We come here all for a job, take it easy.' Then the man released me. I had never suffered such humiliation at home. The guards of the factory always beat and slap workers as they like. For example, if you forget to wear your factory identity badge, he beats you up. I am furious seeing all these.

I regret my coming and wasting the golden time of my life here. If I had not left, I would have been a tailor. Time has passed by but I have gained no

money or skills. I do not want to go back with nothing. I feel very painful. However, I believe time can change everything. I am learning computer on my own expense and hopefully I will become an office girl some day.

### **Xu Ling, Cleaner**

22 years old, finished junior high school, from Sichuan Province

*Interviewer:* Wang Hong

*Place and Date of Interview:* Dongguan, Guangdong, 22 Jan 1995

I came to work in the city in 1992. Originally I planned to go to Shenzhen. When I nearly arrived, something happened. We did not have any permit of crossing the border to the Special Economic Zone of Shenzhen, so we tried to sneak in from Nantou. My friends successfully climbed over the wall. When it came to my turn, a sudden roar scared me. A man came out and seized me. I thought he was a plainclothes police, but he said he could help me. He dragged me into a house near Nantou. I was confined there for three days and forced to have sex with him. I had no choice but to submit to my terrible and inevitable fate. Then I followed him back to his village in Hailufeng, a notorious place for trafficking women. At that time, I could not find a job, my family was poor, and I felt hopeless. I thought if he treated me not too badly, I would just let it be. You know, you have to get married sooner or later. But I could never imagine how bad he was. He was a self-employed driver and got involved in abducting and trafficking women. After one year, my son was born. He did not take care of us, nor did he give me any money. There were about 320 villagers, and over 10 girls were trafficked or bought from other provinces. We were not formally married. One night, when he was sleeping, I escaped with my son, and went back to my village. He didn't know my home address. I never told him nor did I write my family any letter. It is impossible for him to find me.

Now I earn money to bring up my son. My sister helps me to look after him. When I left for Dongguan last winter, he was still a little baby. But I had no choice. My village is very poor. I cannot bring up my son if I do not go out to work. My mother died when I was small. My father has never taken care of me. I have been making all the decisions for myself since my childhood.

My cousin helped me to find a job as a cleaner in a bank. The work is not difficult. It is quite good and my wages is 450 yuan a month. I want to earn more money and then go home. You cannot work here for your whole life. When my son grows up, he will go to school. I need to be by his side.

I think I will not get married again. I want to bring up my son by myself.

My greatest hope is to earn some money in the near future, and send my son to school. To the university, definitely.

With regard to my experience, I think we should let young girls know the dark side of reality when they are small. Do not let them have illusory hopes for everything, let them know all the ugliness in life, and teach them not to trust people easily. I learned a lot from my working experiences, like how to get along with others and other working skills. I hope you will interview the trafficked girls about their pathetic lives and defend the rights of women. There is no law and order in Hailufeng. Some people openly abduct and traffic women, but no one cares about this. Although the village cadres know who are the girls that are abducted to the village, they do nothing for them.

I think we working girls are treated poorly. I worked in a factory in the past. The workers did not have any legal rights. We were always forced to work overtime. The factory owner deducted money from our wages with all sorts of excuses. Worse still, some factories even did not pay workers for several months. There was a factory nearby and it was like a prison. Workers were not allowed to go out for up to one or two months unless they did not have any more work left to do. I had a friend working there. We could talk to each other only over an iron gate. Whenever she received her wages, she passed the money through the iron gate to me to be sent home. We did not report this to the police because all the peasant workers had only one thing in their lives which was to earn more money and no one had the mind or time to care about others.

What I worry most is that I have no money, no ability and no qualification. I intend to apply for a correspondence course on bookkeeping next year. I hope I will get a certificate and find a good job in the near future.

*(Rural Migration and Gender, pp.250-52)*

### **Yu Hua, Hairdresser**

27 years old, finished junior high school, from Anhui Province

Interviewer: Feng Xiaoshuang

Place and Date of Interview: a salon in Beijing, 3 November 1994

I came to Beijing when I was 19 and I have been staying here for eight years. At the very beginning, I worked in a restaurant and did hourly-paid jobs. I learned hairdressing in my village and continued to do it in Beijing. I followed a master from whom I learned a lot. However, she had no interest in new and trendy hairstyles.

Later, I worked in the salon of the Institute of Railway Sciences Research that was managed by an old lady who paid me 150 yuan a month with free accommodation. After one year, I saved up 1000 yuan. My brother arranged for me to go to Guangzhou where I studied hairdressing. I worked for the old lady again after finishing my studies. I continued to work with her for another three years. She almost did not work but we shared the income by half. Later, she proposed to take 70 percent of the income, but I did not agree. I quit and decided to open my own salon.

A client recommended this salon under the Family Committee of a research institute. It was only eight square metres and the conditions were not good, but my salon was very popular because of my good manners, professional skills and services, and reasonable pricing.

It was quite difficult to start a business. There were problems either with water supply, the sewage system, or the electricity. The repair workers always bullied me. However, two old ladies from the Family Committee are nice, particularly Madam Wang, who is very warm and helps me a lot. I have done so well that many people from other working units also visit my salon. Later, I went to Guangzhou again to study hairdressing. I usually observe the snazzy hairstyles on the streets of Guangzhou, or visit the salons there.

Two years later, I decided to extend my services to beauty treatment, so I expanded the salon and renovated it myself. I invested about 6000 yuan on lighting and 2000 yuan on beauty facilities. I have got a qualification certificate of hairdressing and beauty treatment. I am prudent about everything, going through serious considerations before I embark on something. I will not do anything that I cannot manage. The business of the salon here is quite good. I took over another beauty salon and am now employing four people, two working here and two there. You have met them. One of them is 17, from Sichuan province. She is very honest and quite attentive. I teach her hairdressing and always remind her to learn all the skills. I live with her. To be frank, it is quite sad to be alone. We are like sisters. I give her money to buy daily necessities, and an additional 180 yuan a month.

Another one is Lifang, 29 years old. We were together under the same teacher before. She is married and has children. I pay her 500 yuan a month. She works from 8 am to 7 pm. She is reliable but she is not good at hairdressing. Her mind is all on her children. She works only for the money, so she cannot improve her skills.

We always have discussions and evaluations after work. I find Lifang cannot learn wholeheartedly. Not like me, I devote myself to this career, she just wants to earn a living. However, I will not dismiss her. She is married to a worker in Beijing. I heard that her husband had some problems with

his legs. Anyway, she is honest and hardworking. I am always dissatisfied with my present conditions, and feel that there is still room for improvement. I have not married yet because I want to develop my career.

My father had urban resident status. He died when I was 10. My mother did not work and my big brother took over my father's job to support our family. In 1984, my second elder brother went to Zhanjiang, Guangdong province, with only 300 yuan. Now he owns a vegetable company with over 10 employees. From 1984 to 1994, he worked very hard to start the business. Now my mother stays with him and my sister works in his company. My brother has not married yet because he wants to be an entrepreneur and he is afraid to marry a wife like my sister-in-law. She was always dissatisfied with my big brother and looked down on him. My big brother then went out to do business but failed. Later he committed suicide by swallowing poison.

My family members are all very strong characters, with a strong sense of pride. My ideal is to open a great beauty salon in Beijing. Although I am now running two salons, this is still far from my ideal life.

Many clients always introduce men to me. They are all Beijing people, like university students, postgraduates, actors, etc. I immediately reject them if I do not like them. I think it is freer to be single than married. Marriage may hinder my career. I have a boy friend but we have not decided to get married yet. I told him, 'I do not have any resident status in Beijing, you need to consider this.' He said he knew, but it did not matter. There were so many girls with Beijing resident status but he liked only me.

You are treated unfairly if you do not have urban resident status. For example, several big hotels had invited me to open a salon there, but they withdrew when they found that I had no resident status. Once Friendship Hotel recruited staff and I was among the dozen recruited from several tens of applicants. I was the only one without urban resident status. The salary was 1000 yuan. But I still wanted to have my own salon, so I left after working there for a few months.

Once I applied for a subscription to an insurance scheme of the Chinese Peoples' Insurance Company. Again they rejected my application just because I did not have any Beijing resident status. I was very angry. The insurance company was named 'Chinese People' and not 'Beijing People'. Why? Am I not Chinese? I know I am more capable than many Beijing girls, but there are certain things to my disadvantage.

My mother is worried about my marriage. She feels sorry about my staying in Beijing alone, and my getting older. She wants me to stay with her in Guangzhou, but I think Guangzhou is a mess, Beijing people are more cultivated and knowledgeable. Guangzhou people always talk about money.

If everything goes well, I will achieve my goal in two or three years. It is better to learn more skills, so I have also spent a lot of money to learn driving. If my salon fails one day, I can be a driver. Anyway, if I rely on myself I can earn a living, right?

### **Interviewer's comments**

*Yu Hua is elegant, skilled, self-confident, and independent. She does not look like a girl coming from the rural area. She can speak beautiful Putonghua and dresses up well. She has professional training and a natural 'cultivation', so one cannot look down on her. She is the most successful and the brightest peasant worker among my interviewees. She has never lost her sense of direction nor does she feel puzzled about her career or marriage. Although she concentrates on her career, she is not a workaholic or a fierce 'iron lady'. She is beautiful, has a good shape and is very feminine. As a matter of fact, she is more capable than many Beijing girls. In the summer of 1995, Yu Hua phoned me up and told me that she got married to the Beijing boy friend. She was living with her husband and his parents, and everything was fine. She was satisfied with her marriage for her husband loved her and cared for her. All her family was satisfied with him too. Later, I was told that Yu Hua went abroad to develop her career. I tried to contact her but failed.*

*(Rural Migration and Gender, pp.319-20)*



# Personal Letters and Private Lives

 **Tan Shen**

Translated by Lau Kin Chi

## The Incident and the Letters

ON 19 NOVEMBER 1993, a fire broke out in the Zhili toy factory in Shenzhen. The letters analysed here were remains of the wrecks collected by Chang Kai, a friend of mine conducting investigations into the factory after the fire. The receivers and senders of the letters experienced the terrible incident, in which 81 (some said 84, some said 87) workers died and about 40 (some said 50) were injured. The letters stand as testimonies to the most ordinary life and work of these commonplace workers as well as their kin and friends. The whereabouts of the correspondents are not known – whether they are still alive, and if so, how they are faring. The letters had not anticipated the introspection of outsiders or the analyses of researchers. They were internal talks among the workers that came incidentally into the hands of a researcher, who then decided to offer the outside world a glimpse into their worlds.

## General Background

According to many studies on rural labourers seeking jobs in the cities, women amount to one-third of this labour force, and married women about one-third of the female labour force. The education level of the women workers is higher than the average education level of rural women of the same age group, but lower than that of men. Women workers from the countryside, usually referred to as *dagongmei*, ‘girlies on a job’, are mostly concentrated in the coastal cities. This has to do with their job nature, which is confined to jobs in township factories or foreign capital investment factories. Some researches find that most unmarried women go for a job on their own, whereas married women went with their husbands. For single young women from the countryside, leaving home may offer opportunities

to change their lives. From our interviews with workers in the Pearl River Delta, the two primary motivations driving them to work here are survival and personal development. There are also differences between men and women in terms of their motivations. Our researches in eight villages find that unmarried men leave home to work mostly to earn enough money to come back to the village to build a house and marry a wife. Whereas unmarried women go out to see the world as well as to seek better life prospects, including the possibility of finding a better opportunity to get married and settle down. Our researches also find that there are many cases of young people taking up an urban job and attending skills training courses and cultural classes, planning to accumulate personal assets for their future.

Yet, it is also the case that young women workers encounter more problems than men, and one notable difficulty is the tension between personal development and marriage. There is now a whole batch of unmarried women well past the 'normal' age for marriage, a phenomenon unprecedented in the village traditions. However, there are also changes in values in the rural area. It is found that the families of women workers are much more tolerant of the changes in their outgoing daughters; while families with nobody working outside tend to be rather negative about those that have gone out to work. This is so especially for the migrant women working in the cities who were seen as inducing shame to the family.

Our preliminary research findings are that with the relaxation of the rigid regulations restraining the mobility of the rural population under the planned economy, working outside one's home village offers relatively more space and choices to these people. Their migration and work in the cities enable many families to improve their living standards. On the other hand, women's disadvantages in the gendered division of labour and in the gender stereotyping confine them to low-paid, unskilled work. Yet we must also note that there are immense differences amongst women workers, depending on whether they work in industrial areas, as white or blue collar workers; whether they work in factories or in the service sectors. It also varies according to differences in their individual background, personality, and aspirations. It is, therefore, imperative for us to treat each person separately as an individual.

The swarming of peasants from the countryside to the cities looking for jobs took place from mid-80s to early 90s. Initially, they were regarded by the government as 'spontaneous and unorganised', and were subject to rather hostile control. Later, it was recognised that they had their contribution, and the government turned to adopt a management approach over these forces. For the residents living in the cities and towns seeing such an influx of 'peasant workers' from the rural, their feelings were mostly mixed. On

the one hand, the city dwellers became more dependent on these workers in their daily living, and yet they disdained them as elements of unrest and disruption. From mid-90s onwards, with the economic recession, peasant workers were seen as competitors for employment, and new restraints were placed on them in many places. Yet, in the Pearl River Delta region, peasant workers were much more accepted. Several millions had come and made a great contribution to the economy. In some developed cities and towns in this region, labourers from outside outnumbered local ones by a few times. In the Shenzhen Municipality, in 1996, the total population was 3.45 million, but only 0.88 million had permanent residents' rights. Of the 1.29 million labourers from outside, women were 0.836 million (64.8 percent), mostly concentrated in the manufacturing sector. Their average age was 23.

The women workers who were correspondents of these private letters worked in the Zhili toy factory in Kueicong Village, Keuicong Township, Longgang District, Shenzhen Municipality. The factory was a Hong Kong investment. In 1996, there were some 8,000 permanent residents in this township, 18,000 were from outside. Most of the workers at the Zhili factory were women. Of the over 80 workers that died in the fire, only two were men.

## The Letters

There were altogether 109 letters and 11 poems that the workers had written or copied. Of the 109 letters, 93 were addressed to the women workers, and 14 were addressed to their families, most were un-posted or drafts. Telling from the envelopes, most women workers had come from the Sichuan and Henan provinces. Of the letters, 19 were correspondences with parents or brothers, 22 with siblings working in different regions or factories, 44 with cousins, fellow villagers or schoolmates working elsewhere, and 10 with boyfriends. The letters were dated from November 1991 to 11 November 1993 (eight days before the fire accident).

Here is a summary of the contents of the letters and what they reveal about the life, thoughts and feelings of these women workers.

### 1. Discussion about employment

Many letters are exchanges about helping each other or relatives to find a job in the factory. They show that the workers were frequently on the move, trying to transfer to a different factory once they found the conditions unsatisfactory. Factors like low wages, arduous working and living

conditions (for example, only a bed with some wooden planks), hazards in the working environment (like poisonous gas), and personal conflicts, etc., drive them on the move. The letters revealed that intimate networks were crucial in supporting the women workers in coping with practical problems but more important was the affective support. In one case, an intimate network of five to six women workers was formed and they addressed each other as sisters and support was found in the mutual counseling and comforting over their daily problems. In another case, a niece wrote to the owner of letter no.1: "I heard that you have come here. On hearing this, I was very happy, but terribly sad too. Happy that you have arrived safely and we have one more kin here. Sad that you are as ill-fated as us, and cannot enter a good factory... I have a thousand, a million words to say to you."

The question of finding a good job was a haunting one. Some were distressed for not being able to offer help to their kin or friends. They might feel ashamed for not fulfilling their obligations or they feared misunderstandings by others. Letter no.14 said, "my younger cousin has not gone to a factory yet. How agonised we are over this! People not knowing the inside story might think that with two elder cousins in Guangdong, how could she not find a job, and they might mistake us for not offering help. A niece of mine wanted to come to Guangdong and we told her that it's difficult to find a job. But now she has come and has smoothly entered a factory. How her parents would think of this! I am real afraid my kin will misunderstand us."

However, contrary to what many outsiders think, the women workers felt that working eight hours was irregular, for that would only earn them a slight extra of 100 yuan a month. Working 11-12 hours was the normal practice, for overtime work would be paid more and so they could get 300-400 yuan a month. There were cases of working for 15 hours a day. In letter no.91, the worker said: "I am indeed too exhausted, too exhausted. Now my weight is only 41 kg." Yet her performance was the best among the workers for two consecutive months and she got more than 700 yuan of wages plus bonus. "Though this is too tiring, I can earn this reward."

The shifts from factory to factory appeared to be a way for the workers to change their conditions, as if they had some choice as a free labourer, and yet the conditions in different factories were much the same. Some letters expressed the disappointment of having to shift from time to time and yet remaining in similar conditions. As individuals, the workers had no bargaining power, but they perceived that their only asset was the free labour they could sell. So long as they could not escape from their status as cheap labourer, asking them to give up their freedom of movement could only be

a total deprivation of their rights. Hence we find that despite their knowledge that shifting from one factory to another did not help much, they still did not stop changing jobs and employment.

## 2. Sending money home

From some letters, it is revealed that some women workers sent money home to their parents, or to support their younger brothers to go to school, and also for the family to buy chemical fertiliser and trees. Two sisters exchanged letters about how they could help their brother go to university, and the brother sent letters (nos.59-62) to appreciate their support and the last letter informed them that he needed no more money since in June 1993, he graduated and got a job in Chongqing city. There seemed to be no coercion from the family on these women workers to send money home, and much gratitude was expressed for their contributions. However, amidst these voluntary sacrifices, generous giving and expression of family warmth, a gender bias is conspicuous. It is the women supporting men for further education and improving the family's well being. Yet most of the women took such self-sacrifice as their natural responsibilities and they took pride in this.

## 3. On marriage and love

About 20 letters mentioned emotional frustrations, love affairs and marriage considerations. The personalities and choices expressed by the different individuals were quite diverse. In letter no.68, the woman said, "I have never liked him" but she did not want to give him up because "he is very good to my mother." In letters no. 24 and 25, the woman said she had been compelled by her father to give up her first boyfriend. But when she met another man from Hunan Province, she simply did not inform her family. "I don't want to go home to confront them. If it is not father, then it is mother who would object." One other woman said in letter no. 101 that she felt her family conditions were rather poor and herself was not well educated, so she was "deeply grateful" that her elder brother and sister-in-law had taken the trouble of arranging her marriage. "I hope brother, sister-in-law and father will make the decision... I have nothing to say about this."

There were diversities in their attitudes to the question of marriage, and they tended to seek mutual advice and support amongst themselves. Staying away from home, there was more leeway for choices, and for the effects of greater openness in state reforms to be seen. However traditional values are still dominant like they all seemed to share some fundamental views about

the necessity to get married and have loyalty for the husband.

In general, the views of women workers on their working lives were relatively negative, but their experiences brought changes to their living habits, ways of thinking, hobbies and aspirations. The poems they circulated among themselves expressed strong nostalgia for bygone days and much homesickness. One poem reads, 'Last night I had a dream. I dreamt that mother came to my side. Her two hands holding her daughter's face, my tears dripping all over my face. Family reunion is celebrated on the last day of the last month, I am the only absent one. How much suffering and pain it is to be away from home!' Yet, while many letters expressed homesickness and the desire to go home, these women still stayed behind as long as they could in the factory. Most would eventually return to their village life after marriage, but these several years of experience would constitute a different frame of reference for their future life.

#### END NOTES

- 1 This is an abridged translation of the Chinese version of Tan Shen's paper published in *Asian Labour Update* (in Chinese), January 1999, no.2, pp.5-18.
- 2 For easy reference, the 109 letters are numbered.

# *Occupational Inter-flow of Urban and Rural Population*

 **Tang Can**

Translated by Lau Kin Chi

SOCIOLOGICAL THEORY has it that status groups proximate to each other exchange members through reciprocal mobility. However, in the past few decades in China, despite the growing proximity or a leveling of social status between workers and peasants, reciprocal occupational mobility has not been achieved. Not until the last few years with the implementation of reforms in the urban economic structure was the situation changed. The Asian financial crisis, as a significant factor, has helped in shaping such social changes.

## **Dualistic Rural-Urban System and Peasant Flow into Urban Occupations**

Since the early 1950s, the Chinese government had implemented strict control over the residence system in order to contain the excessive growth of the urban population and to prioritise resources for urban and industrial development. The government's rationing of daily necessities in the cities, together with the centralised organisation and distribution of urban employment and social welfare, also meant a near-total restriction of the occupational freedom and mobility of peasants to work in the cities. A dualistic separation of the urban and the rural employment was in place.

Yet the strict wall of separation began to be undermined in the early 80s. The people's communes were disintegrated and replaced by a system of contract production. Then there was the relaxation of the strict residents management system, and peasants were allowed to go to the cities for employment and commerce. In late 80s, the rationing system of daily necessities in the cities was cancelled thus opening further possibilities for peasants' survival and activities in the urban milieu. Since late 80s, a massive

number of peasants had been flowing into the cities. It was estimated that at the peak of the flow in early 90s, some 80 million peasants migrated to the cities for jobs.

Yet, before mid-90s, despite the massive flow of peasants into the cities, there remained a clear distinction of the occupational spheres between the migrant peasant workers and the urban folks. For the former, however long they might stay in the cities, their residential statuses remained rural which means that apart from some marginal occupations (the arduous, the filthy and the exhausting occupations that the urban folks refused to take up), they could not enter the mainstream urban employment sectors. On the other hand, the majority of the urban population was still under the umbrella of protection of the government's employment policy, so they could occupy the higher echelons of jobs as arranged by the government. For those who were forced to enter the free labour market, their educational and family backgrounds were still superior to those of the peasant workers, so they were not threatened.

### **Reform of the Urban Economic Structure and Pressure on Employment**

Since mid-90s, reforms were extended to the urban areas, affecting both state-owned and collective-owned enterprises. A large number of workers who had been enjoying job security under central planning all of a sudden became redundant labour. Unemployment became a serious problem. Although the Asian financial crisis that started in 1997 did not pose an impact on China as direct and dramatic as it did on Korea or Southeast Asia, it did put a brake on China's high-speed economic growth. In 1997 and 1998, the rate of China's economic growth began to slow down. Economic growth rate in 1997 was 8 percent, which was 0.8 percent decrease from the previous year. The 1998 rate fell by a further 0.2 percent. As the effects became felt, the 1999 figures were predicted to be on a further decline. In this same period, export growth slowed down, the volume of import-export dropped by 0.4 percent, and general export dropped by 4.8 percent. The domestic market shrank. In 1998, there was negative growth in the income recording a drop of 1.6 percent because of reforms on state-owned industries. The amount of retailed social consumer goods dropped by 6.6 percent in January compared to June 1998. Official estimates reported that redundant workers in 1998 amounted to 15 million, making up an increase of three to four million over the previous year. The figures are still on the rise.

## Breakthroughs in Status Distinctions in Labour Market

A large number of redundant workers flowing from state-owned enterprises to the free labour market has seriously weakened the superior and privileged status formerly enjoyed by the urban workers. Such a downward mobility of the urban workers brings them into direct competition with peasant workers from the outside. On the other hand, many migrant peasant workers have entered the urban labour market for over a decade, their employment has become more structured in that most of them are occupying marginal or lower echelon jobs. Some of them have accumulated urban occupational experience or capital to become either self-employed or even private entrepreneurs.

This places them in a more advantageous position compared to the newly redundant and laidoff urban workers. These were fresh latecomers entering the labour market. Cases of urban folks, swallowed by the swirl of downward mobility, thus having no choice but accepting employment from new bosses who are peasant workers turned self-employed or private entrepreneurs, are not uncommon these days.

I conducted a study into a wholesale market of daily commodities in Beijing. The market sold cheap daily commodities manufactured by rural industries in Zhejiang and Jiangsu provinces. Most of the stall owners were migrant peasants, but still quite a large proportion of them were redundant workers from state-owned enterprises. Some of these workers had worked in very prestigious state-owned enterprises, but once laid off, they received only a minimum living allowance. Faced with a difficult livelihood and a lack of competitiveness in the market, their 'descent' to working for peasant employers was a reluctant and difficult choice they could not help.

A dramatic story illustrates the reverses of the urban-rural statuses and the shifting of occupational boundaries. When our research team conducted a study of peasant workers in the urban garbage collection business, we came to be acquainted with a relatively well-off migrant peasant from Hunan province. After working about 10 years in the cities, he had accumulated a wealth of two to three million yuan from collecting waste and garbage. In the past, he provided waste paper to a pulp factory in Beijing. To protect his position against other rivals in the business, he shared some part of his profits with some people from within the pulp factory. In 1998, due to structural reforms, the pulp factory was closed down. In reciprocity to the people who had given him opportunities and resources, he employed three laidoff staff from the pulp factory, giving them each a monthly salary of 1,000 yuan. The statuses of the three Beijing workers and their new Hunan peasant boss have reversed.

## **Social Significance of Occupational Inter-flow**

Firstly, with 20 years of rural reforms, some migrant peasants have achieved upward mobility in terms of improving their occupational and economic statuses; whereas a large number of urban workers have lost their privileged positions in the marketisation reform, and fallen for downward mobility.

Secondly, the effect of the Asian financial crisis in propelling the occupational inter-flow between the urban and rural population in China causes us to realise that economic globalisation will penetrate into the economic, social and even political spheres of every individual country.

Thirdly, a closed status system had created a group of privileged urban workers who enjoyed a higher social status against a subordinate rural working group. The lack of inter-flow between these two major groups induced a series of urban-rural conflicts. While the granting of residential status in the cities is still in effect today thus keeping the distinction between city people and outsiders intact, occupational inter-flow between workers from the outside and the inside keep increasing. This has created a social buffer zone similar to the lower white-collar class in the West. Peasant workers from the rural may transgress their peasant status and move upwards in the cities by their own means. Taking advantages of the changes in the larger situations, their entering this twilight zone, that is, the lower echelons of the urban labour market, may help them attain employment opportunities and occupational statuses equal to some sections of the urban population. This will have positive impact in lessening the conflicts and undermining the hierarchy between the rural and the urban workers.

Lastly, while occupational inter-flow may narrow the gap of social status between the urban and rural workers, it will usher in a different kind of contradiction between the two sectors. Rivalries and clashes of a new nature are on the rise in the labour market. Urban workers who have previously enjoyed social and psychological superiority will have strong frustrations; and clashes with the migrant peasants in fighting for jobs in the free labour market may aggravate.

*Tang Can was invited to present on China's rural-urban migration in the Indonesia workshop held in Lembang, 16-25 September 1999. Problem over her visa kept her from joining the workshop. This is the paper originally prepared for presentation in the workshop.*

# *Conditions in China After East Asian Financial Crisis*

## Interview with Feng Xiaoshuang and Tang Can

*[An interview with Feng Xiaoshuang and Tang Can was conducted on 7 January 2000, in Beijing, by Lau Kin Chi and Sit Tsui. The text was recorded by Sit Tsui and translated by Lau Kin Chi.]*

**Tang Can (TC):** My brother-in-law worked in a Chinese restaurant in Thailand, and I went there some time ago. My impression is that the impact of the financial crisis on Thailand was severe. The sudden downturn for many in the higher echelons, such as managers, was too much for them to cope with psychologically. In China, the situation is rather different. With soldiers, workers and peasants lined up in that order, workers enjoyed a rather high political and social status. Even now, with the change of circumstances, there are still minimum guarantees for workers in the lowest echelons.

**Feng Xiaoshuang (FXS):** Before 1978, there were strict restrictions preventing peasants from going into the cities. Unless they got a job in the bureaucracy, or joined the army, or worked as domestic maids, they stood no chance of leaving the countryside. After 1978, peasants were the first to benefit from the reform. In the past they were usually on a half-empty stomach. After 1978, their stomach could be filled. They even had the freedom to take a job in the cities. However, in the 90s, peasants found that it was not at all easy for them to reach a fair standard of living. It has in fact been dropping, and the countryside is now confronted with two key problems: one is pollution, with piles and piles of plastic sheets and wastes, and the other is heavy burden on peasants who cannot make ends meet. In the past, some peasants took an urban job in order to earn some extra money, but now, it has become a must for them to survive. In one word, poverty reigns over people's lives.

TC: There used to be security for urban workers in their employment and retirement. However, workers' welfare has been cut, and what used to be full medical coverage by the state is now turned into a tripartite sharing of costs: the state, the enterprise, and the individual, and only serious illnesses are covered. The saying now goes that "birth, ageing, illness and death were all taken care of (by the government), but now one is all on one's own." Workers generally do not have any sense of security, and they are prepared for worse to come, so they refrain from spending money because what is to happen in the future is unknown. The financial crisis aggravates this sense of insecurity, since the export-oriented policy does not work, jobs are being cut, and more and more workers are laid off. Now, what urban folks fear most is to fall ill. The sense of livelihood security offered by the TV and the fridge is gone. In the 80s, prices soared and workers were very discontent, and their anger aggravated. But the government knew how to gradually divert the discontent. 'The 20 years of reform kills bit by bit.' On the other hand, white collar workers enjoy more privileges, such as state-funded education abroad. With social differentiation, turmoil or unrest is defused.

FXS: The minimum security for urban workers now is RMB 270-300 yuan. Workers are psychologically prepared, and gradually they lose their temper. During the Cultural Revolution, one could take pride in not being educated. Now, workers understand it is the age of knowledge, skills and expertise, and they can have only themselves and the government to blame for their lack of education or skills.

TC: Yet, unlike the case in Thailand where the downturn was drastic, in China, the turn was from a low level to a yet lower level. That made it easier for Chinese workers to adapt to the new situation.

FXS: People can only find means of survival on their own. We now have something called 'family alleviation of poverty', with the old supporting the young, since the old still receive a pension. For example, many workers in a factory in the Northeast were made redundant, and they survived on their parents' pensions of 400 yuan a month. For the workers, the priority is to survive, and the nature of jobs comes next. In Beijing a former state-run food store has been converted into a restaurant, and the manners of the attendants are now very good. It takes some time to adapt to the new situation. For example, in the past, lowly jobs like street cleaners were not taken up by Beijing workers. After 1998, it was stipulated that only local Beijing residents would be recruited to the job of cleaners. In the first few

days, not one Beijing worker applied for the job. But now, there is a demand for this job. Outside my home is a newspaper vendor. If he sells 50 copies a day, he can earn 400 yuan a month. At the beginning, he pulled down his cap to cover his face and dared not look people in the face. Now he is used to the work and behaves normally.

TC: In a word, the situation is worst for the peasants. They are vulnerable because they have no housing in the cities and they have no residence right. No wonder peasants say, 'Zhu Rongji cares only for redundant workers and no longer for the peasants.'

FXS: Before 1978, it was said that all workers were on the same par, there was no differentiation between high and low or between the noble and the mean; it was only a different division of labour with everybody working for the revolution. Now, workers have come down from 'master of the country' to wage-labourers, but there is no other way for them since they need to survive. Now they say, if they can serve a capitalist boss, why can they not go a further step down to serve a peasant boss? In the worsening situation, women are more courageous in confronting with the difficulties of life, and are more realistic. Another social phenomenon is that there is now more pressure on the kids in their education, because workers hope their children can go into the university and with education and culture, they can get rid of their destiny as a worker.



PART B



**Alternatives in Action**



## People's Alternatives Roundtable Discussion

*The following is a dialogue conducted between three parties engaging in different community projects and networks in the region. They are Menno Salverda from the Thai Community Currency System (TCCS), Somkiat Pongpaiboon from the Assembly of the Poor (with the kind assistance of Pravit Rosanaphruk as translator) and the People's Planning Movement represented by Krishna Kumar from the KSSP. The dialogue took place in the lobby of the hotel in Lembang where the workshop was held. It was conducted in the hope that closer connections could be drawn between the three communitarian experiences in terms of their organisation capacities and the dynamism in their translating the national, regional and local struggles at different levels. The discussion was facilitated by Lau Kin Chi and Jeannie Manipon from ARENA, and presented in extracted, written form by Monina Wong.*

How is the micro struggle connected with the macro scenario?

**Krishna Kumar (KK):** In every country, there witnesses a catch-up with the new paradigm shift. Resistance movements against neoliberalism in various forms yet different from the traditional leftist approach are going on. In such a light, responses to the financial crisis are different in different countries depending upon the manner the crisis is felt. Despite the diversities, on the other hand, the grand paradigm of neo-liberalism imposes and expands itself beyond the limits of national markets, thus questioning the meaning and intactness of national boundaries. How can we add up all our diverse, micro resistances to form a macro front against the new paradigm is the question.

In the post world war years, UN had played a role between superpowers, between the US and the USSR for instance. That failed and nonalignment movements came to the scene. Now with the bipolar structure gone, we find neoliberalism breaking all doors, arriving triumphant. Market is the

totality and the US is the only world leader. Yet this is also the time when alternatives were talked about and practised most in the last 20 years. However, these micro (talks of) alternatives have not developed into something macro, nor has a macro framework evolved from their experiences. There is a necessity to add things up.

For instance regarding the financial crisis, we think and respond differently, but what is the larger perspective? We can start with small things, or concentrate on specific aspects like labour, gender, or the environment to look into the impact of neoliberalism.

**Menno:** We have learned that economics is not something in itself. The political aspects should not be neglected. We need not start from the economic, some of our presentations start with the political and link up all other issues like the social, gender, economic, etc. Similarly some issues offer good starting points for making linkages at different levels, like food security.

Viewing from the local level the impact of global capitalism and macro institutions, it makes clear that fighting on our local everyday aspect against the WTO and the MAI for instance, is important and not without fruitful results. Despite the diversities in the approach and the different tools used, micro resistances against neoliberalism have similar goals and objectives towards attaining greater self-reliance in the communities, We can link up and learn from our differences.

**How can the community currency project act as a tool towards forging a linkage between the micro and the macro?**

**Menno:** Community Currency System (CCS) can first be a buffer, not only a band-aid to a wound. But it opens the door to a new development paradigm, not only a different practice system. Of course we need a lot of things to change the whole global economic system, but community currency can be a start. It may not be as political as the People's Planning Movement. They are more upfront with the political authority. But the CCS does have a political edge: through direct buying and selling, through the setting up of an alternative monetary system which allows farmers to have their own management over their resources, the political power of merchants of goods and money, as well as bankers can be weakened. This is the case in Thailand. CCS can be practised as a tool to sideline the economic powers, thus it is also a political tool in that sense. If that could spread across different communities, it will become something that catches the eyes. But it will be a slow process.

If the CCS is not only a tool to isolate the community from the mainstream economic system, if it is not only a tool for building more self-reliance if it is a new way of facilitating more inter-dependence within the community where there is less hierarchy and more equality, what is the new economic paradigm that can emerge from the CCS?

**Menno:** The practice of the CCS provides a better base to inter-dependence and responsibility. If you have more access to and dependence on local resources, you have more responsibility to producing good and healthy products. Trust and commitment are needed. The message thus sent to the macro economic system is: we don't want to put our trust on the macro world market. We do that at the local level. In boom years we lose but we still survive in bust years. We create a much more valuable economy which is not just based on economic values. We have inter-dependence and trust on each other. That means you would want to help your community members especially when need arises. But if you buy and sell in the world market, you don't know nor think of helping your fellows out there. This sense of forging relationships can be the entrance point to a different economic paradigm.

How in practical terms does the CCS get itself going towards that goal?

**Menno:** Through ruling out outside merchants and bankers and that is itself a political statement. Money is power. Your dependence is on community members not on people you don't know far away. In the community, you know what's going on and you know people there can be relied on if there is enough trust. It's like stopping the leaking of resources from the community, plugging the holes in the community, but not doing it in the form of legislation nor isolating the community. We can attempt this without the intervention of political parties. The community can be the base to build a local economy which can turn out to be a buffer between the micro and the macro.

**Somkiat:** In the past years, the activities of POs and NGOs put much stress on new ways of fighting for and managing resources. This stemmed from the fact the money was still over-concentrated in the hands of politicians and business people. On the other hand, we didn't see any increase in the provision of social welfare in the society. In the coming years, the management and distribution of national resources will be the most contentious issue of struggle.

NGOs and POs in Thailand are preparing for that battle. What is pushed in the public is the set up of minimum social welfare security as well as the establishment of a front to help poor peasants. Elsewhere amongst the more than two million urban poor, they have come up to demand the rights to occupy land, they have come up to lobby at different political levels, they have set up a fund to support various reemployment programmes which was allocated to farmers, the urban poor, grassroots organisations, building of alternative agricultural network, etc. The Assembly of the Poor is not about blocking roads, holding demonstrations only. We plant the seed of practising alternative agriculture to Thai farmers. The trend of putting up images of farmers as beggars asking for money from the government has passed. We want to show that farmers are able to build a sustainable livelihood.

It is clear from other examples like the People's Planning Movement that there is parallel work being done elsewhere but it's a pity that no linkages are forged. If we do not link up our struggles, we can't form a global sweep against globalisation. Without this networking of not only resistance movements but also alternative practices, we are limited to opposition alliances, say against the WTO only. But we need to show that there are alternatives that are feasible.

Besides, the lesson of community building is important. Self-reliant communities may fall victim to neoliberalism without enough critical awareness. We have been talking about building new structures and relations in the community, but not enough on how to prevent the penetration of neoliberalism to the local level.

This shows that we do not have enough alarm about the imminent dangers and a lot of understanding is needed towards building a dynamic view and network that is not static but keep changing with times. Two participatory researches can be done to inform the grassroots about how to deal with the global reality. Confronting them with the global picture will challenge them to see beyond the micro and care about what happens in the world surrounding them.

The issue now touches on the difference between the movement of political opposition and the movement for communitarian alternatives. You mentioned that the Assembly of the Poor is not about demonstrations on the street only but thinking for a new alternative. But the Assembly of the Poor starts off as a resistance movement, how are you able to unite on the agenda of building alternatives? How are the tensions between opposition politics and communitarian alternatives building resolved? This is a common problem in many movements.

**Somkiat:** The birth of the Assembly of the Poor as Forum of the Poor (formed in 1995) was a result of people's opposition to policies and projects. It was over the conversion of land in the first place. The question became whether the affected farmers should succumb and end up losing their land. And when the price of a major crop plummeted and the government refused to stabilise the price and instead offered to buy from the farmers the crops at a very low price, the farmers realised that there was a limit to the demands they could make and to the things they could get from the government. They turned to NGOs for help in shifting to organic farming and this was a turning point for the birth of the Assembly of the Poor.

The question of tension between opposition politics and community building movement is relevant in a case in which there was a debate within the Assembly of the Poor over whether to demand from the government a bill to protect the fertile land in the centre of Bangkok. That created a split with opposition from both farmers as well as NGO people who had land titles in the target area because if the bill was passed they could not sell their land for other uses at high prices. That raised much controversy even amongst NGOs. On another occasion, we had collisions with a popular environmental NGO in Thailand over the development of the watershed area. The environmental group held the view that the area should be conserved. The Assembly of the Poor insisted that if people could live in a sustainable way with the land, practising traditional agricultural methods, the land could be used for agricultural development. What the Assembly of the Poor opposed to that environmental NGO was their sticking to the western concept of environmental protection, which might result in the migration of 15,000 hill tribe people in the area. The Assembly of the Poor would stick to the poor in any case not to the middle class approach and the appropriation of western concepts. To resolve the conflicts, we conducted voting amongst the chefs. On many occasions, the controversies became so heated that some members pulled out. But we had not more than 2 percent of those who had lost in the vote pull out. It was a heated debate about how to choose between the poor and the environment.

**Pravit:** Talking about the increasingly active role of the middle class in Thailand, 1992 is a turning point. The Thai middle class makes up less than 20 percent of the population in the urban areas. Suddenly they realised that they had an identity and a larger role to play in the society. The May event of 1992 alerted them to the need for protection of their interests, the need to stop the deteriorating living standard, and the need to stop the worsening of the urban physical living conditions as suffered from traffic jam and pollution. This was a new realisation dawning on the middle class

that one day they had to link with other classes in the society. Many forums were conducted not only in Bangkok but other provinces as well and this saw the emergence of a wider network. Besides these immediate concerns, we also expect to see an undermining of the chauvinistic urban culture as more and more middle class people are made aware of the hill tribes' protests that burgeoned earlier. The hill tribes are deprived, second class citizens, they could not travel outside their provinces. These protests confronted the middle class and the educated elite about the nature of development in Thailand. And there is the sex industry. The sex workers have always been voiceless. They are never interviewed in the media. They are the silent majority. But they have started to organise themselves now.

**KK:** For us in Kerala, we are facing the question of priority. Should resistance be taken in form of opposition? When we talk about seeking new paradigms, and new strategies of conducting politics, we tend to dichotomise things into either political opposition or alternative and community building on the other hand. I want to emphasise the importance of education in this search and the three elements should strike a good balance in any struggle. We don't do away with politics and political parties in Kerala. We talk about that and we deal with that in our work.

But we are also into seeking new possibilities for engagement strategies. One way of doing that is through education, arousing debates about fundamental issues and getting them communicated and disseminated to the grassroots. We are dragging down issues to the streets, not confining them to conference halls. We change the nature of debates thus from intellectual ones on development models to palatable forms on street and village levels. In this way we forge a linkage between the professional and the people. We go to the villages to talk to people on topics we know, like astrology in simple terms to combat people's superstitious beliefs. This kind of debate on fundamental beliefs has to take place in communities to create an alternative pattern in the long term. Seeking for alternatives is not an immediate response to crises, it is also the building of an alternative vision, of a new outlook which has different components, of philosophy, economics and politics. It's more of a long-term business. In building a new world and paradigm in Kerala, education is very important.

That comes to the question of the linkage between the intellectuals and the grassroots. Tensions exist. In the case of the Assembly of the Poor, intellectuals take up the advisory role. Is there another role than that?

**Somkiat:** Even within the advisory board, there are opposing views. Some

believe in resting the decision-making with the people, letting them decide things for themselves and by themselves. The intellectuals will provide the assistance, advice and accessories. Others believe that intellectuals and activists should leave the people to themselves. The longer the delay in letting them decide, the longer would their suffering prolong. Three different forces and levels of decision-making mechanisms thus emerged within the Assembly of the Poor.

- There are NGO volunteers who would help organising the grassroots upon direction taken from the two boards, the board of advisors and the board of chiefs.
- There are advisory groups giving intellectual analyses and advice.
- There is the board of chiefs, some of them represent the opinions of the farmers.

After five years of trial and error, the grassroots are more confident in making decisions for themselves and sometimes the proposals of the advisory board would be turned down. We also conduct political schools in this regard.

**KK:** Tensions between the intellectuals and the grassroots are always there in our movement but there are ways to resolve them. Some 25 or 30 years back when KSSP was still small, a split was created over whether to start community movement at the village level. Some organisers thought that would politicise the organisation and they pulled out. Tensions between intellectualism, meaning both the intellectual and the political elite, and activism never die down. Now we try to keep the two poles together through continuous interactions. Nobody can sustain a movement organisation with just intellectual work. We are all members of the community despite our being state leaders and representatives at the same time. Even the state leaders must perform their job in the community. Other forms of tension exist between the activists and the grassroots. It is natural for people to lie back and rely on others who are more committed. We must have greater decentralisation. Except for the extremely important state policies, we transfer the rest to local level participation. To do this, intensive training programmes for local leaders are needed. Participation on the one hand and listening to voices from below on the other hand, has to be regularised as habits in a hierarchical society like ours. Vanguardism is obsolete, it's not working any more.



## *Grassroots Trading Initiatives in Negros and the Philippines*

☪ **Raymundo G. Tenefrancia**

THE STORY OF ALTERNATIVE trading started in the island of Negros situated at the central part of the Philippines in the islands grouping of Visayas. Negros is the fourth-largest island of the country lying between the islands of Panay and Cebu. It is politically divided into two provinces. The northern and western portions of the elongated stretch of land shaped like a man's foot is governed by Negros Occidental while the other half by Negros Oriental. Both are first class provinces. It has an aggregate landmass of 1,331,329 hectare with a population of 3.2 million. It has nine cities and 48 towns.

Negros is considered the sugar bowl of the country being the host of largescale production of premium sugar as well as fishing and mining. Other industries include prawn farming, canning, alcohol distilling, confectioneries and ceramics production.

Agricultural crops grown in Negros besides sugarcane include rice, corn, coconut, fruits, vegetable and root-crops. While the land is rich in natural resources such as copper, gold, lime, silica, sulphur, gypsum and iron, the majority of its people wallow in poverty. The rich are few yet they own most of the lands of Negros and they are among the elite of the country.

British capital turned Negros into a vast sugar plantation supplying the sugar needs of Europe as early as the 19th century. Integration of the Negros economy to world capitalism came early. Modernisation of the sugar industry was introduced by American capital during the early years of the century. Negros elite were among the first to recognise the American colonisers after the defeat of Spain in 1898. Organised peasant resistance against colonial rule never died down in Negros until the 1920s.

## People's Movements In Negros

The people's movement of Negros had been historically militant since the Spanish colonial years and during the American and Japanese imperial occupations. In the late 70s, organised resistance at the countryside took a massive swing in response to the oppressive Marcos dictatorship. Sugar workers' unions at the hacienda levels sprouted, demanding the implementation of the basic minimum wage law. Progressive members of the church sector were the most active in organising the workers.

Filipino people demonstrated their collective power in February 1986, sweeping the Marcos dictatorship out of power. Corazon Aquino took power and much hope for reforms was in the air. However, she squandered her cards, gave away the high moral ground and international respect she commanded. Promises were broken especially that for a genuine land reform and the repudiation of the national debt. The land reform law passed was rigged in favour of landlords and big businesses.

The peaceful EDSA revolution, however, did provide space for voluntary organisations to assist the disadvantaged groups in the society. Consequently, there was unprecedented growth of non-government organisations (NGOs), people's organisations (POs) and self-help groups doing a wide range of activities in both urban and rural areas. Yet, 1986 was the darkest period in Negros history as the sugar crisis picked-up the highest toll.

The collapse of the sugar industry brought havoc and the worst hit was the sugarcane workers and *sacadas*. *Sacadas* are migrant workers from neighbouring islands who dreamed of escaping poverty but had no other options. They ended up working at the Negros sugar plantations. Landlords paid these near-slaves at exploitative wages.

In face of the sugar price slump, landowners abandoned their land as the sugarcane cultivation was no longer profitable. This shook the country. Then, aid campaigns launched by the media as well as the conservatives dominated Catholic hierarchy galvanised sympathy.

Organised masses then occupied idle plots abandoned by the landlords and they planted food crops for survival. These abandoned lands were distributed as farm lots by their organisations. The international community responded and aid trickled in droves to Negros. NGOs and humanitarian groups of all hues supported grassroots efforts for survival. Various livelihood programmes were set up.

In the later period of the Aquino administration, war troopers and machinery was unleashed to crush insurgencies in the island hinterlands thus creating massive dislocations and evacuations of the hinterland communities. When the world sugar price picked up, sugar barons, assisted

by military forces and right-wing vigilantes, seized back the occupied lands from the workers.

Among the humanitarian groups that came to the picture was the Japan Committee for Philippine Concern (JCPC) which formed the Japan Committee for Negros Campaign (JCNC). This gave birth to the Negros Relief Rehabilitation Center (NRRC) which undertook the task of rehabilitating communities affected by the massive militarisation and bombings at the local level.

During these turbulent struggles with the Aquino government, the landlords and the armed forces, people's organisations assisted by various NGOs made scores as they won legal battles over the watered-down land reform laws. With the influx of humanitarian aid, previously occupied and the legally won lands were made productive. However, it was noted later that there was an absence of market to absorb the lands' produce and the communities' products. These ranged from handicrafts to crops as resulted from the big livelihood programmes launched by different NGOs.

It was when grassroots interventions carried out by NGOs and even government-assisted programmes in the form of grants drove cooperative ventures into failure. The POs were not prepared to take over the large amount of money that flooded into the rural areas at too fast a rate. An estimated 95-98 percent of the cooperative ventures failed throughout the Philippines.

The dynamic partnership between JCNC and NRRC then came to the recognition that assistance in the form of relief and rehabilitation may not be sustainable. This gave way to series of consultations between partners to explore workable solutions to the recurring problem of the distribution and better utilisation of assistance.

The consultations paved the way to an unconventional development concept of 'trade not aid' as a means of developing communities. The idea was to sustain partnerships with the people's organisations in Negros while venturing into commodity trading. This development concept allowed both NRRC and JCNC to explore on alternative way of trading. It should be totally different from the traditional business practise of accumulating profits for the producers and the traders. It should aim at exploring alternative trading and business arrangements that ploughed back profits to the producers themselves, i.e. the farmers or the collective groups represented by the people's organisations.

As negotiations progressed, in order to concretise the 'trade not aid' concept, new organisational structures had to be installed. Thus in 1987, Alter Trade Corporation came into existence and later JCNC formed Alter

Trade Japan (ATJ) in 1989 to handle the commodities imported for the Japanese cooperatives.

1986 marked the beginning of the Negros Council for Peace and Development (NCPD) to serve as the Negros regional consortium of NGOs, cooperatives and territorial groupings. It served as a forum to synchronise, interrelate and promote collaboration programmes and services by different NGOs and people's organisations to address its multi-prong development agenda. It also served as an effective venue to coordinate their individual initiatives and social interventions, thus, maximising scarce resources and expertise. This is to prevent programme duplication, enhance information sharing and encourage inter-agency collaborations.

Different NGOs were tasked to take the lead initiatives based on their respective field of specialisation to complement NCPD's development approach. Alter Trade Corporation (ATC) was mandated to develop market for various people's products through alternative trading and marketing.

### **From Negros to the Philippines: Mission and Philosophy**

Alter Trade is an alternative business enterprise committed to the task of building a nationalist, pro-poor, scientific and sustainable development that is just, humane, equitable and friendly to Mother Earth.

Alternative means a choice and a decision in solidarity with the people through trading and marketing. It intends to manage the comprehensive complex process of production, procurement, selling, distribution, promotion including its functional services of research and development, banking and finance and transportation to address the purchasing demands for quality goods and services of consumers.

Together with the people, Alter Trade commits to the task of alternative trading and marketing towards rural and urban development thus paving the way to an alternative economic system. The vision for an alternative economic system also embraces efficiency and high productivity attained by a balance and rethinking of the free market and the planned economy approach. This will enable both producers and consumers to engage in the most favourable and enhanced trading conditions.

It recognises the fact that the masses are the makers of history. Thus, the transformation process guided with clear directions enhances initiatives for democratic participation and self-rule. Thus, Alter Trade is responsible to the producers, i.e. the organised sectors and the cooperatives. It is committed to setting fair prices for their products. The organised sectors

shall benefit most. Therefore, economic surplus realised must plough back in the form of technology researches and the provision of services.

Alter Trade is likewise responsible to its customers, to satisfy their needs, wants and expectations for high quality products. It recognises the fact that it serves both the local community and the international community, and that the local is also part of the international. It recognises differences in the framework, orientations and production procedures. Thus an open attitude to accommodating differences is coupled with a sense of consolidating unity.

The people inside the organisation are the priceless assets of alternative trade. Because of this, participatory management is practised which creates and develops a deeply shared vision and commitment in boom and bust days. Alter Trade advocates a team character and team culture for a highly personalised service motivation.

To realise its mission, Alter Trade sets three goals:

- Goal 1: To empower the people;
- Goal 2: To create impact on society through a variety of sustained micro-interventions;
- Goal 3: To reap fair and just rewards from the production to the distribution line and enable an equitable distribution of the surplus.

### **Operational Mandates of Fair Trade of ATC**

In the beginning when Alter Trade was set up in 1987, the parameters of the so-called 'fair trade' concept were not clearly defined. While the fair trade concept was gaining headway as early as the 70s in Northern countries, especially in Europe, Alter Trade was kept unaware of the trading and operational implications of the practice of fair trade.

Consequently, Alter Trade then adopted a management style highly bendable to the external environment, that is the export market. There were minimum levels of control in its day-to-day operations. The ad hoc management does not have an operational system since there were modest resources for its work. There was no room for long-term planning. Added to these, pressure came from the tradition of the Filipino people's movement which cast much suspicion on activities deemed as capitalistic.

As Alter Trade reached out and broadened its horizon in both the local and the international spheres, it established critical contacts through advocacy and solidarity works. The strategic linkages helped to define and operate its mandate to engage in 'fair trade'.

Alter Trade defines 'fair trade' in terms of two components, both economic and social. The economic component deals with enterprise building relating to quality, technology and product development. The social component concerns with partnership building that sustains relationships amongst all the stakeholders in the trade like the grassroots communities, people's organisations, consumers' cooperatives and its partners on the marketing side.

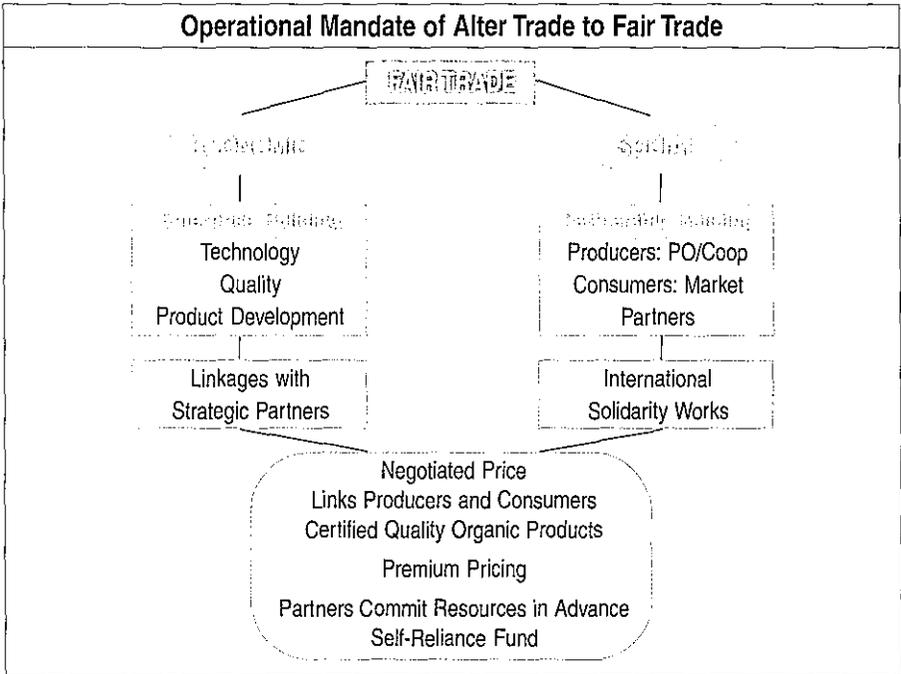
To sustain both the enterprise and the partnership building, it entails collaboration and cooperation with different local and international organisations through the establishment of linkages with strategic partners, and the launching of campaigns through international solidarity works, so that both producers and consumers become highly educated on the socio-economic issues affecting Alter Trade as an institution.

Among the tangible effects of these partnerships building are as follows which are manifested in the form of socio-economic benefits:

- Trading partners are able to come to terms over the negotiation of prices on Alter Trade products.
- Producers at the grassroots are linked to consumers and the market.
- Alter Trade can take the initiative in setting the premium prices on products of high quality standards.
- Alter Trade partners, that is the buyers, are able to commit resources in advances to process quality products.
- Consumers are more conscious about the need to contribute more to support the setting up of a Self-Reliance Fund.
- Alter Trade provides support services to PO-producers and enables them to engage in socio-economic activities.

**Enterprise Building.** The shared vision between both JCNC and NRRC that nurtured the 'trade not aid' concept drove the search for symbolic commodities to sell to export markets. In 1986, NRRC representatives attended the banana boat conference in Japan that addressed the problem of health hazards of bananas imported to Japan from Mindanao's chemical-dependent plantations. The conference unmasked as well how multinational corporations manipulated third world countries in producing bananas. This exposure experience reinforced the 'trade not aid' concept on the Negros representatives' part; and that pushed them for actual realisation when Japan consumers' cooperative later announced their intention of importing natural and organic food from the Philippines.

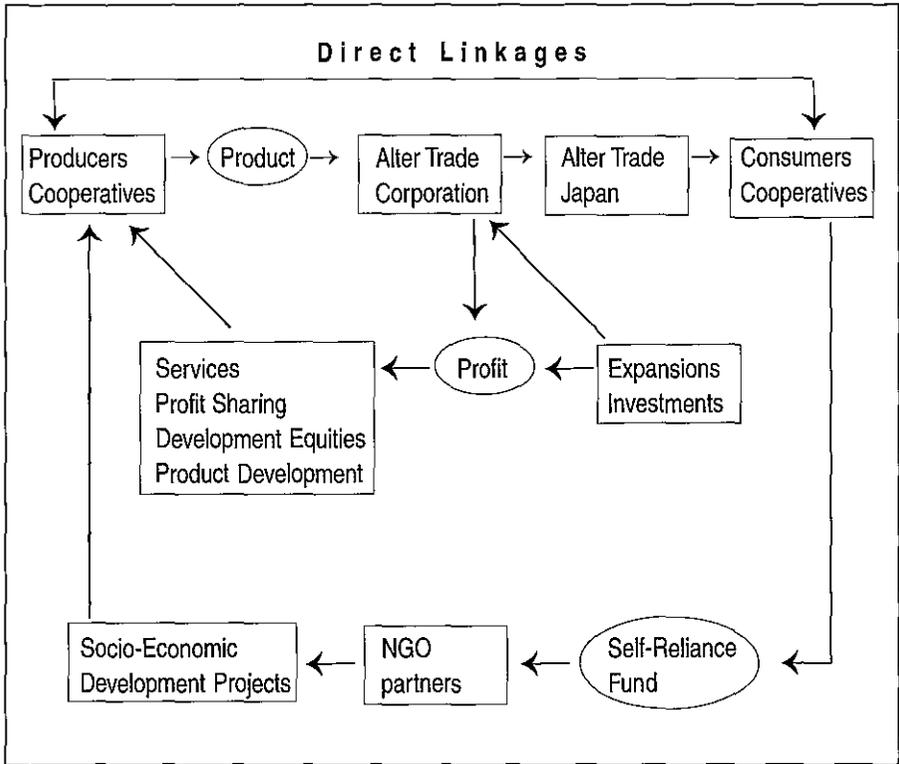
Mascobado sugar was chosen because it symbolised the sugarcane workers' struggle in Negros. This move was aptly made at the height of the sugar crisis in Negros. The first shipment to Japan was made in 1987. The



consciousness of the Japanese consumers for the meaning behind this symbolic product was an encouraging sign as Mascobado became a mascot that helped in further fund-raising campaigns organised by JCNC for Negros. The next shipment was sent to Switzerland through the OS3 network. The OS3 introduced Alter Trade into the network of the European Fair Trade Association (EFTA).

After a year, it was realised that the Japanese market was not fond of sweets. Thus, Mascobado had limited market for Japanese consumers. Banana was explored as a possible agricultural commodity. In 1989, trial shipments of different varieties of bananas were made to identify the species that suited most to the Japanese taste. Balangon was chosen among the ten varieties. Balangon is among the wild bananas growing on foothills in Negros. These bananas are not popularly consumed locally but its aromatic and sweet-sour taste was found desirable to Japanese palates.

**Partnership Building.** This happened at two levels: the producers and the consumers' groups. While it advocated socio-economic reforms, Alter Trade also institutionally engaged in alternative trading to push its mandate to empower grassroots communities towards self-reliance in the long term.



The establishment of a Self-Reliance Fund (SRF) through advocacy efforts is one of the clear indicators of socio-economic success of which Alter Trade is proud of. It cultivates local partnerships and linkages with groups that have expertise on areas where it lacks the capacity. The local partners include NCPD, TTRC, DALO, PAP21, PAT, PFTAC, UPLB, CORDEV, LLAFF and NASSA.

Partnerships building activities involve:

- The development of critical local and international linkages that strengthen AT C's position to advance the integration process that is aimed at linking the production and marketing functions.
- Making conscious choices and giving recognition on the part of Alter Trade as critical in any socio-economic endeavours.

Producers are provided support services at the production level until the commodities reach the market and are finally traded thus closing the production and marketing loop. Through partnerships, Alter Trade is able to advance its purposes of advocacy on issues related to agrarian reforms, environmental regeneration, human rights and gender, in the long run, thus stretching the project beyond mere trading.

## Grassroots Communities in Sustainable Trading

There are two flagship commodities traded by Alter Trade internationally: Balangon and Mascobado. Currently, despite the fact that the bulk of its activities are geared towards international trading, Alter Trade firmly believes that the development of the domestic market that is self-sustaining and self-generating is core to alternative trading and marketing. The international trade component generates the necessary surplus to subsidise, expand, stabilise and create new industrial initiatives to strengthen the domestic marketing component.

### 1. The Balangon Programme

The banana export activity provides around 60 percent of the revenue of Alter Trade. There exist around a hundred cultivars (varieties) of bananas in the Philippines. To Filipinos, *latundan*, *lakatan* and *saba* are the most popular varieties while *balangon* along with *morado*, *serita* and cavendish come in as substitutes when popular varieties are not available. The Japanese cooperatives' choice for Balangon comes as a blessing since it does not compete with local consumption.

Balangon bananas are growing mostly wild and untended on the sloppy hills of usually forested areas. The Japanese find the aromatic sweet-and-sour taste desirable, yet Filipinos known to have sweet-tooth find it not too good. Japanese solidarity groups visiting Negros found the plants flourishing in their natural habitat at the rim of Kanlaon volcano, the highest peak of the island.

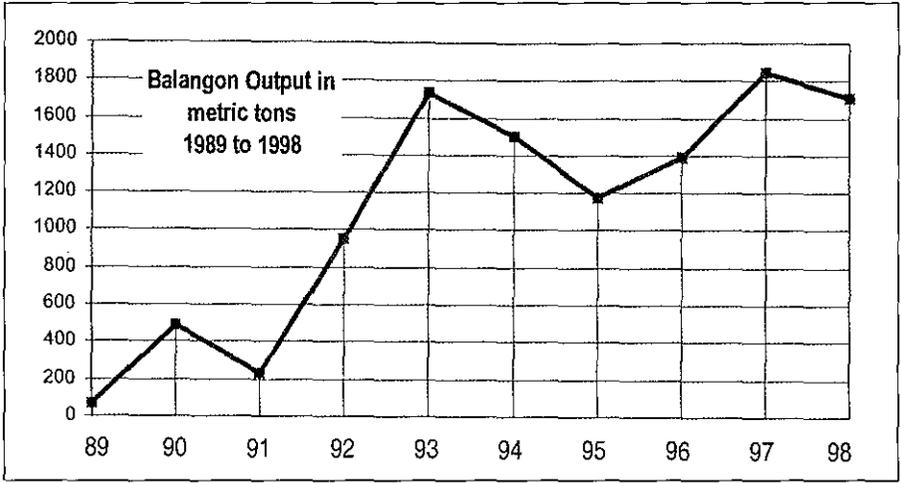
On the other hand, the Mindanao island hosts the largest plantations that contributes around 80 percent of bananas imported by Japan. What sets it apart was the chemical-dependent banana cultural management.

The first four series of trial shipments of bananas consisted of four units of 20-footer refrigerated vans in 1989. They arrived at the Japanese port black and rotten. However, this did not deter the consumers in supporting the effort. They paid for the black and rotten bananas and encouraged Negros to try sending again. On the fifth shipment, the bananas arrived edible. So in 1990 started the regular shipment of Balangon.

The Green Coop based at Fukuoka, Japan was the first consumer-cooperative network to accept Balangon. Their estimated membership was about a million households. Currently, there are 10 major consumer cooperative networks that support the Balangon programme spanning from Tokyo down to Kobe with a total estimated membership of over four million households.

Weekly shipment averages five to six 40-footer reefer vans, that is around

160-200 metric tons per month. This is nothing spectacular compared to the transnational companies' bananas shipload from Mindanao to Japan. This, however, provides consolidation of various efforts of the people in the belief that a people-based North-South trading relationship could be feasibly sustainable and meaningful.



From 71 tons in 1989, shipment gradually increased until it peaked at 1,733 metric tons in 1993. The volume declined in the years after until it started to pickup again, breaking the 1993 record at 1,843 metric tons in 1997. Volumes in the succeeding years were slightly lower.

Trading becomes part of the gains of the people's movement in Negros. The experiences learned have to be shared to other islands and communities in the Philippines. In 1993, Cavite and Panay communities covering eight towns joined the banana trading, followed by Bohol island a year later.

Then came the severe viral disease that struck the largest production source in Negros in 1994. That started the decline in the production capability and this alarmed the Japanese consumers since the market demand was rising. To remedy the situation, operations expanded to Northern Luzon to create a buffer in 1996. Formal linkages with Luzon-based NGOs were established to organise the communities better as legitimate sources of production. Hence, there was tangible improvement in 1996 and 1997 that reached its apex so far.

In 1991, there was no export of Balangon because super-typhoon 'Ruping' devastated the Negros sources in October 1990. 1991 was the rehabilitation year and Mindoro lakatan bananas were sent as a substitute to Japan. It

only stopped when Balangon plants recovered in early 1992. Besides, the Japanese found lakatan variety too sweet.

**Social impact of *balangon* in the community.** Balangon went a long way. Initially growing wild in the forested areas, it has evolved into backyard cultivation tended at family-based community plots. This is in stark contrast to Mindanao plantations where thousands of hectares are devoted to producing a single crop and heavy chemical dosages are used to produce bananas that are free from any bruises and defects, and have uniform sizes, shapes and maturity.

Even today balangon is still considered the ugly cousin of bananas imported by Japan from different sources. Thanks to vigorous international solidarity efforts, the Japanese consumers were educated to buy the not-so-beautiful chemical-free balangon bananas.

1. **Better farm gate price.** The Balangon trading had made big impact on the local communities even in the early years of its operation firstly because Balangon does not have good local market. In early 1990s, before the start of the international exchange, middlemen's farm gate prices average between Philippine peso 0.03-0.05 per piece. When other more popular banana varieties are in season, Balangon was not bought at all. The current Alter Trade buying price is PhP0.55 per piece.

2. **Community organisation strengthening.** Alter Trade's buying price offered to the rural community threatened the middlemen. Yet the higher price proved to be beneficial to the producing communities. Balangon trading strengthens grassroots organisations like the setting up of price structures would involve wider participation.

In the Balangon Growers Association (BGA) areas, non-BGA members share the good blessings brought about by trading at PhP0.45 per piece.

**Price Structure of Balangon Growers Association (BGA) in La Granja  
(Bago-La Carlota-La Castellana cluster, Negros Occidental)**

PhP	0.45	price per piece that goes to growers directly at time of purchase
	0.05	local chapter fund of the organisation
	0.02	municipal chapter fund
	0.03	loyalty fund
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PhP	0.55	total price of banana per piece

PhP0.07 per piece constitute the capital build-up (CBU) funds of the association that drives their independent initiatives such as consumer cooperatives as well as organisational strengthening activities.

The PhP0.03 that they commonly call 'loyalty fund' is a sort of forced savings. The POs observed that for generations, saving is not among the strong values held by rural grassroots folks. What they used to have was barely for their survival. Then, Balangon Trading came in. BGA devised a mechanism of instilling the 'saving' consciousness in the grassroots.

For every PhP0.03 per piece the grower sells, the local chapter acts as custodian of the accumulated savings. This is released in full to the members after three months. The growers appreciated this scheme since they could have this in lumpsum depending on the volume sold that supported the trading.

Growers who chose not to become members of BGA still enjoy the PhP0.45 per piece. The supposed PhP0.03 per piece counted as their loyalty fund eventually becomes part of the local chapter fund.

**3. Assured negotiated price.** Although bananas are available throughout the year, its production is seasonal. The natural lifecycle of bananas shows that the bearing of fruits slows down in the months of September and October. This also coincides with the lean months for most fruits. Even the least liked varieties of bananas can find local market during this period and middlemen abound in the areas since Alter Trade could not buy all farm commodities.

Thus an unwritten agreement exists between Alter Trade and the grassroots communities: the buying price should not fluctuate even during the abundant seasons. This unwritten pact sustains both parties. Both understand that this is a 'give-and-take' agreement. While in abundant seasons, the real Balangon farm gate market price could dive as low as PhP0.10 to PhP0.15 per piece, Alter Trade would still guarantee the growers at PhP0.55 per piece.

However, by experience, this agreement does not guarantee that all bananas go to Alter Trade in lean months. The middlemen could still entice the growers and even members of the people's organisations with prices higher by PhP0.02–0.05 per piece. This could turn banana selling to the hands of the middlemen and dry up Alter Trade's supply. The middlemen have their own network among themselves so they could penetrate into that of Alter Trade to take advantage of the loopholes. Now the role of the people's organisations is to make sure their members will not sell Balangon outside the Alter Trade system. These clear expressions protect the gains of grassroots trading.

Thus, every year in the two lean months of September and October, the communities would show commitment and reciprocal supports even when middlemen offer higher farm gate prices. They know that during the abundant months the middlemen will force prices down if they give in and let the middlemen dominate the local economy again.

4. **Packing centre management.** Over the years, the POs and Alter Trade have evolved into higher forms of organisational relationships. There are three types of operational management. This involves much of the community.

- **Stage 1: *Alter Trade-controlled packing centre.*** During the initial stage, ATC handles everything. This is when POs are newly integrated to the trading.
- **Stage 2: *PO-Alter Trade joint management.*** After gaining basic skills and confidence, ATC and the PO define the tasks and responsibilities. A sharing of profit is made per carton and per piece packed for the PO coffer after each operation. This is on top of the self-reliance-fund (SRF) that NGOs use to implement projects in their areas.
- **Stage 3: *PO full management.*** This is the ultimate stage in which the POs direct everything. ATC buys balangon from the POs by cartons. This is the most profitable to the POs and they would understand and cater to the demand situation, the right quality and efficiency to maximise profit for their organisation. SRF flows through them in the form of projects implemented by NGOs.

Basic packing in the centre involves harvesting, transporting to packing centres, and post-handling, sorting, grading, washing, weighing and placing in cartons. Simple as it may sound, it simultaneously requires the management of people for harvesters, sorters, packers, drivers and others. On the finance side, simple bookkeeping is essential. Then, of course, equipment, structures and packing materials have to be maintained. In short, it is the total management of the practical little details of the whole trading process. All these are taking place simultaneously throughout the Luzon and Visayas islands every week at 20 to 36 towns-sources.

The eight packing centres cover 36 towns. Of the eight, five are fully managed by POs. One is moving towards PO-ATC joint management while the other two are either too small or too new that they are still under ATC's full management.

5. **Profit-sharing schemes.** Some profit-sharing schemes have been adopted to benefit the organisation. This was done widely in Negros, Panay and Bohol on organised communities-sources. For every carton packed, a

corresponding PhP10 premium incentive goes to the PO. Then, another PhP0.05 per piece packed is added. The average pieces per carton are 110 to 115. These add up to around PhP15.50 to 16.00 per carton. Normal quotas could reach 1,000 to 2,200 cartons per operation per packing centre. This could easily reach PhP15,000 to more than PhP30,000 earnings that could be used to consolidate their organisation.

**6. Direct investment.** To communities evolving from the PO-ATC-Joint-Management-stage towards PO full-management, Alter Trade makes a one shot investment grant which covers a complete set of equipment, facilities and the set-up of the packing centre structure.

**7. Self-reliance fund.** Perhaps the biggest achievement of Balangon Trading is the setting up of the Self-Reliance Fund. It was originally set up in 1987 for the mascobado trading and was later transferred to balangon in 1990. Banana has faster sales turnover rate than mascobado.

The SRF represents the consumers' commitment to the development of the agricultural communities in Negros to undertake socio-economic activities towards self-reliance. SRF is the product of international solidarity endeavours by many groups in Japan and Negros. Consumers are kept informed of the life situations in Negros and the struggles of the people especially during the Total War Policy of the government that resulted in mass dislocation of communities.

During the initial stage, the Japanese consumers were willing to contribute to the SRF with Jp¥20 per kilogram sold. Later both ATJ and ATC instituted a scheme to gradually scale this amount down until it is phased-out: from 1990 level of Jp¥20 to Jp¥15 in 1998. The complete phasing-out will be scheduled for the year 2000.

There are different groups managing the SRF. At least 20 percent of the earnings go to the BGA which is used to rehabilitate and finance the growing of balangon covered by the association. In the early years of Balangon Trading, a Five-Year Development Plan (FYDP) was launched in BGA area starting 1991. The fund was managed by NCPD. The FYDP is an integrated area development approach providing holistic interventions into various community problems. The SRF generated outside the BGA areas go to the Negros Credit Assistance Programme (NCAP) handled also by NCPD. The programme aims at providing direct financial assistance to other productive sectors like the sugarworkers, urban poor, fisherfolks and other organisations. These activities are seen as instrumental in building the capability of people's organisations towards self-reliance.

Balangon Areas

	Province	Municipalities	Year included in Balangon Program	Number of Packing Centers	No. of towns	Number of Barangay (villages)	Estimated Growers-Families	Current Trading Partners	Led Agency implementor of SRF related projects	Current NGOs collaborations
Negros Island	Negros Occidental	La Castellana, La Carlota, Bago, Murcia, DSB, Talisay, Silay, EB Magalona, Vallehermoso, San Carlos	1989	3	9	21	1,392	La Castellana-La Carlota cluster with Balangon Growers Association (BGA) while the rest is direct Alter Trade	BGA for La Castellana-La Carlota cluster, rest of Negros	Negros Council for Peace & Development (NCPD), Cooperative Development Program (CDP), People Agricultural Program for the 21st Century (PAP21), Negros Relief & Rehabilitation Center (NRRC), Kanashigi Farms Inc. (KFI), Alter Trade Foundation Inc. (ATFI)
	Negros Oriental	Pamplona, Dumaguete, Valencia, Dauin, Tanjay, Bayawan	1990	1	6	14	211			
Panay Island	Iloilo	Janiuay, Lambunao, Calinog	1993	1	3	9	376	Iloilo Balangon Growers Multipurpose Cooperative	Iloilo Balangon Growers Multipurpose Cooperative	Iloilo Balangon Growers Multipurpose Cooperative
Bohol Island	Bohol	Sierra Bullones, Pilar, Duero, Jagna, Anda, Candijay, Guindulman, Antequera, Carmen	1994	1	8	30	676	People's Fair Trade Assistance Center (PFTAC)	People's Fair Trade Assistance Center (PFTAC)	People's Fair Trade Assistance Center (PFTAC)
Cavite	Cavite	Silang, Tagaytay, Mendez, Alfonso, Indang, Amadeo	1993	1	2	13	250	Direct Alter Trade		
Northern Luzon	Nueva Vizcaya	Villaverde, Diadi, Solano, Quezon, Bayongbong, Bambang	1996	1	6	8	396	Direct Alter Trade	Cooperation for Rural Development	Cooperation for Rural Development (Cordev), a consortium of ATC, Lean L. Alejandro Foundation (LLAF), National Secretariat for Social Action, Justice & Peace - NL Subregion (NASSA-NL)
	Ifugao	Kiangan, Lamut			2	6				
Total Number				8	36	101	3,301			

Of the remaining 80 percent of the fund, 50 percent goes to People's Agricultural Plan for the 21st Century (PAP21). PAP21 manages the growing areas outside the territorial jurisdiction of BGA in Negros, Panay. About 15 percent goes to Panay banana areas which was managed by Panay Alternative Trading (PAT) until 1998. Panay area is currently managed by Iloilo Balangon Growers Multipurpose Coop. Another 15 percent is channeled through People's Fair Trade Assistance Center (PFTAC) for Bohol development. The remaining 20 percent goes to Cooperation for Rural Development (Cordev) for Northern Luzon banana producing communities. PFTAC is a regional trading entity that operates like quasi-NGOs and is responsible for evolving development intervention programmes to assist the banana-producing communities. Cordev, on the other hand, is a consortium of two national NGOs and the Alter Trade.

As a development fund, SRF becomes a meaningful alternative and a convenient source of financial assistance to implement the socio-economic mandate of Alter Trade. This was made possible through the supporting advocacy and solidarity campaigns launched by ATC and its partners at the local and international levels. Consumers were educated and made conscious of the struggles of the people. They would learn about alternative trading as a mechanism aimed at building economically viable and socially responsible business enterprises with programmes that supported the empowerment of the POs and enabled beneficiaries to achieve self-reliance.

As a matter of accountability, ATC provides partner ATJ with narrative reports on the utilisation and the importance of SRF to the communities. Regular cooperation between ATJ, JCNC and members of the Japanese consumers' cooperatives also serve as a subtle form of monitoring and the ATC and local NGOs reports would be validated.

### **Problems and Challenges of Balangon Trading**

Success did not come easily in Balangon Trading. The advent of the GATT in 1994 prompted the question of quality, notwithstanding the stability of volume. This problem forced Alter Trade to address such serious questions as the sustainability of the practice of alternative trading itself.

The GATT in 1994 renewed the contours and environment of international capitalism. Intensified competition and the struggles for survival in the international market are leveled for the benefit of the Northern economies. Ironically, these created ripples even to alternative trading systems ultimately.

1. **The post-GATT effects.** In the first place, contrary to the arguments of other people's organisations, alternative traders had thought that alternative

trading would be spared of the effects of the GATT provisions since alternative trading cater for niche markets. That was before 1994. After that, Alter Trade came to a rude awakening.

From 1989 to 1994, balangon was the only chemical-free banana in Japan market. In 1994, Japan liberalised the importation of all fruits. A year after, there were eight species claiming to be organic or at least low-chemical bananas exported from Mindanao plantations and as far as Ecuador.

And we discovered that balangon was the most expensive banana in the market. Previously, solidarity groups' arguments sufficed in convincing the consumers that balangon was the only organic banana in the market. That was changed and to make matters worse, bananas whether organic or with low-chemical treatment, had better appearance than Balangon. Solidarity consumers' groups could not help but question the quality of the products.

It did not take long to have the effects vibrated to Negros. The message is clear. Solidarity alone could not save a people's enterprise if the quality question is not addressed. Consumers' power still dictates the terms.

Alter Trade considers this an important moment of its maturing process. There is still much to learn in handling the ropes of trading. ATC can no longer do anything about external factors such as the GATT. How to survive in the capitalist rat-race is one of the realities in a business enterprise.

Alter Trade has direct linkages and responsibilities in the expansion of its market. It aims at maximising available management tools and techniques developed by conventional businesses to effectively streamline and increase efficiency. Management methods and business strategies must be reviewed and assessed if these are still responsive to the internal and external environment. Within Alter Trade, systems have been redesigned. Likewise communities have to be educated on issues faced by their trading arm.

2. Quality, volume stability, price. The demand for better quality tops the agenda. It is true that balangon can never be compared with the almost plastic-like appearance of Mindanao bananas. Still there is much room for improvement.

Problems have to be addressed on:

- **Premature ripening** that causes the yellowing of the bananas while awaiting at Japanese ports. Japan's quarantine bureau would order the burning of the bananas if they find yellow ones during inspections. ATC would have to pay all the cost incurred for disposal, including taxes if this happens. On top of this, the ocean freight cost is refunded back to Japan. These big sales losses plus the high operational costs on the Philippine side go down the drain.

- **Non-uniform size, diameter and weight** of the crops are results from cultivation in a non-plantation setup. However, consumers' expectations for better quality are reasonable enough since they are paying for the most expensive banana in Japan.
- **Post-harvest defects** such as bruise directly affect the physical appearances of the crops especially when they get ripened at the consumers' end. In the past years, consumers could accept the not-so-beautiful Balangon because of the assurance of no use of chemicals and better taste. And most of all they were willing to help rebuild the growers' communities.
- **Volume stability** is an issue since Luzon and Visayas are part of the country's typhoon belt. Typhoons pass by these areas annually thus threatening the security of harvest.
- **Price** is a big issue too. With the entrance of other competitors producing organic bananas with less chemicals in the Japanese market, the situation changed drastically. Balangon is twice more expensive than other organic or less-chemical bananas. Price plays a big role in market expansion even within the cooperative network.

**3. Production areas.** Viral and bacterial infestations have affected large portions of banana producing communities in Negros. The challenge to eradicate diseases has intensified since conventional usage of chemicals is not acceptable.

Alter Trade then turned to tap the expertise of the University of the Philippines in Los Baños (UPLB), the country's foremost agricultural university. Focus is on developing organic pesticides and community-focused banana-disease awareness programme. Likewise, the services of NGOs have been even more important at this stage as the education process of the communities is the key towards the success of this endeavour.

For many years, the natural ways of raising balangon have created misconceptions at the grassroots communities. Basic banana growing culture neglected sanitation and management as well as control of the banana suckers that produced many quality problems.

### **Mascobado Programme**

**What is Mascobado?** As mentioned earlier, Mascobado was the first product traded by ATC that came to symbolise the Negros struggles in 1980s. Mascobado (generic name is *muscovado*) is the trade name of Alter Trade's organically produced non-centrifugal sugar. Conventional centrifugal sugar

production uses around four chemicals to make brown sugar. To bleach this to white sugar as much as 20 chemicals are used. Mascobado is processed by means of evaporation only, thus is chemical-free.

Mascobado like Balangon is also a mark of people-to-people relationship. Between 1987 to 1990, Mascobado was the centrepiece of the general Negros aid campaigns in Japan and Europe. While this constitutes about 30 percent of the total revenue, the Mascobado is a story of its own rights.

Beyond the Japan market, Mascobado was able to establish distribution channels in Europe primarily with members of the European Fair Trade Association (EFTA). Both GEPA of Germany and Claro AG (formerly called OS3) of Switzerland imported Mascobado and sold it as retail table sugar. These were packed in half kilogram and one kilogram packets. Chocolate Bernrain AG of Switzerland also used Negros Mascobado for the production of chocolate using also cacao and nuts from Bolivian cooperatives. Mascao chocolate bars are marketed by Claro AG in the Third World Shops and lately in the EU mainstream market. Like Balangon, Mascobado is the product of more than a decade of advocacy work of many development-oriented communities. The initial solidarity network that Alter Trade was a part of now gets expanded to contacts that share the same trading-cum-solidarity principle.

Yet competition does not spare Mascobado in Europe. Big sugar-producing countries have started producing Mascobado-like sugar such as rapadura from Brazil and Mauritius. In Brazil rapadura is produced by multinational corporations while Mauritius sugar has heavy state support, thus offering cheaper price than Mascobado.

Quality has been a big question during the early years of export. It ranges from colour, moisture instability to the presence of foreign matters. Gradually, these problems have been addressed. But the question of efficiency has direct relation to the price level. The room to improve the business on a limited demand of 500 metric tons per year seems to be small. Production efficiency could be resolved by introducing higher levels of technology. However, will the big capital investment on equipment be worth to take?

To make room for Mascobado in the future is to develop the market beyond its current niche markets in EFTA and Japan cooperative networks. One of the current efforts is the Organic Certification adhering to the provisions of the EU and the International Federation of Organic Agricultural Movement (IFOAM), an organic standard set by Naturland-Verband of Germany.

The Institute of Marketology (IMO) of Germany is the EU-designated inspection entity to visit different bio-organic farms to verify compliance to EU organic regulations. This is not for free. All the expenses incurred in the

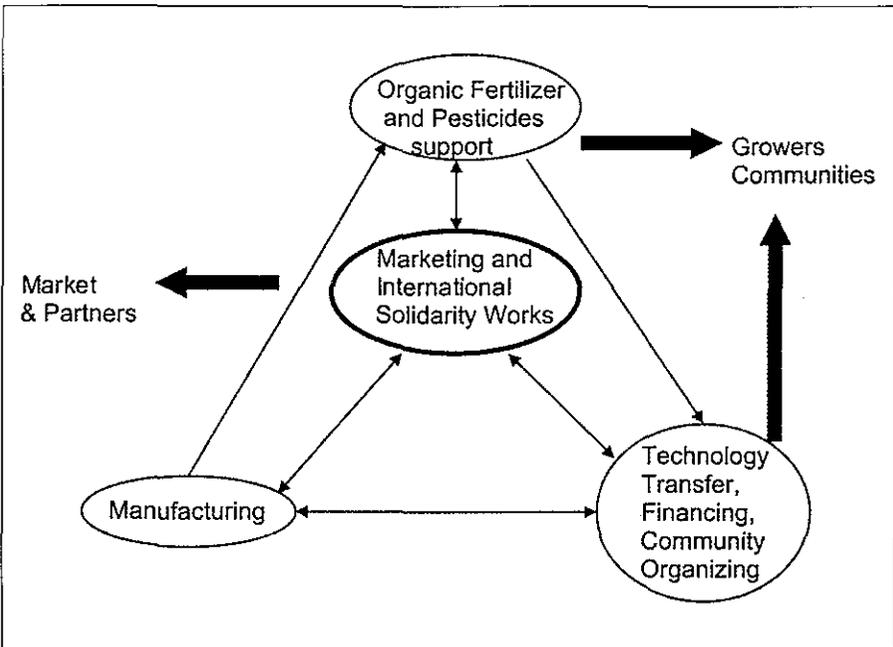
inspection is paid by Alter Trade. Certain percentage of Mascobado sales goes to Naturland-Verband as royalty fee.

Looking from a larger perspective, it is imperative for Alter Trade to create a larger market share to have bigger environmental and social impact. The capacity of more community lands turning to organic farming is directly proportional to the size of the market. This will indeed be a tough challenge.

**Bio-Organic in Conversion Program (BOCP).** The sugarcane needed for Mascobado manufacturing are grown in some 150 hectares by the communities located at the northern and central parts of Negros. The canes are organically grown under the auspices of the Bio-Organic In Conversion Program (BOCP) of Alter Trade Foundation Inc. (ATFI). Since 1993, communities formed basic cooperatives to undertake the conversion venture from chemical-dependent to organic growing. This programme promotes the actual practice of diversified organic farming and sustainable development by providing farmers with appropriate farming techniques to take the shift and diversify their crops.

However, persuading the communities to undertake the project was not easy. Talks on conversion plans started as early as 1990 and there were fears

**Service Synergy of Alter Trade System to Growers Communities**



over the transition for a possible drastic decrease in production. To small farmers this is a life-and-death question. The memory of the 1980 famine was yet fresh.

In 1995, after two crop seasons, more farmer groups were convinced of the benefits of the shift. Thus, gradually they came forward to include their lots for the project. Evidently, PO lands within the conversion project are still too small because Alter Trade could not accommodate all canes for Mascobado and the market has been in plateau since the early 90s.

**Bio-Organic Credit Assistance Program (BOCAP).** This provides the credit facilities to enable qualified farmers to access financial resources needed in pursuit of farming activities within the framework of BOCP. The maximum loan of PhP300,000 (US\$7,900 at US\$1 = PhP38) is made available to groups or an individual ceiling of PhP18,000 to 20,000 (US\$475 to 525) per hectare per farmer.

Interest rate is 10 percent per annum. The 4 percent is ploughed back as capital-build-up (CBU) of the cooperative while the 6 percent is used by ATFI for administrative cost involved in the programme. As a matter of policy, loans must be paid during the harvest season or 12 months after the release of the loans.

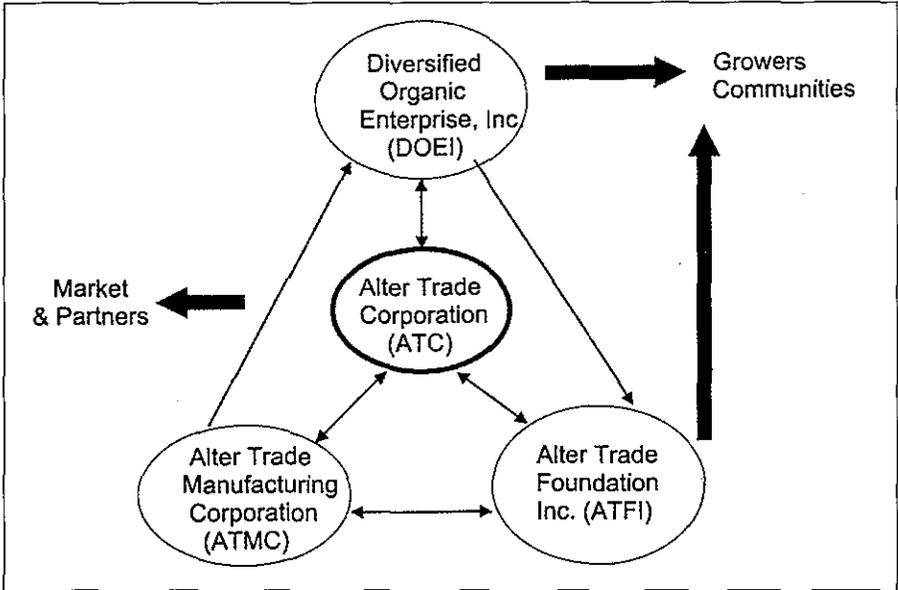
### **Organic Fertiliser Production Programme**

The production of organic fertiliser on commercial lines is undertaken by the Diversified Organic Enterprise Inc. (DOEI), another subsidiary entity of Alter Trade. Sugarcane of BOCP is the primary focus of the programme. The organic fertiliser production programme conforms to the EU and IFOAM organic food regulations. This aspect is included in the annual inspection by IMO.

The Mascobado mill operated by Alter Trade Manufacturing Corporation (ATMC) produces byproducts and wastes during its processing. These become ingredients, such as mudpacks, bagasse and ashes, in the formulation of organic fertilisers for sugarcanes. DOEI has a direct tieup with National Institute of Molecular Biology and Biotechnology (BIOTECH) at UP Los Baños in the development of organic fertilisers.

Among the ongoing developments are production of organic fertilisers adaptable to Balangon production, researches on bio-organic pesticides and post-harvest treatments for bananas. Whatever small breakthroughs by DOEI will make a big difference in community productivity facilitates crop diversification.

**Alter Trade System Synergy**



Currently the market for organic fertiliser is still limited to the Alter Trade production areas. As DOEI production increase, cheaper and better quality organic fertilisers shall be available beyond its network.

**Other Trading Initiatives**

Alter Trade also caters to other products beyond bananas and sugar that have smaller market share, yet they have better chances of sustainability. There is the fresh mango export to Hong Kong. This is among few initiatives of Alter Trade to venture beyond the alternative trading network. This is mainstream marketing. Fresh mangoes are seasonal so export activities are taken up between March to June.

The frozen raw pineapple chunks made breakthroughs only this year. Two 20 footer-refrigerated vans were sent as trial shipments. Pineapples are seasonal too. Its harvest time is between February to July. This is facilitated by Alter Trade Japan. Another venture is the development of market for herbs and spices for the Japan consumer cooperative network.

Domestic trading initiatives have also gained rich experience for Alter Trade. These activities have not been economically rewarding compared to the international trading ventures. Among the approaches are:

- **Sectoral-commodity exchanges.** The idea is to develop a network system wherein the fishing communities shall provide fishes for the upland farmers' villages. Agricultural crops could then be purchased by the urban poor and workers' sectors in the cities and by the fisherfolk. The urban poor could then be the marketing outlet for the agricultural and marine products. Core market shall be composed of the direct supporters of the organised sectors from the professionals and workers not to mention NGO workers.
- **Production areas to industrial markets.** Another approach is to create the necessary linkage with the production communities having domestic market outside the solidarity networks.

Success is modest in scale. For one thing we realise that this setup requires large-scale, concerted efforts from all sectors involved. There are existing area cartels for different commodities. These are shrewd middlemen. Sectoral commodities although organised have varying levels of expertise in running their day-to-day coop operations.

Another problematic area is the misconception of premium buying price for cooperative products even though these are not at par with the mainstream market-quality demand. This is in fact one of the effects of the dole-out mentality that plagued communities. Alter Trade aims to correct the situation so that the growers' responsibilities to consumers can be enhanced, be they local or international markets. Complaints from consumers of different sectors are articulated during the meetings of the organisational growers of the communities.

It is noted that lack of capital followed by a lack of expertise and capital management are the most common problems encountered. On the other hand, the grassroots commodity experiment has given many exposures to cooperatives handling transactions with the mainstream market. A fine example is BGA of Negros which has acquired two units of trucks and has learned to do its own transaction at nearby Cebu island.

### **Alternative Trading In the New Millennium**

Alternative trading and marketing that started in the famine-stricken island of Negros shared its seeds of social transformation with other communities in the Philippines. Now, what is in store for the coming century? It shall grow day-by-day only through hard struggles. Various forces, from other power groups, not only from the state are working to destabilise the grassroots efforts.

Alternative trading and marketing could not assure fairy tale-like happy endings for these are the life struggles of the grassroots communities facing survival and challenges in an era in which the Northern economies could continually redesign the rules of the game of global capitalism.

Globalisation is justified by neoliberalism which serves the interest of the North at the expense of the South. Privatisation, deregulation, import liberalisation and export orientation are disguises under the name of enhancing global competitiveness.

The neoliberal discourse is too subtle to be deconstructed and is too overwhelming as it has penetrated deeply into all facets of life. Followers of neoliberalism are found in the local elite and their cohorts' control over the ideological apparatus of the state bureaucracies and educational system. A homogenisation of (economic) values and culture tends to erode traditional ones. This results in a concentration of power and centralisation of economic production by global corporations.

The grand design of global neoliberalism is to amalgamate every economy into a single world system under the aegis of transnational corporations. Globalisation attempts to homogenise locally developed agricultural systems in favour of centralised operations and standards that deliver homogeneous, transportable food to every corner of the world market.

Localisation is one weapon of grassroots communities to fight the threats of globalisation. It is in this context that alternative trading and marketing will continue to be a relevant and clear expression of small people taking back control over their lives, not only politically but economically as well.

### Localisation

- Restores the power of communities to plan their own lives: gaining back agricultural and industrial initiatives prompts people to take into consideration environmental consequences and responsibilities towards their communities.
- Encourages people to produce and consume in accordance with their needs: a well-balanced agricultural planning first gears towards food security of their communities vis-à-vis cash crop production to generate necessary surplus to further community developments.
- Relates with others on the basis of mutual interest: dynamic inter-village, inter-island, inter-regional exchanges among small communities take place rather than unilateral exchanges in world markets;
- In the larger context, promotes healthy competition within and among local communities and the community of nations.

Alternative trading and marketing is not an anathema to export commodity exchange. Rather grassroots trading is an anathema to the neoliberal ideology of globalisation, people's trading aims for a calibrated participation in the global system. On other hand, it promotes a significant measure of independence. It intends to maximise gains in the global market that could in turn finance the local initiatives to withstand difficulties in the international trade flows through a balanced agro-industrial structure effectively controlled by the people.

Community-to-community and people-to-people alternative trading system could take flesh if grassroots initiatives take roots outside the formal economic impositions of the states. Its impact could shake up the seemingly indestructible structures of international capitalism.

In short, alternative trading supports the efforts in building democracy from below to organise and activate communities as the solid base of people's empowerment. The first step in breaking the bondage is to become aware of the ongoing homogenisation of world culture and the Northern institutions are responsible for this. Next is the awareness of the existence and growth of counter-consciousness in the South which is the wellspring of our history. The ultimate goal is to commit individuals and communities to nurture our identities as people that define their humanity not objectivity, not mere commodities and objects in the configuration of the world economic order.

Taking this back to earth, alternative trading is a people's movement. It is the intertwining and interconnection of various micro-economic activities fighting the local manifestations of globalisation at the community and consumer level. The inter-linkages of strong micro-economies among communities elevate the local battles into a war at the macro-economic level against globalisation itself. Hence, the fighting chances of small people increase in proportion.

At its core is the people's control of production and commodity exchanges that create agro-industrial initiatives branching out towards a vertical bottom-top, or backward-orward integration with Mother Earth-friendly economic activities as a focal point. As a movement, organising at all fronts to address the micro and macro issues becomes even more vital. The legislative institutions of the state will be another battleground in the coming years for the movement.

Small is beautiful. But it must be powerful. The aggregates of small economies and small economic practices can make macro-economic differences. Size does matter and it should be a marching forward in mass, not of individuals, in confronting the challenge of globalisation.

The seeds were sown in Negros. Expansions into other communities in different parts of the country would make the alternative trading movement stronger day after day. There are more skills to be learned and developed and more networks to create. The work and struggle ahead will be long, hard and bitter.

Perseverance will help in making the coming century be for the small peoples and Mother Earth.

## *Notes for the Coming Millennium*

 **Raymundo G. Tenefrancia**

ALTER TRADE plays in the international capitalist game-board. It cannot help being affected by the larger trends of neoliberal globalisation. Thus the challenge for the people's trading to be more efficient and productive should be taken seriously as any players in the market do. Yet the international market is double-edged; while providing vast opportunities for growth, it is also a slaughter ground for players.

In this regard, Alter Trade aspires to be a better player, carrying with it all the differences from neoliberal pursuits while surviving the game. It recognises the demand of the consumers for quality assurance and reliability. The Eastern Europe socialist countries that collapsed under the heavy weight of economic inefficiency serves as a lesson to seeking alternatives at this point.

However, the essence of alternative trading goes beyond that of an efficient trading organisation. The producer side embraces the organised peasantry and workers as well as the various communities it covers; at the other end are the organised consumers from very different communities. The forging of direct linkages between the two makes alternative trading truly a people-based initiative.

The demarcation line has been drawn. The fight is between neoliberal globalisation and the people struggling to take back socio-economic control. The neoliberal mega-powers have been defining the prospect of the world economy and the destinies of the people according to the principle of international division of labour.

While head-on collision resisting such a grand design is out of the question, fighting a prudent 'economic guerrilla war' may perhaps be an alternative strategy. It is like a 'war of the fleas', the fleas multiply in numbers while biting the dog little by little until such a time when the fleas are so numerous that the dog can no longer manage to be rid of the swarm.

Eventually the dog becomes sick and its body organs dysfunctional. Of course this picture is too simplistic than in real terms.

The battle against globalisation starts at the local turf. Here are the identifications of some focal points in this battle:

- **Food security:** to break the dependence on food which is in the control of others and to attain food sufficiency at the base.
- **Cooperativism:** to attain a more egalitarian ownership of the means of production and the marketing channels bonded by international solidarity.
- **Mother-Earth friendly:** to struggle for human survival by organising peoples' life and production in harmony with nature.

Alternative trading must eventually lead towards an alternative economic system that is more just and humane. Cooperatives, being people-based organisations, must be transformed into conscious agents of change. Thus, practising international trading such as that of Balangon and Mascobado plays a special role in the capital accumulation of the local communities, laying the ground for strengthening both food crop production and the social infrastructures of the cooperatives.

As the communal production cooperatives are strengthened, people-controlled marketing organisations shall likewise be bolstered to create strong marketing linkages among villages at the domestic level as well as the international level.

The core economic activities of the communal production cooperatives are agriculture, livestock raising and production of fertilisers.

- **Agriculture:** A balance should be struck between cash and food crops. Growing and trading cash crops both within and outside the local network serves to answer the need for capital accumulation. Gaining back autonomy in food crop production on the part of the local community is also a resistance against the neoliberal principle underlying the international division of labour which globalisation dictates.

It is fundamental that systematic and scientific crop production methods on scale shall be adopted. Ecology-friendly technologies and cultural management techniques must be popularised and taught to the grassroots people. The diversified farming communities growing cash and food crops shall be managed and owned by the cooperatives. Acting through the state machinery, globalisation dictates the kinds of crops to be planted in the local level based on the needs of the world

market (high valued crops such as cashew nuts, asparagus, paper trees for pulp, etc.). In the case of Negros, the communities decide the crops to cultivate while remaining conscious of the importance of food security.

The more the alternative trading network of communities reaches out, both at the local and the international level, the lesser its dependence on the neoliberal trading tentacles.

- **Livestock:** The raising of basic farm animals such as hogs, cattle and poultry, is essential to support the needs for meat of the communities. Like agriculture, if the community network becomes less dependent on multinational products, the power of the people over their economic lives becomes greater.
- **Fertiliser:** Replenishing soil nutrients is essential in order to support the cooperatives' food production in large-scale farms and plantations. Thus, an earth-friendly cultural management of farms and an integrated fertilisation programme are crucial. Traditions and heritage in agricultural production are rich in this regard. Relearning methods of soil regeneration by organic means helps to strengthen the power and autonomy of the small people because the farmers themselves shall be making the fertilisers without subjecting themselves to the claws of the monopolistic TNCs in supplying them with chemical fertilisers.

After strengthening the survival core of the cooperatives, backward, forward, upward and downward economic integration shall be promoted. Examples are as follows:

- **Forward integration:** in case of fresh meat production, cooperatives shall venture into meat processing, or the manufacturing of sausages, ham, etc.
- **Backward integration:** livestock feeds production can be ventured into.
- **Upward integration:** as the cooperatives' production activities diversify, higher forms of technologies and investment for new facilities and equipment are needed. These can be taken up by the cooperatives eventually, like the processing of meat may lead to new economic projects such as food canning.
- **Backward integration:** on the other hand other new economic projects may employ lower technologies and facilities.

Accompanying the development and strengthening of the core economic life of the cooperatives, is the need to take into their own hands other non-agricultural support functions especially in the finance area:

- **Banking and finance:** it is necessary to stabilise the finances of the cooperatives and channel steady cash flow to support people's projects. The alternative trading system needs to develop its own breed of people's finance managers to operate these institutions. Cooperative banks or simple finance or loan cooperatives shall spawn the seed.  
Measures like abolishing usury in the area may be lacking in not being able to bring in money needed for production. A more lasting solution is to create finance infrastructures that offer low-interest and non-exploitative rates to farmers.
- **Seed-banks and tissue culture laboratories:** it is important to secure a steady supply of disease-free plant seeds and preserve the indigenous plant varieties. Big multinational corporations attempt to homogenise food stock production at the countryside by imposing uniformity of crop varieties. Only high-yielding species are introduced and this will threaten the biodiversity of the agricultural system. People's scientists and technicians will be trained to meet these challenges.
- **Technology Institutes:** that will focus on people-biased and earth-friendly technologies. Pooling people's teachers, technicians, artisans, engineers, scientists, economists as well as technocrats together, whose unswerving dedications to people's empowerment shall reinforce the efforts of the communities and their enterprises. It will ensure that the people will benefit most and share the fruits of science and technology. Technology must be liberating rather than being an instrument of control to serve the interests of the few.

The list of integrative ventures towards building an alternative economic system is almost endless. There are transportation and other forwarding systems and a number of niches and possibilities in which people struggling against the pressures of globalisation under the state-TNC domination should look into. For every economic endeavour taken up by people's enterprise, there shall sprout greater economic leverage.

To realise its mission, Alter Trade sets three goals that will hold true in the coming new century:

- **Goal 1:** To empower the people.
- **Goal 2:** To create greater impact on society through a variety of sustained micro-interventions.
- **Goal 3:** To reap fair and just rewards from the production to the distribution line and enable an equitable distribution of the surplus.

Now for the thorny questions.

- *Is the whole exercise a glorified 'charity' where the first world cooperative consumer groups from Japan shield the producers from the globalisation price shocks for their commodities?* Yes and No, it depends. Yes, if the activities of the producers' cooperatives are confined to serving the food or raw material needs of the foreign consumer market alone, be it a market based on solidarity or pure commerce. If this happens, another mini 'World Trade Organisation' would result, in which consumer groups could dictate the producers and the design of the production. However, the answer is 'no' because we do not intend to shield ourselves from the market forces. There is no place for complacency. The production areas will take efficiency and quality as a matter of priority. However, both ends, that is producers and consumers alike, have to unite on the premise of people's empowerment. It has to be defined in all its nitty-gritty, everything like prices and product specifications will be agreed upon on mutual negotiations and consultations. It is counter-productive for the producers' end to charge inferior quality products at an expensive price because this is unfair to the consumers.

Communities must be able to articulate the meaning of international trading in an endeavour to create self-sufficiency in food through alternative-trading network that goes beyond cash crop trading.

- *How does alternative trading inter-relate itself with other issues confronting the people?* The people's war against globalisation is one that wages on different levels, faces different fronts, goes through different stages and embraces various issues and concerns.

As the people build enterprises and ventures away from the grip of neoliberalism, the battlefield is the here and now, on the turf of the communities. Economic actions taken by the people are by themselves political actions. And in sustaining both the network and the better survival of the communities, an articulation or a merge of different concerns in fighting the injustices of globalisation, either economic or that of technology and information, is needed. Here are but a few.

- **Resistance against the encroachments of genetically engineered seeds** such as corn, rice, potatoes, etc. Genetically engineered seeds have higher yields but the farmers will be more and more reliant on chemical inputs. Chemical dosages increase as insects develop higher levels of immunity, in the end increasing production-input costs. In the countryside, usually the traders are the users and fertilisers-pesticides merchants rolled into one. The merchants earn more than double from the loans and drag the farmers into debt through overpriced fertilisers-

pesticides. And the multinational corporations reap huge profits out of this setup.

The shifting to planting HYV (high-yielding varieties) is taken under the auspices of state policies. In the Philippines, the government grain cartel National Food Authority buys only HYV rice and corn. Not only is this an obliteration of traditional varieties, it leaves farmers with no choice.

- **Sustainable agriculture against chemical-dependent farming** is among the most powerful expressions of resistance. Organic farming rejuvenates the land from years of chemical abuses. It is liberating in the sense that technologies should be grappled in the hands of the growers. The growers make their own fertilisers, thus freeing themselves from depending on large corporations. It must be noted that traditional varieties do not respond to chemical fertilisers, it is the genetically altered varieties that do.
- **Preserving traditional and indigenous varieties versus HYV** will assure the sustenance of biodiversity and the future generation of the agricultural system. Thus, continuous propagation at the field and creation of people-controlled seed banks are imperative. Alternative trading opposes the patenting and ownership of living organisms. Nature is a gift to human beings. Current attempts to hoard genes in privately-owned gene-banks coupled with the imposition of a uniformity of crop variety through genetic manipulations eliminate wild and traditional lives in the fields.
- **Organising communities to preserve the traditions and values.** Globalisation has great impacts on all aspects of our societies. These are few corporations operating globally that have the power to rearrange our economies to suit their interests. Traditions and values have no meaning for these economic giants in their pursuit for profits. An alternative trading network is built of communities that are economically linked and operating dynamically with its own parallel basic industries. Our struggles for human survival at the local and regional level will be threatened if we do not stop the encroachment of a homogenising 'world culture' that sweeps the various cherished cultures, traditions and values under its feet.

This must not, however, be misconstrued as isolationist. Alternative trading is just a minute step towards building an alternative economic system. The small peoples and their communities have many lessons to learn from both the collapse of socialism and the dynamism of exploitative capitalism. A different vision evolving from the shifting of these plates of paradigm will provide the blueprints for the coming generation.

## *An Innovative System to Promote Economic Self-Reliance*

 **Jeff Powell and Menno Salverda**

### **What's Wrong with Money?**

IN 1965, THE WEALTHIEST quintile of the world's population accounted for 70 percent of total income. By 1995, this same group accounted for 85 percent of total income. In this regard, Thailand has one of the worst records. The Gini coefficient, a measure of income inequality, for Thailand is one of the highest in the world; far more pronounced than neighbouring countries such as Indonesia, Vietnam, the Philippines and even Malaysia.<sup>1</sup>

The global monetary system is extremely efficient at what it does, namely, generate profits for creditors. What it does not do is effectively distribute those resources. Too often, we simply accept the current monetary system as a given – an immutable fact of nature. In fact, money and monetary systems are fallible human creations. There are at least three major shortcomings in the current monetary system.

- **Money is scarce.** There are always plenty of materials, equipment, skills and time available to generate economic activity; however, there is often no medium of exchange. This requires that we compete against one another for the limited amount of money available. This competition is intensified during the times of economic crises. As in any competition, there must be losers – usually these are the most disadvantaged participants in the game. With the setting of interest rates, the advantaged can make sure that the rules are permanently set in their favour. In this way, the disadvantaged and farmers who suffer several consecutive poor crops become trapped in a life-long cycle of debt.

- **Money can go anywhere it likes.** Two of the rules set by the winners are that national currencies can move nearly anywhere on the planet instantaneously, while human beings cannot. Since interest-bearing money is attracted to where profits are the highest, *ipso facto*, it will be sucked into the hands of those who value short-term efficiency and quick returns over such costly long-term economic activities as community and environment development. This attribute of the global monetary system is responsible for both the creation of the bubble economy in Thailand and its collapse in 1997. Overseas fund managers poured money into Thailand in search of skyrocketing returns; much of this money was dumped into unproductive speculation in the real estate market. When reality finally set in, the money flowed out much faster than it had come in. Capitalists are not bad people, they are just quick and highly mobile learners.
- **Money is centrally controlled.** National currency is issued when corporations and commercial banks buy bonds from the Bank of Thailand. Taxpayers are required to repay the interest on those bonds. Many countries are now suffocating beneath the weight of these interest payments on the national debt. Decisions regarding the money supply and interest rates involve an inevitable tradeoff between inflation, which is bad for creditors since loans issued today can be repaid in less valuable money tomorrow; and unemployment, which is bad for, well, the unemployed. To ensure continued support from the IMF, the Thai government must control inflation, that is protect creditors at the cost of exacerbated unemployment and thus maintaining high interest rates.

Community currencies seek to address these fundamental problems. In contrast to national currencies, community currencies are:

- **Sufficient.** Community currency is issued as required for local exchange needs. In some systems, such as the Local Employment and Trading System (LETS), any member can create as much credit as they require at the time of a transaction. This encourages equitable pay for labour. Furthermore, without interest rates, there is no incentive to hoard community currency. This means that the rules of the game are the same for debtors as they are for creditors.
- **Local.** Community currencies recycle endlessly within the community, expanding the economy and encouraging import substitution. A strong local economy will be less affected by fluctuations in the national money supply like those that we are currently experiencing. Non-interest-

bearing community currencies can have choices going to activities where they are needed, say, tree planting, rather than being confined only to activities that generate the highest profits, say, pulp and paper mills.

- **Issued by the community.** Community currency is issued by a non-profit organisation whose members are chosen from the community. There is no interest paid to these people, so the community will not be indebted to them ad infinitum. Community money is backed by the labour of the community members willing to accept it and the trust they place in one another.

### **Community Currency Systems in Europe and North America**

Approximately 1,000 community currency systems are operating in Europe and North America. Roughly speaking, the systems fall into four categories. The first and the largest group, based on the principle of mutual credit, includes LETS and LETS-like trading communities. These systems are located predominantly in Canada and the United Kingdom, with derivatives, such as the Noppes system in the Netherlands, appearing across Europe. The second group, fiat systems which print their own notes, has grown out of the Ithaca HOURS initiative in New York State, although there is an impressive historical precedent for such schemes. The majority of such systems are in the United States, although a few have spread to Canada and Europe. The third group, which can be called 'hybrid' systems, are those which combine various elements of LETS and HOURS systems, and cannot, therefore, be considered as one or the other. The final category is based on a 'community service bank' concept. The best known of such systems is called TimeDollars.

#### **LETS**

LETS was developed by Michael Linton in the Comox Valley in Courtenay, British Columbia, Canada, in 1983. Today there are over 30 such systems in Canada, 400 in the United Kingdom, 300 in Australia and New Zealand and nearly 500 in Europe. Systems range in size from 20 to 1500 members.

During LETS trading, members' accounts start at zero, and each exchange moves the account balance either plus or minus. A minus is not an overdraft, or a debt, but a normal entry in a LETS account which allows members to create their own credit. If Ariya gives Boonrak 10 units of rice, Boonrak acknowledges this by transferring 10 units from his account to Ariya's

account. A record of this exchange is sent to a central administrator. Ariya's account is now plus 10, while Boonrak's account is minus 10. Later on, Chittrapa asks Boonrak to repair her motorcycle.

They agree that the labour required for the job is worth 30 units. Thirty units is transferred from Chittrapa's account to Boonrak's account. Boonrak's account is now plus 20  $[(-10)+30]$ , while Chittrapa has a balance of minus 30 which, instead of a debt, represents a commitment to future exchange in the community.

It is possible for part of the exchange to be made in baht. For example, in order to repair Chittrapa's motorcycle, Boonrak may need to buy parts from a supplier who lives outside the community and, therefore, cannot accept the community currency. Boonrak and Chittrapa could agree on what proportion of the repair job would be paid in local currency and what would be paid in baht. The community currency administration does not concern itself with the cash portion of its members' transactions.

## HOURS

The HOURS concept, which employs paper notes representing hours of community members' labour, was invented by Paul Glover in Ithaca, New York, in 1991. The original system in Ithaca now has over 1,500 participants and total trading volume is estimated at several hundred thousand US dollars per year. There are over 50 such systems in North America.

Community members wishing to participate in HOURS trading fill out a form which includes personal information as well as a listing of offers and requests for goods and services. This is sent to the administrator where the pertinent information is placed in the next offers/requests directory, and a pre-agreed upon number of HOURS notes are mailed to the new participant. Every so often, participants are sent more HOURS in return for filling out a renewal form in which they update their offers/requests. Quite simply, these HOURS are now considered legal tender for the exchange of goods and services.

There is tacit agreement that, in return for the right to use these 'free' HOURS notes, recipients must, in turn, accept them for the goods and/or services which they offer to the community. This means that HOURS notes are backed by the commitment of each participant to accept them; if participants refuse to accept them, for whatever reasons, their value diminishes.

Conversely, the more people that agree to accept them for a greater variety of goods and services, the higher the value of the notes. This is also true of the LETS units.

## Hybrid systems

Hybrid systems attempt to unite the ability of LETS members to create their own credit and the convenience and accessibility of HOURS notes. This should be made clearer by looking at how Guelph LETS in Guelph, Ontario, Canada, operates.

Guelph LETS prints Green Dollar notes which can be withdrawn by members at a local business. The member's account is debited at the face value of the notes while the corresponding credit is made to the central account. Notably, this opens up trade with non-members. As in an HOURS system, community members who wish to participate may do so without having to open an account. Trading between members and non-members (or non-members and non-members) using notes are not recorded. After the initial entry described here, the notes will freely circulate until such time as they end up in the hands of members who decide that they would like to deposit accumulated notes in their account. At this point, the member's account is credited at the face value of the Green Dollars deposited and the corresponding debit is made to the central account. These notes can, of course, then be recirculated to another member who makes a withdrawal.

Other hybrid systems which operate along similar principles to Guelph LETS, include the Tlaloc Bank in Mexico City, Talents in Switzerland and the Noppes system in Amsterdam.

## TimeDollars

TimeDollars is a form of 'community service bank' initiated by Edgar Cahn in Washington DC. The concept has enjoyed a good deal of support from peoples' organisations and government bodies alike in the United States. There are now several hundred such systems in operation throughout the US.

Members deposit credits in the bank in the form of 'hours worked' to assist community members or projects. In turn, these credits can be used to obtain services or assistance from other members. For example, a member receives one TimeDollar for an hour spent fixing a neighbour's bicycle. Later that week when they want to go out for dinner, they can use that TimeDollar for one hour of babysitting.

*Since the Thailand Community Currency System (TCCS) project is to focus on the broader role played by community currencies in terms of economic development rather than their impact purely on the provision of social services (though, certainly, to a great degree, these two are intertwined), we have chosen to concentrate our studies on LETS, HOURS and hybrid systems.*

## A Comparison of the Various Systems

It would be a gross oversimplification to describe the various elements of the different community currency systems as 'right' or 'wrong'; rather, we might consider how amenable these elements are to both environment and the goals of a particular community.

LETS requires that members register accounts, while HOURS systems do not. From here the fundamental differences originate:

- Community members who use HOURS are limited to the amount of notes they have in their possession at the time of an exchange. LETS and hybrid system members can create as much interest-free credit as is required regardless of their account balance. This capacity for mutual credit creation is well-suited to situations where access to credit is limited. HOURS do not allow for self-created credit; however, participants can obtain an interest-free loan from their local HOURS bank. This must be planned in advance of the transaction and there is always the possibility of being turned down.
- HOURS systems involve lower barriers to entry since community members can simply opt to receive their change at the market in HOURS, and then spend the HOURS at the noodle shop. The simple format is more quickly understood and employed, particularly where there is little or no experience with cheques and credit cards. The handiness of such a system appears to facilitate trade in goods as well as services. In contrast, the LETS 'invisible accounting' system can be difficult for new members to conceptualise and for businesses to integrate with existing operations. This may be one of the reasons why trading in existing LETS is predominantly in individual services. Hybrid systems are able to attract non-members to the system through the use of notes.
- LETS administrators are able to debit members' accounts and credit a central account to pay for needed services such as printing costs, transportation, etc. in the community currency. Further revenue, both in community currency units and federal dollars, is generated through the sale of advertising space in the 'offers/requests' bulletin. This latter method, which seems impractical in the Thai context, is the only option available to HOURS administrators. While both systems have been successful in raising an adequate amount of community currency, most groups, not surprisingly, reported a shortfall in federal currency. In almost all cases, fund-raisers, volunteer efforts and donations play a crucial role.

- While both systems require the creation of an 'offers/requests' bulletin, LETS further require that all transactions be recorded and that periodic updates of individual members' accounts be distributed. This places additional time and resource demands upon administrators and/or volunteers. HOURS systems do not demand this additional input; however, they do require the creation of a durable form of currency and the management of its supply. Hybrid systems require both the management of accounts and notes. This further effort may be at least partially offset by a decline in the number of transactions which need to be recorded in individual members' accounts.
- The desire for efficient management of LETS accounts has led to the use of computerised accounting systems. A basic LETS is still easily managed with pen and paper; however, the operation of multiple-level LETS (see MultiLETS below) demands the use of computers. While HOURS systems are easily implemented without the use of computers, the lack of a multiple level trading system means that HOURS will not be as effective in attracting those who perform a large percentage of their trading outside the HOURS community. Synthesis systems appear to be adaptable to either low-tech or high-tech environments as developments in Geulph and Mexico City demonstrate.
- The requirement to register an account in LETS will be more acceptable in tightly-knit communities which intend to develop long-term membership. HOURS notes are better able to bridge disparate social groups, including short-term or transitory individuals, but do not have the 'holding power' of a LETS. HOURS are preferred by communities whose political leanings are more decentralised and whose members place a high priority on personal privacy. HOURS systems sacrifice the ability to monitor and tax for the anonymity and freedom from taxation which freely circulating notes afford. Synthesis systems allow participants to choose between their support of the more easily monitored trading via the phone or paper receipts, and the untraceable use of freely circulating notes. Similarly, in the conventional economy, we can use cheques/credit cards or we may carry cash.

### **Achieving Critical Mass**

Community currency systems have had difficulties reaching a level of trading which is significant in the eyes of a broad cross-section of community members. Initiatives to facilitate start-up, integrate businesses and allow for multiple level trading have been attempted in order to gain community currency systems greater acceptance and use.

### Startup

During the initial startup it will be difficult to overcome the simple reluctance of community members to trade in a currency that they are not familiar with. There is a need for an initial 'big event' (or 'wedge'), using community currency to pay for inputs, to kick-start acceptance of the new trading format. The wedge could be a home renovation, a community project or a small business startup. The chosen activity should get community currency into the hands of a wide range of people, allowing them to begin trading without having to first earn credits.

The Community Way plan uses a form of merchant credits to get local currency into the hands of community members. Businesses are asked to 'donate' community currency – this means that they agree to accept it for a portion of their sales price. In return for this donation, they benefit from free publicity and have a chance to generate new customers. The community can now print community currency notes equivalent to the total amount 'donated' by businesses. These notes can be sold for federal currency since businesses have already agreed to accept them at par with the national currency. The federal currency goes to support organisations providing social services while the community currency is used to trade for goods and services.

It seems unlikely that this model as described would be successful in the Thai context. Outside major cities, there is little experience with this form of promotion-based competition; small businesses would simply see no benefit in participating. However, one could imagine community members and businesses being asked to 'donate' community currency to their local temple if this were to be seen as a form of merit. By doing so, they would open a community currency account with a negative balance – an obligation to future trade. Notes which represented these obligations could then be distributed to community members to use for trade. Certainly, more thought needs to be given to the development of such initiatives.

In anticipation of problems which might be encountered in implementing a community currency system in India, the 'Bonus' scheme has been devised to back a community currency with donor funds during the first stages of implementation. Under this plan, donor funds (in national currency) would be divided in two. The first half would be loaned out to community members and could be repaid in local currency; the second half would be kept in an interest-bearing bank account to back up the community currency if problems arose and if community members wished to redeem their local currency notes. In later stages it is hoped that money can be loaned out in local currency and no further backing will be required. The major drawback with this as yet untested scheme is the initial reliance on donor funds. The

experience of savings groups in Thailand is that those groups which generate their funds internally are more successful than those which are given seed money by donor agencies.

### **Integrating business**

The greatest concern for most system administrators in Europe and North America is the lack of involvement of local businesses. In appreciation of this, numerous methods have been devised which attempt to make participation in a community currency system more attractive for business people. These have included hiring a full-time 'business outreach' staff member, heavily promoting the involvement of local businesses, and regulating the percentage which businesses can accept in community currency so that they are not overwhelmed. Lessons about the need for highly efficient administration have been taken from the successful barter systems.

The integration of businesses may not be as decisive an issue in Thailand as it has proven to be elsewhere. Particularly in rural areas, most participants in a community currency system will be 'prosumers' – that is, like most farmers, both producers and consumers. Furthermore, with the more socially cohesive fabric of the Thai village, if a system is once accepted by key community figures, it is likely that small business owners will do likewise.

### **Multiple-level trading**

The design of a community currency system might be seen as an inherent limitation to external trade since trading can only be realised within those boundaries defined by participants. To allow trading beyond one's immediate community without risking leakage from one area to another, a multiple level trading system has been designed for LETS called MultiLETS. MultiLETS allow individuals to hold separate accounts in both the community currency system of their immediate community and in other overlapping, neighbouring or 'umbrella' systems. While the requirement to register transactions rules out the use of the MultiLETS concept in an HOURS environment, there is no reason why multiple-level trading could not occur between hybrid systems.

It is the authors' opinion that the development of MultiLETS has preceded the preparedness of individual systems to accept it. As long as system growth in individual communities has yet to reach significant levels, there is relatively little call for multi-level trading. For this reason, as well as the added complication arising from the need for computerised accounting, it is felt that the inclusion of multiple-level trading is not a priority at this time.

## **Operating Issues**

### **Fiscal tools**

As with any economy, a community currency system incurs administrative costs; therefore, a system must be devised to raise revenues. Furthermore, members of the community may want to either encourage or discourage economic growth or support a variety of community initiatives. A number of effective methods have been devised to serve this purpose. It seems plausible that, in the Thai context, a membership fee could be charged, similar to those used by savings groups and credit unions.

The opposite of the taxation issue is that of budget spending. Both LETS and HOURS-based systems use grants to community organisations to stimulate trading activity. As with administrative tasks which are paid for in community currency, it is important that the impact of such spending on currency depreciation be carefully monitored. Profligate spending on administrative tasks, without the necessary accompanying taxation, has nearly meant the collapse of several LETS. The lessons here are that all spending should be agreed upon by the whole community; fees should be levied on a cost-of-service principle; and all actions to either tax or spend should be transparent.

### **Monetary tools**

The HOURS systems allow a certain percentage of total HOURS issued to be lent out interest-free. In principle, LETS allow their members to create their own unlimited credit. However, in practice, LETS have set a limit on negative account balance. In this way, members can be confident that no individual will receive a disproportionate amount of goods and services and then leave the system without repaying.

While the LETS accounting system does not require any manipulation of the money supply, HOURS administrators must expand or contract the money supply in an attempt to meet the trading needs of the community. This is done by manipulating the number of HOURS which are paid to new members or renewals and the percentage of HOURS which can be given out as loans or grants.

### **Valuing transactions**

In North America as well as in Europe, virtually all community currency systems have tied their currency to the national currency in order to make it easier for members to value their transactions. Tying also simplifies accounting and the tax calculations for participating businesses. However, if buyers and sellers expect the parity to be maintained, the value of a

community currency must follow the ups and downs of the national currency. This was not seen as a problem in systems where the dollar, pound, and franc have been relatively stable. The decision to tie the community currency to the national one becomes more difficult when we consider the recent history of the baht, ringgit or rupiah.

Trying to avoid these potential instabilities requires the creation of an independent standard for valuing goods and services. One option is to tie the local currency to the value of a single good or a basket of goods. Alternately, the local currency could be based on an hourly wage rate established by the community. The third option is to allow members to decide themselves how they want to value goods and services. Conceptually this seems the most ethical way of dealing with prices as these prices would better represent community norms and values. However, the inexperience of community members in valuing what they buy and sell independently of the market suggest that this option will be difficult to implement.

The most practical solution might be to provide, initially at least, a national currency equivalent as a guideline only. After traders become more familiar with the basic mechanics of using the currency, they can be encouraged to set prices independently of the market. Services would be relatively easy to value in this way. Tasks which go unvalued in the market, such as collecting medicinal herbs, might be valued by the community equal to or greater than farm labour. The valuation of goods presents a stumbling block. The higher the percentage of community content, the easier it would be to wean prices away from the market. As an example, the difference in price levels from producer to wholesaler to retailer provides space for farmers to value their agricultural goods independently. Consumer and industrial goods which are produced outside the community would necessarily be tied to market prices and, undoubtedly, the percentage of the final sales price which could be accepted in community currency for such goods would be limited.

## **Key Success Factors**

### **People**

One constant with the community currency systems contacted was the presence of a 'champion' – an individual who first introduces the concept, works endlessly on its implementation and provides motivation and leadership. Champions must remain conscious of how they are perceived by members of the greater community. Just as a well-respected, personable, highly-skilled champion is the touchstone of success, so an individual who

is viewed with suspicion or who lacks interpersonal skills can impede further development. Unfortunately, the latter scenario is not uncommon. There are more than a few examples of community currency systems which are judged more by the character of the champion than by either the merits of the concept or the achievements of the system in place. One way to avoid placing the burden of success or failure on one person's shoulders is to seek out an organisation or institution to play the champion role.

After the preliminary groundwork is laid by the champion, it is important that the leadership circle be broadened to include as large a cross-section of the chosen community as possible. The goals of the system should be clearly established and a means by which they can be achieved outlined. A process for the selection of an administrative committee should be agreed upon by the general membership. The importance of effective and transparent system administration should not be underestimated. When administrative tasks are performed well, it does more than any rhetoric to establish the credibility of the system. Beyond these basic requirements, administrators play a key role in facilitating trade – having an eye to bringing offers and requests together.

Community currency systems established in both Europe and North America have taken root in predominantly 'affinity-based' communities – that is, communities which share a common value system or ideology, either in addition to, or in spite of, geographical proximity. This additional bond makes it easier to mobilise volunteer support – a key factor in determining system success. The need for education activities is paramount for the general membership. Participants who are better informed about the working requirements of a system will be both more active traders and more willing volunteers.

Finally, as with any human endeavour, it is critical not to underestimate the potential for conflict, between participants or between participants and the administrative committee. Dispute resolution mechanisms should be put in place as soon as possible. This might include, for example, the appointment of an ombudsperson, the delineation of administrative roles and responsibilities, and the scheduling of regular meetings where a voting procedure is established.

### Community

In those places where community currency systems successfully take root, there is usually a match between the characteristics of the general membership and those of the host community in which it operates. What this clearly illustrates is that, if one of the participants' goals is to include a broad cross-section of the community in trading, then representatives of

various subgroups must be involved at all stages and levels of decision-making. There seems to be no clear indication as to the ideal physical attributes of a host community. Practitioners in larger cities observed a tendency for trading to cluster around smaller communities within the larger whole. The physical size of some cities proved to be an obstacle for many traders, particularly those without vehicles. While large geographic size and population may be problematic, it does not appear that there is such a thing as too small a host community.

This raises what is, perhaps, a more important factor in determining success – resource availability and diversity. What are the possibilities for self-employment within a given community? What proportion of the required inputs could be sourced locally? The answers to these questions differ for every community and, furthermore, are dependent on the ambitions of the system participants.

In Europe and North America, government bodies are generally ambivalent towards the development of a community currency system. Some have provided financial support while others have threatened to suspend existing social service benefits. In Thailand, in the absence of a social security net, the latter reaction is not a concern though care should be taken to ensure that local government officials view any initiatives in a positive light. Perhaps more crucial to the successful establishment of a system will be the support of the monkhood. If resident monks believe that community currency is contributing to general social welfare, the acceptance process will be greatly accelerated, as has been the experience of some savings groups.

### Responding to real needs

Individual interest-charging creditors encourage entrepreneurs to seek out very specific and, preferably, highly profitable, target markets whose constituents may be spread thinly across a very large area. Within a single community, the number of such individuals may be small or nonexistent. The entire community acting as an interest-free creditor is better served by supporting those activities which appeal to a broad cross-section of citizens. Furthermore, while trade in luxury items may strengthen social networks and, indeed, improve the quality of life, it will always represent a relatively small percentage of most peoples' economic existence. For community currency systems to play a meaningful role in local economic development, they must find avenues for the inclusion of essential goods and services.

To date, the development of community currency systems has been focused in urban centres. While restaurants and grocery stores are included in trading, farmers are often under-represented, if not altogether absent.

The use of community currencies to support local agriculture is largely untapped. Potential implementations include: farmer to farmer barter; facilitating the establishment of farmer cooperatives to process, package or deliver produce; providing growers with short-term, off-season credit; helping to establish Community Supported Agriculture (CSA) programmes; and use in urban community garden initiatives.

The role to be played by a community currency in accessing national currency credit has only begun to be explored. Alternatives Credit Union, in Ithaca, allows its members to pay banking fees, interest charges and a small amount of loan principal in HOURS. Several other systems are actively pursuing closer links with local credit unions. Such links need to be explored in the Thai context. There may be a perception that one initiative is in competition with the other. In fact, the coexistence of a community currency system and a credit union or savings group is highly desirable. Savings groups can continue to provide loans which are required in the national currency, while interest-free credit can be created by the community currency system. Without interest the savings role of community currencies is limited. Those involved in savings groups should remember, however, that their interest-earning deposits with commercial banks are part of the larger system which creates winners and losers as earlier discussed.

In Europe and North America, oftentimes there is less interest in integrating social services than there is concern of how to prevent community currency systems from interfering with the receipt of state support. Educational services obtainable in a community currency system are limited to informal activities such as private tutors and daycare centres. However, the potential of community currency systems to integrate social services is great. Ithaca HOURS has organised a health fund very similar to those created by savings groups in Thailand. The fund offers membership which can be paid in US dollars, HOURS or home visit credits. Members receive a discount of 3-10 percent at participating healthcare providers. The definition of 'healthcare provider' has been broadened to include exercise outlets, air and water quality treatments and diet centres, as well as more traditional services. As membership grows, the Fund will accept claims for an increasing variety of health care costs for up to 5 percent of the total available funds for any single claim. More important, however, is the freedom which community currencies grant to revalue community-based social services.

#### END NOTES

- 1 Doininger, Klaus and Lyn Squire, 1996. *Measuring Income Inequality: A New Database*. The World Bank Policy Research Department, June manuscript.

# Balancing the Power of Money

 **Menno Salverda**

WE KNOW THAT WE cannot always express 'value' in money terms; some activities or objects could be valued higher and some lower than the 'price' they bear. Nevertheless, our decision-making processes which impact on our economic and social lives, are rooted almost solely in the monetary sphere.

According to the 1998 United Nations Human Development Report, the income disparity between the top 20 and the bottom 20 percent of the world's population is now 150 to 1, double what it was 30 years ago. The 225 richest individuals on this planet have a combined wealth equal to the annual income of half of humanity.<sup>1</sup> Income inequality of Thailand is one of the highest in the world,<sup>2</sup> whilst Indonesia faces rising income inequalities since the onset of the crisis.<sup>3</sup>

The national debt has in many countries exceeded what countries earn in the real economy, making it virtually impossible to repay those debts. The debt problem is not just prominent on a macro level; In Thailand, 4.7 out of the 5.7 million farming families in the country face long lifecycles of debt.<sup>4</sup>

Goods are transported enormous distances before they reach us as consumers. Britain for example will this year export 111 million litres of milk and 47 million kilograms of butter, while simultaneously importing 173 million of litres of milk and 49 million kilograms of butter.<sup>5</sup> Why? We have arranged our pricing system such that this makes economic sense.

The role that money plays in causing these problems cannot be underestimated. This article claims that reducing the power of money, is required to reverse the trend of alienation from the social and cultural settings in which our economic production takes place and to readjust the allocation mechanisms in order for resources to be distributed more fairly. Too often, we simply accept the current monetary system as a given – an immutable

fact of nature. In fact, the monetary system is a fallible human creation. This article will look into some of the economic alternatives currently in practice. 'Islamic Banking', 'demurrage', or the enactment of a tax on money, and Community Currency Systems, will allow us to reexamine what function money can and should play. But before this discussion, let's start by taking a closer look at some traditional characteristics of money.

### **Credit and Interest Rates**

Credit functions as a way to allocate financial resources to those in need of capital... money. At the same time we are led to believe that credit is not something which should be given for free. Hence, interest rates!

But why can credit not be free? Economists claim that interest rates are justified because of the 'time preference of money'. This is a difficult term for a theory which tells us that people who are willing to give up consumption today by saving money, should be compensated for this (temporary lack of money) so they can consume tomorrow.

With positive interest rates people with money can *make* money without doing anything for it in return. People in need of credit, and the poorer parts of the population always are, borrow money provided by creditors. In order to repay this money *plus* an interest rate payment, borrowers obviously have to work. If their harvest is destroyed by a rainstorm or trampled by an elephant – risk factors in real life – they have to work even harder. The rules of the game do not change of course – the debt only increases with time, so repay your debt or lose your land (collateral). Ubon Uwaa, an NGO leader in Northeastern Thailand, pointed out that the 'cheap' loans to farmers, through a government agricultural bank, with double digit interest rates, are unrealistic compared to the physical capacity of the climate, soil quality and suitable crops and inputs that are available to the farmers to repay the loan and interest.<sup>6</sup>

Creditors do *not* face the risk of a harvest loss, or have to pay the cost of depreciation of machines (rust), stored seed (mildew), etc. Creditors protect themselves from risk by reserving the power to deny a loan to a farmer who is not 'creditworthy'. With interest rates, money keeps its value and the creditor can sit back, relax and wait until the most profitable borrower walks in. The borrower does not have this same luxury; the rains are coming, the seeds need to be bought, and the buffaloes need fodder to gain enough strength to pull the plough. Remember, with a time preference of money there is an incentive to sell all your goods and stocks, you do not need immediately; after all, it is better to have money which you can put in a bank where it *makes* money, rather than to be stuck with goods, which

reduce in value. More likely however, the farmer will have sold his/her goods already directly after harvest, in order to pay off debt (also termed 'distress sale' or 'forced commerce')<sup>7</sup>. The same NGO leader I referred to above, said that loan repayment schedules do not correspond with income and expenditures of a farming unit. In effect, once a farmer goes into debt, he never comes out.

One of the questions we should ask ourselves is the following. Who tells us that the people without any money should be happy to pay interest to

### Box 1: Local Savings Groups in Southern Thailand

Some popular local savings groups in Southern Thailand aim to increase the welfare of their communities through reducing the reliance on the mainstream banking system. They charge very high interest rates on money lent to their members (interest rates higher than the mainstream banks!). The profits from these interest payments are used to create welfare funds, to which all members of the savings group (borrowers and savers) have equal access. True, this is a much better arrangement than borrowing from a mainstream bank, as profits paid in the form of interest are kept within the community.

But there are some other consequences. First of all, with a prefixed interest rate, it is the borrower and not the saver carrying the risks of production. The borrower is after all not sure about the productivity of the money invested, while the amount of money to be repaid is pre-fixed. The interest rates being very high, they create even a bigger burden on the borrower. True, interest rates are a method to connect savings with investments as well as to create welfare funds, but what is not clear is why the burden of making these 'community merits' should be with the borrower and not the saver. Regulations, like limitations to the amount saved per member, would mitigate the increase of income inequality the levying of high interest rates could generate between borrowers and savers.

Another important effect of the levying of artificial high interest rates is that it implies that money needs to come from outside the community. This results in households focusing on selling goods and services for the outside market. Apart from being increasingly dependent on the outside market on which community members have no control, this will also lead to unsustainable production methods.

This article claims there are ways of connecting savings and investments more fairly and sustainably, for example through sharing profits instead of using interest rates.

the people with money who lend it? Let's turn this rationale on its head. *Why don't the lenders pay the borrowers a fee for using the money, because if you think about it, without any borrowers, what would they do with their money?*

## **Creating Money without Value**

With money we buy goods and services. As such, money represents a 'claim' or 'demand' on the real economy. If we claim too much, the real economy cannot cope with the pressure. A balance is required between the real economy and the money economy, through which the claims are generated. We have seen that the levying of an interest rate is one factor causing the balance to be disturbed; it creates unfair claims on the real economy. But, it is not the only factor.

Since 1971, when the gold standard was abandoned, money has been created by fiat; it is not backed by anything material. Governments create money by issuing bonds. These are claims on the real economy; claims on taxpayers of the current and of the future generation. Often, debt figures of countries have exceeded the total annual income of the real economy in those countries.<sup>8</sup>

The money creation process (read 'debt-creating process') is propelled through fractional reserve banking, practised by commercial banks. Through this mechanism, commercial banks are required to keep a certain percentage of deposits as reserves. With a fractional reserve requirement of 10 percent, commercial banks can issue 10 dollars in loans for every dollar deposit. These loans are then used to purchase goods and services, winding up as a deposit in another bank.

Then the process starts all over again.<sup>9</sup> In this way, most of the money we see in our pockets, or in our bankbooks, was created by commercial banks as debt — not covered by gold or any other real resource or real value base. Its value is dependent on the trust people put in it. Nobody knows why people still do. Inevitably these increasing debts have to be serviced at some point — by the real sector! This requires the real economy to grow faster and faster, inevitably at the expense of our stock of social, cultural and physical capital.<sup>10</sup>

The madness of the monetary system is further illustrated by the fact that worldwide, for every \$1 circulating in the productive economy, \$20 to \$50 circulates in the economy of 'pure finance' — though no one knows the ratios for sure.<sup>11</sup> The bidding of assets is another way of creating money without value: "As this growth [of money flows] occurs, the financial or buying power of those who control the newly created money expands,

compared with other members of society who are creating value, but whose real and relative compensation is declining.”<sup>12</sup>

The Asian crisis of 1997, was created by a decade of excessive monetary inflows. The crash came with the realisation that the real economy could not possibly cope with this growth. Fingers were pointed at crony capitalists and foreign speculators, but *not* at a global money creation system, which drives this cycle of boom and bust.<sup>13</sup>

## Profits

Farms or any kind of business under the pressure of repaying debt, focus on activities which maximise profits.<sup>14</sup> Profits which arise out of these kind of activities are made at the expense of the environment and social/cultural relationships. Cassava and eucalyptus trees are not popular because they are highly valued. On the contrary, they cause soil depletion. They are popular because they make money. Factors such as soil quality cannot be quantified and are, therefore, externalised from the resource allocation equations of the money system.

Social relationships and cultural factors underlie many of our economic activities: like helping your old neighbour on the farm with weeding, or donating rice to the temple for the support of the poor. In mainstream thought, the time devoted to these activities is considered as money ‘lost’, and is, therefore, a threat to the capacity to repay debt. This implies that it is the cultural factors that *prevent* businesses making profit, or, in other words, *the existing social system with its cultural factors should abide by the rules of money!* (See also box 2)

In this paper we do not judge social and cultural norms in a community. However, the morality of the profit-making business is fairly clear. Dependent on making money, it induces greed and undermines the values of externalities. What we need to do is to create another form of money which reduces our dependency on the national currency. A money which supports a more equitable allocation of resources, a money which does not determine our social relationships, a money which is used to represent values instead of prices. So, how do we create this *new money*?

In fact, we should be clear on one thing, which is, *we do not need money!* What we *do* need is the goods and services, for consumption or for working capital or even investment. The most important function of money is as a tool which allows us to procure those goods and services, what economists call the function of medium of exchange.

**Box 2. Urban Poor Women in Cicadas, Bandung, Indonesia<sup>15</sup>**

During my stay in Bandung, I was fortunate to visit a group of women, who live in the slum area of Cicadas. Akatiga, one of the NGO hosts in Bandung of the seminar I attended, studied the impact of the crisis on poor urban women in this area. Traditionally women manage the household and are responsible for the daily sustenance of the family. Men are responsible for the monetary expenses, which they earned in the textile factory. These traditional 'male' jobs have disappeared and only some occasionally find work as a driver on a bicycle taxi, a *becak*. With no money income, women were forced to seek additional income from 'female' (low-paid) jobs such as laundry, cooking, nursing, delivery services or opening a store. Women's obligations as homemakers are not considered as 'work', and are, therefore, not valued. Other than, loss of (men's) income and increased pressure on women's labour, a hike in prices of basic needs (i.e. rice 300 percent) has further increased the burden on women.

Some women's groups have started informal mutual credit arrangements to help each other. This has increased a sense of community among its members. One homemaker mentioned to me that she does not charge her neighbour any interest; she knew that some day she would need some money herself. In another neighbourhood, some community members, in desperate search for money, have become gambling agents, causing enormous amounts of money to leave the community.

Since the monetary system does not factor social work into the economic decision-making process, the search for money is to the detriment of the social well-being of women. It has gone so far as to cause individuals to exploit their fellow community members through gambling schemes. The informal credit schemes, set up by women, are a way to reduce the dependency on the market over which community members have no control.

**Interest-free Money**

Money, designed to act as a medium of exchange, should be interest free. As pointed out above, borrowers and creditors are interdependent and a new framework should incorporate this realisation.

**Islamic Banking**

Islamic banking is based on religious principles, one of the central tenets of which is that interest payments are a form of usury and are, therefore, a sin.

In allocating savings to investments, instead of using interest rates, Islamic banks work with the profit-and-loss-sharing principle. If there is a profit, lender and borrower benefit; if the harvest is destroyed, the lender and the borrower both share this loss. Thus Islamic banking is a monetary system with the clear advantage that the risks (like harvest loss due to a storm) in the real economy are not entirely borne by the borrowers.

There are two more advantages of Islamic Banking.<sup>16</sup>

- First, resources will be distributed more efficiently as the funds will go to where expected profits will be highest; not to the most creditworthy.
- Second, the money creation is in line with productivity levels in the real economy and, therefore, makes the system more stable.

Despite the advantages of risk-sharing over interest-based systems, Islamic banking is not widely practised. It faces the difficulty of operating in an interest-based financial environment. In this environment, individuals would be able to cheat the system and not report their full profits to the bank. If the bank discovers this and refuses them further funds, the fund seeker does not risk being put out of business; they can still go back to the interest-based banks.

Furthermore, entrepreneurs with very promising projects might choose interest-based loans that would leave them a larger percentage of profits as compared to risk-sharing. In contrast, those who are less sure about the profitability of their ventures would prefer profit-sharing, as it would, at the least, relieve them of the obligation of paying a fixed return on the funds obtained. This would result in lower profits for Islamic banks than would be possible in a purely profit-sharing environment.<sup>17</sup>

Linking the financial economy with the real economy, through interest-free lending and sharing risks, encourages the creation of real wealth over purely monetary wealth. Nevertheless, it can be argued that while focusing on sharing profits, the system does not allow for environmental and social factors to be incorporated in the decision-making processes of economic activity. Thus the farmer in Northeastern Thailand might not have access to Islamic funds as her expected profits are lower than the farmer in a next-door village where the soils are better.

The lender-borrower relationship in Islamic banking has a parallel in CSA (Community Supported Agriculture), where consumers and agricultural producers *share* the risks of production. Consumers make advance payments of working capital to the producer; they are repaid in agricultural output throughout the growing season. The main difference being that CSA focuses more on the community level, bringing consumers and producers together.

## Demurrage

Alternative money systems attempt to relink the money economy to the real economy. Silvio Gesell, a money reformer who formulated his 'natural economic order' in 1890, claims that as money is a public good, it should be accessible to anyone in need and must not be hoarded. A fee on money ('demurrage', or a sort of negative interest rate) is levied and is justified by the argument that if money represents goods, it should depreciate in value just as fast as goods do; money should 'rust.'<sup>18</sup> Creditors should face the same risks as producers.

If money 'rusts', creditors will be forced to make financial resources available to the ones in a position to use it. As a consequence, a demurrage charge increases the rate of circulation. Suddenly the 'time preference of money' has been turned upside down; *money becomes worthless over time and the real economy gains in importance*. In a demurrage economy, making money is not the main priority of the economic actors, and neither is making profits, at least not necessarily in the short term. Money functions as a medium of exchange and as a means to invest, where profits can be reaped at a future date. As such, individuals have greater opportunity to value social exchanges.

## Community Currency Systems

Community Currency Systems (CCS) are mutual credit-creating systems, specifically designed for local communities. Members of the system create their own money, which they use to exchange locally available goods and services with each other. Trade with the outside takes place in national currency.

HOURS-based community currencies employ a piece of paper ('notes' or 'coupons') as the medium of exchange, while LETS (Local Employment and Trading System) use credits and debits in an account ledger, with no physical representation. The value of these currencies is determined by members of the community. Various, the value has been tied to the national currency; equated to an hour of labour; or allowed to determine itself through members' exchanges.

It is estimated that worldwide there are over 2,000 LETS-type community currency systems, where total number of members varies from as small as 20 to over 2,000. Trade in these systems still happens mainly in the services sector, although many also have small businesses participating. Currently about 100 'note'-type systems operate in North America. In the HOURS

system in Ithaca New York, monthly trade volume is estimated at 6,000 HOURS (US\$60,000) between 1,500-2,000 people.<sup>19</sup> In Third World countries, systems have started in Mexico,<sup>20</sup> Argentina, Paraguay and Senegal.

As in the case of Islamic banking, CCS are interest-free, credit-creating systems. Some systems charge demurrage. Community currency practitioners claim that community currencies fulfil the two most essential functions of money.<sup>21</sup> They provide:

- a **standard of measure**, to compare the value of goods and services.
- a **medium of exchange**, to facilitate the exchange of goods and services.

In a CCS, community currency is created when community members exchange goods and services with each other. This money cannot be spent outside the community and it will thus circulate within the community, creating more economic activity through the multiplier effect.

The accounts of sellers and buyers increase or decrease by the value of the goods and services traded; no more community currency is created or is needed to realise this trade. In this way, the system relinks the real economy with the financial economy.<sup>22</sup>

Apart from creating this stability, CCS also has the advantage of allowing goods and services to be given a *value* independent of the *price* set by the outside market. This can include social obligations, as in the case of the household managers in Cicadas (*see* box 2), or valuing local education in indigenous knowledge, as planned in Yasothon (*see* box 3).

Admittedly, it remains very difficult to fully quantify such activities, but it is easier to value externalities within a community than to try to internalise them using a macro-economic model (due apologies to environmental

### Box 3: Community Currency Systems in Thailand

The financial crisis of 1997 has started discussions in Thailand about the real benefits of the boom of the decade before the crisis and on alternative paths of development which would prevent such a crisis from happening again. NGOs and People's Organisations in Thailand have shown an increasing interest in Community Currency Systems (CCS). The TCCS project has, for the last two years, explored ways to implement a CCS in Thailand.

After having attended a seminar about CCS, some villagers from Yasothon province in the Northeast of Thailand, have decided to learn more about how the system works and to try to set up such a system. A small group of villagers

have taken up the task to prepare the implementation and generate enough interest amongst the 495 households, spread over five villages, which have been designated as a pilot community. The members of the five villages, have strong geographical, economic, social and cultural links. In the future it would be possible to incorporate another four villages nearby, if they so wish.

Community workers are working with villagers to prepare the launch of a 'hybrid system' early in 2000. A hybrid system is a combination of a LETS and a 'notes' based system. It works as follows: those who want to become members of the CCS, go to the community bank, where they can open an account. They can withdraw community currency, interest free, from this account. The money will be in the form of a note called 'Bia', named after a seashell used as currency before the introduction of metal coins. These notes will carry pictures of culturally and socially significant events designed by local schoolchildren, symbolising the fact that this money does not carry just a monetary value. By withdrawing 'Bia', money has been created which can then be used with whomever wants to accept it. It should be noted that the 'Bia' can be spent by villagers who are not members of the system (who do not have an account), however, it cannot be spent outside the community. It is unlikely that somebody who lives outside the community would actually accept the 'Bia' unless she is a regular visitor.

The CCS organisers believe that community members will be able to rely on 'Bia' for their exchange of local goods and services, thereby reducing national currency expenses and dependency on credit. Furthermore, the 'Bia' will circulate within the community, creating more economic activity, as opposed to the national currency which leaves the community very quickly in its search for higher profits. In effect the use of 'Bia' stops the leaking of resources from the community. If villagers choose to increase their use of 'Bia', an incentive will have been created to support local economic activities. This would make investments in, for example, herbal production and indigenous knowledge more likely.

It should be stressed that the CCS organisers do not seek to isolate the pilot villages from the outer world. CCS are a tool to increase bargaining power in trade relations with other markets by first strengthening the local economic base. One might suggest that a CCS could be undermined by free-riders (cheats), but experience so far has shown that social controls prevent this from happening. Nevertheless to prevent problems in the initial phases the organisers have decided that a credit limit be imposed on the amount members can withdraw from their accounts. By turning this argument on its head, a strong case can be made that the cooperation and trust which the process of establishing a CCS engenders is vital to the accumulation of social capital.

economists, who, instead of reducing the power of money, try to appreciate the value of environmental and social concerns!).

It must be noted that community currency systems are backed by the resources within the community, including the labour of its members and the trust members have in each other. Luis Lopezllera, an experienced NGO worker and CCS practitioner in Mexico, mentioned that the objective of CCS should be: 'to teach people the forgotten values of the social and cultural ingredients of our lives, now predominantly undermined by poisoned money!'<sup>23</sup>

In this respect, we can learn a great deal from indigenous exchange systems, like reciprocal labour systems, which were based in a gift economy. Reciprocity does not mean to borrow money and to go into debt; rather, it means a complex web of social relationships between members of a community (and sometimes outside) to exchange goods and services, based on mutual benefit, responsibility and interdependence. There was no money and no time preference involved. (Note: philosophically we can probably still speak of money whose value is determined by the gift economy.) It should be noted that in a gift economy investments do not easily take place as the connection between savings and investments is not really established. Should a community choose to invest in a local business, the required capital may be mobilised through a profit-sharing arrangement.

## Conclusion

The power of money is responsible for income inequality, social degradation and the destruction of the environment. The excessive power of money expresses itself through interest rates, the creation of money by banks as debt and the inability to incorporate externalities and real risks in the economic decision-making processes through which resources are allocated.

Interest-based money increases in value, transferring all the risks from money-makers (creditors) to producers (who are also borrowers). Governments and bankers are responsible for creating enormous amounts of money as debts. These debts function as claims on the real economy, and hence put pressure on people to repay those claims, in taxes; often there is no choice but to jeopardise social obligations, such as looking after your children, and sell national resources, such as tropical forests. Trillions of dollars move around global markets every day; most of it (over 98 percent) as speculative money in the currency and stock markets, *not* in the markets where you buy your food. The size of the money economy has no relationship with the real economy or anything of value. Reducing the power of money

would allow us to reassess what we value and base our activities on those values.

Islamic banking bases its monetary system on sharing risks in the real economy between debtors and creditors. Those profits generated by investors using Islamic funds in the real economy are shared. Thus, the growth of the money economy is linked to the profitability of real activities, rather than a fixed interest rate and ever-increasing debt. However, it is not clear whether such systems are able to incorporate externalities into the allocation of financial resources or whether the pressure to produce profits remains higher than compared to the ability of the real economy to satisfy those same demands.

In a smaller system community members would be more likely to incorporate values other than just profits, since community members are able to place the potential of the real economy within its social and cultural settings.

The second alternative discussed was demurrage. Not so much a system, demurrage is a theoretical tool to be incorporated into a more equitable monetary system. Charging a fee on money causes money to lose its value over time, forcing users to invest in the real economy rather than in the monetary economy. Those in possession of funds with no inventive idea how to use it will be more likely to invest it with someone who does not have money, but needs it to invest in some kind of economic activity.

Community Currency Systems have the potential to create interest-free mutual credit, based on an understanding of interdependency and mutual responsibility between community members, creditors and debtors, consumers and producers. Apart from creating only as much money as the real economy requires, CCS allow an independent assessment of values. In other words, CCS have the potential to incorporate externalities.

CCS is different from the other alternatives, in that it has the potential to work independently from the pressures of the global market. A community does not have to wait for the money creators to change their course against their self-interest, and reform the monetary market. Communities can start a system right now. Although in essence political, since a CCS may change the position of the actors in the economic landscape, the practice of the system does not necessitate confrontation with policy-makers. Remember that it is not the objective of CCS to replace the national currency. Rather an attempt is made to increase self-reliance thereby increasing bargaining power in relations with other actors. As such they are seeds planted, of which the benefits can be used by other communities, monetary reform campaigners and development workers.

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## *KSSP & the People's Plan Movement*

 **KK Krishna Kumar**

KERALA IS A SMALL STATE at the southwestern tip of the Indian Peninsula. Abode to around 30 million Malayalees, this land of lush green coconut trees is considered to be different in many respects from the rest of India.

A look at the common development indicators would confirm this difference. This difference has even led to the use of a rather loose and

	Literacy 1991		IMR 1991 per 1000	Life expectancy 90-92		Birth Rate per 1000	Female to Male per 1000	Hospital beds per million
	M	F		M	F			
Kerala			17			18.5	1036	2418
	94.5	87.0		68.8	74.4			
India	63.9	39.4	79	59.0	59.4	29.5	927	732

confusing term, the 'Kerala-Model' of development. In fact there has never been a 'Kerala Model' of development which was consciously practised. However, a series of socio-cultural and political changes that took place in the state had a cumulative effect that led to a pro-people ambience in the state. The term 'Kerala Model' usually refers to the low-income, high quality syndrome which, of late, has become a major bone of contention among experts. While some over-romanticise it, others tend to totally denigrate it. Actually the fact is somewhere in between these two rocky positions. There are three major factors underlying the achievements of this small state: education, awareness and organisation, especially of the poor. Each of these factors have constantly interacted with each other.

Some of the key factors leading to the present state are worth noting:

- A long tradition of education nurtured by Christian missionary work, liberal rulers, social movements of oppressed classes and so on.

- Path breaking work by several social movements of the downtrodden against social inequalities.
- Emergence of the left political parties as a major political force and a series of struggles that they waged against the social and economic oppression.
- A series of land reforms enacted by the left governments who came into power since 1957.
- A major library and reading movement which played a crucial role in strengthening the awareness.
- A unique People's Science Movement, which opened up several new frontiers of struggle and went beyond traditional left positions.

Kerala Sastra Sahitya Parishad (KSSP), the people's science movement in Kerala, was initiated in 1962 with the objective of propagating science in their own language amongst the grassroots. Over the past almost four decades, KSSP has grown into a massive people's science movement trying to develop and practise a new concept of development and social transformation; a concept of creative, participatory democracy.

KSSP's involvement with the issue of development in the state of Kerala has a history of over 30 years. Its positions on the developmental path of Kerala emerged out of a number of experiences relating to different campaigns, agitations and debates that it undertook with regard to environment, education, agriculture, power policy and so on during this period. A detailed analysis of these campaigns is beyond the scope of this paper. However, the crux of the matter is this: how does one face the phenomenon of zero to low growth in the face of fairly commendable achievements in the field of quality of life? This phenomenon has led to massive unemployment in the midst of universal education, low agricultural productivity despite radical land reforms and so on.

Analysing this scenario, KSSP found that even though certain basic changes occurred in the field of education, social structure, and relationships over the past few decades have prepared ground for the development of the state, yet wrong notions on resources allocation and development and highly centralised planning processes have led to an almost total stagnation of the Kerala economy. From around 1972, KSSP started posing questions about the traditional development path and suggested alternative directions. These discussions were not limited to intellectuals and experts. Thousands of discussions were organised in the villages, towns and street corners. For the first time, development became an issue of the people, not just of experts. Some of the crucial steps that KSSP took around this time were:

- Formation of village Science Societies in order to enhance the capabilities of the local communities to understand and intervene in the development process better.
- Initiation of a major, state-wide discussion on the limitations of the ongoing developmental process and on alternative paths of development.
- Initiation of a number of participatory village studies and integrated village development experiments.
- 'Power to the People' campaign using cultural media reaching out to almost all the panchayats (village council), arguing for decentralisation of developmental as well as administrative processes.
- Publication of Alternative Five-Year Plan documents for discussion among people.
- Initiation of the Panchayat Resource Mapping as an effective instrument for Local Area Planning.

By this time, KSSP was fully convinced that the only way to give positive direction to the achievements of the Kerala society so far is to enhance the capability and efficiency of every individual to creatively participate in the political, economic and social processes. The increasing onslaught of globalisation and liberalisation in various forms, during the past decade, added to the urgency of this task.

In the meanwhile, in 1989-90, the KSSP got an opportunity to initiate and implement a major mass literacy programme – initially in one district, Ernakulam, and later in the entire state of Kerala. Literacy programmes were till then carried out as drab government programmes without any involvement of the community. But the KSSP could transform it into a mass movement with thousands of young men and women participating voluntarily with great enthusiasm. Local community organisations played a key role in the implementation of this programme. The success of the Total Literacy Campaigns gave us a clue about the creative potential of grassroots community participation.

In 1996, the newly elected Left Front Government came to power in Kerala. KSSP and its associates were able to persuade this government to depart from the highly centralised planning process and adopt planning from the grassroots to the top. The entire KSSP organisation came forward to back up this challenging task.

This programme is known as the People's Planning Movement. In India, states are divided into administrative units called 'Zillas' or districts, each district/zilla is further subdivided into Block Panchayats, which are again further divided into Village Panchayats/Municipal Towns/City Corporations.

KERALA		Population
	14 Districts/Zillas (ZP)	1- 3.0 million
	152 Block Panchayat (BP)	0.1 - 0.3 million
	1000 Gram Panchayat (GP)	10,000 – 30,000
	57 Municipal Towns	40,000 – 1,00,000
	3 City Corporations	0.5 – 0.6 million

The Kerala People's Plan Movement was launched in the context of the ninth Five-Year Plan of India. In normal circumstances, development plans under different sectors such as Industry, Agriculture, Animal Husbandry, Irrigation, Education, Health, etc. are formulated by the respective departments manned by bureaucrats. Neither ordinary people nor elected bodies at various levels like Gram (vilage) Panchayat (GP), Municipal Towns, Corporations had any say or involvement in the formulation or implementation of these plans.

When the Peoples Plan Movement was launched, some crucial decisions were made by the government and the Planning Board.

- Every local community/local self-government should make a detailed assessment of its resources, developmental experience so far and prepare its own Development Plan with the involvement of maximum members of the local community.
- The state Government would set apart 40 percent of the Plan budget at the disposal of the local self-governments for the implementation of their development plans.
- The role of various departments consisting of experts and administrators should be to provide expertise to the LSGs in the implementation of plans prepared by them.

There were several bottlenecks in the path of implementing such a programme.

- The administrative/technical departments started feeling threatened and they came out with all kinds of objections.
- The political leadership at the top level started feeling disempowered as the local communities and their leaders were given more powers.
- The local communities and their leaders, though enthusiastic about the whole process, had to go a long way to orient themselves to it and acquire necessary expertise and capabilities.
- Rules and regulations formulated for purposes of highly centralised developmental processes always posed problems.

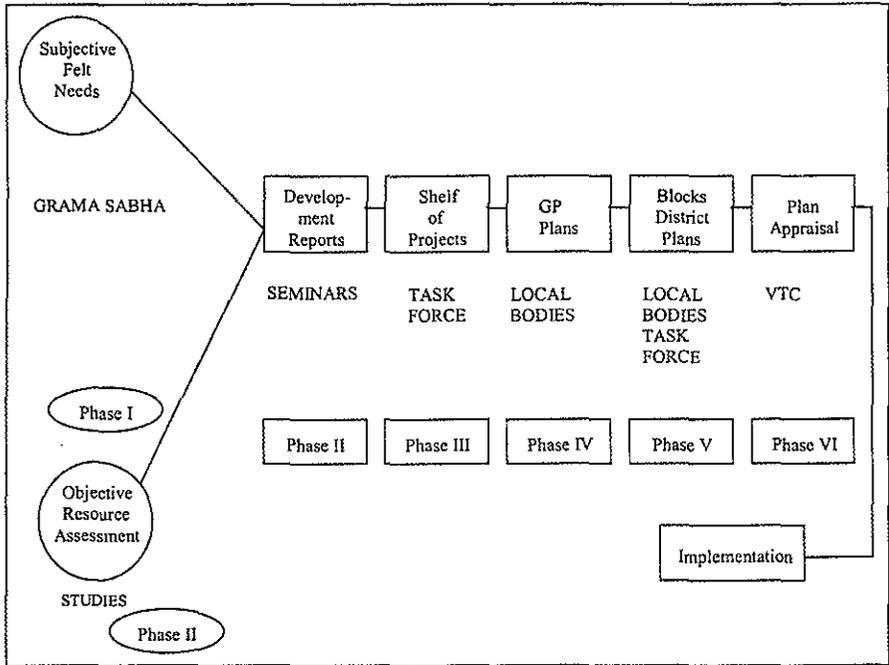
Several strategies were adopted to overcome these bottlenecks.

- Campaigns to call the attention of the people to the new process and persuade them to participate in different levels like Gram Sabhas (Ward Assemblies) in which every adult citizen is a member.
- Orient and train the leaders of the local self-governments in different aspects of plan formulation and implementation.
- Orient and retrain the officials of various departments to take up their new role in providing expertise and support to the local communities as against the old role of 'prescribing' plans to them.
- Infuse a new perspective of decentralised, democratic, participatory planning and sustainable development at every stage of the process.

A massive training programme was formulated for training the leaders of the local community in the new process.

- The State Planning Board formed a faculty of 40 to 50 people, mainly consisting of activists of KSSP (who are otherwise engaged as teachers, doctors, engineers, etc.) and a few committed bureaucrats and chalked out a multi-stage multi-faceted training plan.
  - » About 700 State Resource Persons (SRP) were trained for 15 days in all in three or four spells.
  - » About 10,000 District Resource Persons (DRP) including a large number of peoples' representatives were trained for eight to 10 days.
  - » More than 100,000 Local Resource Persons (LRP) belonging to panchayats (villages) and towns too were trained.
  - » 15,000 ward-level discussion groups were formed. Nearly three million citizens participated in these half-day discussions.
  - » 1200 Task Forces each consisting of 30 to 50 people were formed, one in each local body.
  - » Each local body organised a number of studies including resource surveys, secondary data collection, discussions with elders, etc. with the help of the Task Force members, and prepared a 'Development Report' to form the basis of their future development plans. All these reports are available in printed form.
  - » Each local body also prepared a shelf of 100 to 200 Development Projects in almost all conceivable areas.
  - » A Voluntary Technical Corps of serving, retired and independent experts was formed to give the local bodies the required technical assistance. At present there are about 4,500 experts in this VTC, and are organised in the form of DLEC (District Level Expert Committee), MLEC (Municipal Level Expert Committee), etc.

» People's Committees have been formed in the local bodies to take up/supervise the actual developmental activities. Transparency has been ensured at each stage.



The programme has now successfully completed two years of implementation. One can confidently say that there has been dramatic improvement in the quantity and quality of peoples' participation in development planning. Some of the most striking achievements are:

- Much better utilisation of available resources.
- Considerable increase in people's voluntary contribution to different aspects of development.
- Much more creative approach to finding solution to local problems.
- Greater involvement of local experts and better use of local and traditional expertise in solving people's problems.

Certainly the programme has gone a long way in putting some of the radical concepts of development into practice. But it's too early to comment upon its impact on increase in productivity or improvement in sustainability. A wall has been built. Is it strong enough to resist the onslaught of globalisation and liberalisation? One has to wait and see.

KSSP feels that that much more has to be done to ensure that the processes of change that have been initiated do not get reversed. It is concentrating on two major programmes in this context.

- Strengthening the neighbourhood groups.
- Initiating a major process of Citizen Education.

The Neighbourhood Groups are new forms of community organisations. Around 30-50 nearby households are clubbed together to form a NHG. They will, by consensus, elect two convenors – one man and one woman – for the group. They will also form among themselves a number of subgroups – for education, health, drinking water, sanitation, electricity, roads and so on. Each group will elect its own twin – one man and one woman – convenors. Willing or otherwise, every citizen will be designated as a member of one or two or more subgroups. Each neighbourhood will have 10 to 20 convenors or 'office bearers'. They form the broadest recruiting ground for new leadership.

In all, in the state of Kerala, about 150,000 of such NHGs are to be formed. Only about 10,000-12,000 groups have been formed so far. Traditional power brokers – the bureaucracy, the political parties and the rich – feel threatened by these developments.

The Citizen Education Programme is a major initiative to empower/equip the ordinary citizen to fully participate in the new, creative democratic, decentralised developmental process. It is, in fact, an effort to create a new political culture. This, of course, is being done outside the framework of the government.

There are challenges. The road is not an easy one. But we are moving ahead with great hopes.



# *Know the Country, Change the Country*

 **All India People's Science Network (AIPSN)**

## **The Challenges of Development**

ECONOMIC DEVELOPMENT can be viewed as a social process to improve the standard of living of the people. This is possible only with an incremental availability of their essential physical means of living, like food, clothing and shelter. These means are produced in the different sectors of the economy like agriculture, industry and services. Growth in the production of goods and services of these sectors is, therefore, an essential precondition for development. But a mere growth in production by itself will not suffice if it leads to further enrichment of the rich and impoverishment of the poor. The gains of development should be universally available to everybody in the society. Not only an increase in production but also an equitable distribution of the incremental production is an inevitable condition for development. The development should also be sustainable over time; it should not end by the present, should continue in the future also. While evolving a strategy for economic development, we have to take into consideration all the short-term and long-term repercussions of all our development activities. In short, development means stable, equitable and fast economic growth. We make an attempt here to look at the development experience of Kerala from this angle of view.

A widely acclaimed achievement of the development process in Kerala is distributional justice. We could ensure a high quality of life to our people at a relatively low economic level. Some development experts even consider this a paradox. We could identify three reasons for this peculiar phenomenon.

- First, the near-universalisation of education, public health and the public distribution system, achieved mostly by utilising the government

machinery. These have led to universal literacy, lower rate of infant mortality and higher longevity of life. A significant fall in the birth rate has also become visible in recent years.

- Second is the land reforms. It was the strong farmers' movement in the first half of the present century that brought about fundamental changes in the ownership relations in land, although signals of a change in this direction were visible in the erstwhile Travancore-Cochin area even in the 19th century. The land reforms made the distribution of assets in rural areas more equitable and left a deep impact on all walks of life in the rural society.
- Thirdly, a strong trade union movement succeeded in improving the conditions of labour, particularly the wages and service conditions.

It is evident from the foregoing analysis that the basic requirements of the common people of Kerala in education, health, housing, food-rationing, etc. could be met through a prolonged socio-political process. Many aspects of the development process of Kerala have evolved out of compulsive reactions to social reformative and institutional pressure groups. However, when viewed against a standard level, the level of social welfare attained in Kerala stands out as a model. The state has proved that the standard of living of the people can be raised by deliberate and purposeful intervention, even at a low economic level. It, therefore, becomes clear that economic backwardness is not the sole obstacle in providing the basic needs of food, shelter, education, etc. to the entire population of the country.

However, when we move from the sphere of distribution to that of production, the weakness of the development process in Kerala is exposed. Economic growth has not caught up with the progress made in the fields of education, health, etc. All through the post-independence period, the per capita income of Kerala has been persistently lower than that of the national average. In 1995, while the all India average of per capita gross domestic products was Rs8,237, the average state per capita GDP of Kerala was only Rs6,983.

For more than a decade since the mid-70s there had been no significant increase in agricultural production. One reason for this is the change-over from short-duration to long-duration crops. However, there is some reason for consolation in the fact that agricultural production has again started looking up in recent years. But if we consider crop-wise productivity, the productivity of many of the individual crops of Kerala is much lower than the national average and that of other competing states. There has been substantial increase in wages and other input costs in the agricultural sector, but there has not been a proportionate increase in productivity. As a result

farming has become quite an unattractive proposition. The situation is still more pathetic in the industrial sector. Growth of industrial production in the 1990s was quite meagre. The crises facing the traditional industries are getting worse. Contrary to the universally observed pattern, new modern industries are not coming up in the places of decaying traditional industries. In the case of large-scale industries, investments by central public sector enterprises and national monopoly houses are relatively lower in the state. Power scarcity has become a threat to even the very survival of the existing industries. Any thinking about new industries coming up in Kerala has become meaningless.

Because of this stagnation in the production sectors, rate of unemployment has been rising to dangerous levels. One-fifth of the workforce of the state are unemployed. Nonavailability of suitable jobs in spite of intensive search forces many youngsters to withdraw from job-hunting and recluse to the confines of their homes. Kerala is one of the states where the rate of work participation of women is the lowest. Not only this near-absence of women in the field of development activities, but also sex-discrimination of all types prevailing in the society stand out as question marks staring at the face of the widely acclaimed women glory of Kerala.

In the face of such a deepening crisis, the ability of the state government to effectively intervene in the economy is steadily eroding. This aggravates the seriousness of the situation. The financial crunch, though faced by the central as well as many of the state governments, is of a greater relevance to the Government of Kerala. The state has severe limitations in tapping additional tax sources. At the same time it has to bear the burden of recurring social welfare expenditure, more than any other state does. As a result, the revenue deficit has been increasing every year depleting the surplus resources available to meet the development needs of the state. Per capita Plan expenditure of Kerala is lower than the all-India average.

This crisis in the finances of the state government has most adversely affected the welfare service activities. We have already mentioned about the large and extensive system of education and healthcare currently operating in the state. Large doses of investment are required to retune this system to the changing needs of the society and to upgrade the quality. Because of the government's inability to do so, the system is fast degenerating and weakening. It has become clear that sustenance of these welfare service activities at their present levels is possible only by ensuring a faster rate of economic growth.

Our problem is not only the sluggishness of the economic growth but also its untenability, which is becoming more and more evident. Our economic growth is largely based on an unbridled exploitation of forest

and marine resources. Fast depletion of these natural resources of the state has become a serious problem. In spite of being one of the states in India endowed with very high rate of rainfall, Kerala has been facing, almost perpetually, the problem of summer drought mainly because of wide-scale deforestation and destruction of the traditional system of preservation of water resources. Environmental degradation has become a severe threat to our agriculture.

The dangerous undercurrents in Kerala's economy have not been conspicuous thanks to the large remittances from the Keralites working in the Gulf countries, which has led to a faster growth of the service sector and substantial improvement in the standard of the living of the people. However, bulk of this Gulf money was spent on import-dependent building construction and luxury consumption and was not available for investment in the productive sectors of the economy. Moreover a sizable portion of these remittances are being diverted to other parts of the country through the banking system. Our productive sector has failed to gain by utilising the many favourable factors like large domestic demand, availability of large workforce and economic resources.

There is an increasing possibility of this situation assuming dangerous proportions. The ongoing economic reforms in India may push the economically backward states like Kerala to more perilous situation. Liberalisation of imports will adversely affect the prospects of many of our agricultural produces and industries. Predominance of perennial crops in our crop pattern makes diversification of agriculture or shifting of crops in response to the changes in the market prices extremely difficult and painful. Liberalisation of the Industrial Licensing system will increase the possibility of investment flowing more to industrially advanced regions. Handicapped with depletion of resources and stagnant productivity, our traditional export-oriented industries are already facing severe competition in the market. Raising of the administered prices and prices of food grains and other essential goods supplied through the public distribution system have affected most of the people of Kerala who depend heavily on other parts of the country for supplies of many essential consumption goods.

This severe economic crisis throws a socio-political challenge. If this situation continues, the state would become a breeding ground for different types of disintegrative and anti-democratic tendencies. It is, therefore, a solemn duty of every citizen who wishes the welfare of the state to rise above the narrow political, religious, and caste considerations to find out some solution to the present crisis in the development of the state. We should critically examine our earlier experiences, think unconventionally and mould out a new style of action.

We alone cannot solve all these problems because they are not unique to Kerala. The whole country faces these problems, by and large. But we should be able to elevate ourselves from the present unenviable position of a state which has an economic growth rate lower than that of the nation. The basic issue is whether we would be able to speed up our economic growth and at the same time retain and improve our past gains in the social, political and welfare fields.

We can summarise the challenges of development faced by the state as:

1. How can we solve, on a war-footing, the crisis in the infrastructure sectors, particularly the power sector?
2. How can we attract more investments to those industries most suitable to our resource endowment, labour skill and ancillary possibilities?
3. What are the ways to diversify and modernise the products of our traditional cottage industries and to save them from the present market squeeze?
4. How can we increase the output and productivity of the agriculture sector?
5. How can the severity of unemployment be mitigated?
6. How can the quality standards of the services of education and health sectors be improved?
7. How to ensure meaningful participation of women in the development process?
8. How can the tribals, scheduled castes, fishermen, etc. be brought fully to the mainstream of development?
9. How to eliminate the islands of poverty that face the basic problems of poverty related diseases, scarcity of drinking water, nonavailability of houses etc.?
10. How the depletion of resources and environmental degeneration can be controlled and a process of sustained economic growth initiated?

This list can be extended. Problems are multifold, but the means available to us for solving them are limited. So, we ought to move in a carefully planned way.

### **Relevance of Decentralised Planning**

We have already delineated the characteristics of the development crisis faced by Kerala in the previous chapter. How to face these challenges of development within the present multiple constraints? Coordinated efforts are needed in two basic areas.

- First there should be a concerted effort at state level to accelerate industrial growth by removing infrastructure bottlenecks, particularly in the power sector.
- Second, there should be an active involvement and participation of people at local levels to upgrade the quality standard of the goods and services produced in some key sectors like agriculture, small industries, fisheries, animal husbandry, etc.

Planning in these sectors will have to be thoroughly decentralised for this purpose. Decentralised planning does not mean that all decisions should be taken at the bottom level. Planning of major sectors like power, large-scale industries, major irrigation, etc. is possible only at the state level. Development planning should be simultaneous at different levels of the local self-government setup and then integrated to formulate the state level plan.

Why is so much emphasis given to planning in solving the development crisis faced by the state? Economic planning is a process of determining the order of priority of the several, competing development needs on basis of social decisions and according to the available scarce resources in accordance with the priority. This should be time-bound. In a market economy, these decisions are, normally, taken either by individuals or by institutions with the objective of self-gain. Planning based on such isolated decisions will inevitably have some shortcomings.

- If decisions are made based on the sole criteria of private profit, there could be no gain of profit, but a number of factors which would lead to social gains get ignored.
- Market-oriented development which does not take the long-term gains or indirect effects into consideration will not be sustainable.
- Any development activity with a singular aim of private profit will increase distributional inequality and aggravate poverty.
- Decisions by single individuals entirely at their will will lead to mis-utilisation of resources and inefficiencies. Because of these reasons, planning is considered indispensable for sustained and equitable economic growth.

Ever since independence, we have been trying to grow our economy in a planned way. All new development schemes were started as parts of Five-Year Plans. Once a scheme is completed, it is taken out of the Plan basket and all expenditure on its subsequent maintenance will have to be met from non-Plan resources. In accordance with this practice, all expenditure

in the central and state budgets are classified into two: Plan and non-Plan. Plan expenditure is the expenditure on new/ongoing development schemes included in the plan. All expenditure outside the Plan including the recurring expenditure on already completed Plan schemes, administrative expenditure, etc. fall in the category non-Plan expenditure. Should the rate of economic growth of Kerala be higher and faster, more money will have to be set apart for the Plan schemes and utilised properly by correcting the deficiencies occurring in earlier planning.

Eight Five-Year Plans have passed and we are just entering the Ninth Plan. Some of the major shortcomings in the plans implemented so far in India and Kerala are:

- Planning, in actual practice, degenerated into preparation of uncoordinated, mutually exclusive schemes by the various departments. Instead of formulating projects and programmes after assessing the optimal utilisation possibilities of all available terrestrial and marine resources and visualising the needs and welfare of the people, departmentalism became the hallmark of Indian planning.
- Planning, by and large, was centralised and bureaucratic. People who benefit from or are affected by a Plan project had no say in the formulation or execution of the project.
- Too many programmes were taken up at the same time without taking into account resource availability. Such a bunching of programmes and thin distribution of resources led to time and cost over-run, leaving many programmes part finished for long periods. There were severe laxities in monitoring the programmes.

Many of these defects can be rectified through decentralised planning.

- First, in a state like Kerala which is endowed with vast geo-diversity, a centralised, strait-jacket planning may not fit in to the local conditions and, therefore, unlikely to produce the desired results. Planning has to be area-specific, and a realistic area plan, taking into account the geo-physical possibilities and needs of the people, can be prepared only locally with the involvement of local people.
- Second, when plans are formulated locally, it would be easier to understand and define the inter-relationships among the different sectors.
- Third, it would be easier to mobilise resources for local development locally. This can be through donations or voluntary services.

If the decentralisation of planning is so important, why was this not attempted earlier? Although there are many excuses like nonavailability of statistical data adequate for local level planning, nonavailability of expertise, etc. the most important reason is that the local self-government institutions had no administrative power to plan and execute development schemes.

Attempts towards decentralisation of power will not succeed, unless the deficiencies in the existing Panchayat and Municipal laws passed by the Kerala Assembly and the flaws in their implementation are rectified. The Sen Committee was appointed by the government to recommend suitable amendments to the law and in its operation after considering the criticisms and suggestions raised by people's representatives elected to the three-tier local self-government institutions. The committee has already presented its interim report to the government.

Recommendations made by the Sen Committee in its interim report give an impetus to the ongoing efforts for decentralisation of power. In the light of the suggestions by Sen Committee and other expert groups, the basic principles of decentralisation of power are summarised below:

- Donative power is not real power. The donor can take it back any time.
- Any activity that can be carried out at any one particular level of the socio-administrative setup, i.e. neighbour's group/ward/Panchayat/Block/District Council, should be carried out at that level, should not be shifted to any higher level. Each level will decide the responsibilities and powers it can exercise. Only the residuals will go to the higher levels.
- Each level will have its own right for self-determination. In a multi-level planning model, the right for self-decision can be exercised on three types of activities – independent activity, cooperative or coordinated activity and delegated agency activity – subject to certain norms and controls. Such norms and controls should be so designed as their importance descend from lower to higher levels.
- No socio-administrative level is below the next level. Each has its own independence. The conditionalities meant for integration should not be used for subordination. Such a structure can be developed only gradually, by experience.
- There should be a clear understanding on what could and should be done at each level. This decision need not be irrevocable but should not contradict each other.
- There should be active participation of people at all stages of planning – for mutation, execution and monitoring. In order to enable them to

do so, there should be continuous upgradation of their technical and organisational skills.

- Ultimately, all resources of an area are created by the people of that area. Therefore, they themselves should have the control over them. Resources needed for the activities at each level should be mobilised, as possible, from within that level.
- Each level should have the freedom for independent use of the resources transferred to them from higher levels.
- Care must be taken to make sure that once local bodies get this freedom, they should not forget their obligations to the society. Only at the time of elections, held at five years' interval, do people get an opportunity to exercise their controlling power over the Panchayat Raj institutions. This situation should change. There must be some arrangement by which people have a constant control over the system.
- There should be transparency at all levels of local level planning. Every citizen of the local area should have the right to examine all the accounts and records of the local level institution, i.e. Panchayat/ Block/District councils of his/her area. In fact, there are only very few matters which need be kept secret, particularly at the Panchayat level.

Bringing up such a self-strengthening and expanding people's power system is also an objective of the Movement for People's Planning.

### Master plan

The new Panchayati Raj Act envisages that preparation of a master plan for all-round and long-term development of the Panchayat is an important duty of the Panchayat council. The drawing up of the annual plans should be in accordance with such a master plan. As part of an exercise to draw up master plans for every Panchayat of the state, an action plan for preparing the resource maps of the Panchayats with people's participation is already on. A practical demonstration campaign on resource mapping organised recently in Kallyasserri Panchayat of Kannur district attracted wide public attention.

Comprehensive development plans at Panchayat level are formulated, mainly in four stages:

**Stage I.** A resource map of the Panchayat is prepared in the first stage. In this activity, information on land and water resources available in each revenue plot of the Panchayat, their utilisation pattern and the assets created so far is collected, and codified using a village survey map which marks

every revenue plot of the village. These information are collected directly by the volunteers of the People's Plan Campaign and scientists. Eight types of maps are prepared using the informations collected. According to present indications, this activity may take around eight months to complete.

**Stage 2.** Studies on the history and socio-economic conditions of the Panchayat, visiting institutions, local specific problems, nature and characteristics of the people, their needs and aspirations, etc. are carried out in this stage. Many of these informations would be available only through a socio-economic survey of all the households of the Panchayat. This may take another six months or so.

**Stage 3.** The third stage is preparation of the draft outline of the development plan of the Panchayat by integrating the findings of the resources study and the socio-economic survey done in the previous stages. The draft Plan should be widely discussed in the Panchayat. The programmes suggested in the draft plan would be of two broad categories; those with freely justifying information base, which can be implemented straight-away and those side by side with further studies on the second category schemes will also be due in the third stage. This process may take one year.

**Stage 4.** Based on the results of further studies mentioned above, the development plan of the Panchayat is given the final shape in the fourth stage. Sustainable economic growth of local level and people's participation are the two buzzwords of this People's Planning Programme. Public awareness about the need for development and the sense of participation created in this process of People's Planning will be two basic stimulating factors in the implementation of the programme.

Although preparations of Panchayat-level master plans in a scientific and comprehensive way as was discussed above is ideal and most desirable, it is impractical to do within the time limit available for the formulation of the Ninth Plan. Waiting for the master plans to be ready means that for the decentralisation of planning, we have to wait till the 10th Plan. So, we have to find out a practical way not to delay further the process of decentralisation of power to the people. The People's Planning Programme proposed for the 9th Plan is a practical way out.

### **Movement For Peoples' Planning: The Programmes**

A new era has started in the planning process of our state, planning from below with people's participation. Our preparation for the Ninth Five-Year Plan was based on this approach.

The State Planning Board is of the view that 30-40 percent of the Ninth Plan outlay should be set apart for local-level planning. Not a small amount, it would come to around Rs5,000 crore (1 crore = 10 million; approximately US\$1.2 billion). This is an onerous responsibility that the local self-government institutions have taken up. We are up to do things which we are not used to. We have to accomplish this task by bringing people up in line to think and do things unconventionally. It is with this aim in view that the Government of Kerala have given shape to Movement for People's Planning. Salient features of the Movement are briefly discussed below.

### **Campaign for People's Planning: Objectives**

- We have already indicated that 30-40 percent of the Ninth Plan will be decided by the local self-government institutions at various levels within the limits of their assigned responsibilities. At the same time suggestions from below should be considered in the formulation of schemes executed by the different government departments also. Priority of the schemes should be decided after ascertaining the views of local people through public discussion under the auspices of the local Panchayat/Municipal councils. The Ninth Plan of Kerala will be the first-ever Plan of the state implemented with public participation at all levels.
- As important as the Plan is its method of formulation. By inviting active participation of people at all stages of planning – from conception to implementation – we should be able to generate a sense of participation and a new outlook on development among the people. The present disappointment, scepticism and a resigned 'nothing will work' attitude, so widespread among the people, must be removed to inculcate, instead, expectations, optimism and a sense of direction in their minds. Only then will we be able to mobilise all the available resources including human resources, hitherto untapped, for a successful implementation of local-level planning.
- These activities will also be instrumental in strengthening the Panchayat and Municipal councils as local self-government institutions. There are many limitative factors – financial, administrative and legal – which obstruct the effective functioning of these institutions. Past experiences show that removal of these impediments and strengthening of the local self-government system will be impossible unless we mobilise public opinion and organise a people's movement for decentralisation of powers and consequential changes in the administrative system.
- The Movement for People's Planning will also facilitate a more effective implementation of the schemes already handed over to the Panchayats

and Municipalities. There should be a qualitative change in the utilisation of the untied fund allocated for the current year. The conventional activities, at present carried out using this fund should change. Utilisation of Plan funds can be made many times more efficient by mobilising local resources and voluntary services.

### The action programme

First stage of the campaign for people's planning was the convening of Gram Sabhas (village assemblies) in Panchayats and ward conventions in Municipal towns. The main purpose of these meetings was to assess the problems of development faced by the respective localities and draw up suggestions on possible solutions. The Grama Sabhas fulfilled this objective through group discussions, the membership of groups varying from four to 12 depending on the characteristics of the village and the level of public participation.

One peculiarity about these Gram Sabhas is that it is not the common assemblage, but specially convened for local-level planning. So these assemblies did not have to follow the usual proceedings like discussion on reports, presentation of accounts, etc.

Second stage is Panchayat-level development seminars. The main agenda of this one seminar is to discuss the development report of the Panchayat prepared by an expert group of the Panchayat based on the suggestions made in the Gram Sabhas and information collected from different government departments and agencies. The seminar gives an opportunity for an in-depth discussion on the problems and solutions suggested. Representatives elected from each group of the Gram Sabha, members of the Panchayat council, officials and experts attend these seminars. Detailed discussions in the seminars would be held group-wise in 12 subject groups, each dealing with one sector. The seminar will also nominate working groups to prepare schemes out of the suggestions prioritised by these groups.

Each working group will thoroughly review the ongoing development activities in its respective field. Development needs of the Panchayat in the assigned field are analysed in the light of the review and shaped into schemes. These schemes are thoroughly appraised.

The working group also estimates what shares of the cost of each scheme can be met by voluntary services and by mobilising local resources. The group also suggests which of the following agencies should take up the implementation of the scheme.

- Local self-governments at different levels – Village Panchayat, Block Panchayat, Municipal Council, Corporation Council and District

## Panchayat

- State Government
- Co-operative Institutions
- Private Individuals/ Agencies

In the next stage, the Village Panchayat appoints an expert Committee to prepare a Development Plan for the Panchayat by integrating the schemes suggested by the working groups. The expert committee draws up the Panchayat Development Plan taking into account the share of the Panchayat in the Ninth Plan allocation of funds and in accordance with the guidelines issued by the State Planning Board. Then, it would be possible to include some of these schemes selected in the order of priority and within the limit of the availability of funds in the Ninth Five-Year Plan of the State. In the case of schemes which would not be included in the State Plan, the Panchayat councils will be given all possible encouragements and facilities to implement them by themselves. Some such schemes can be executed by mobilising voluntary services or by raising the required resources locally, some by cooperative institutions and some by private enterprises. The Five-Year Plan of the Panchayat will comprise all these schemes.

The development plans prepared by all the Panchayats of a Block and the Block-level plan prepared by the Block Panchayat itself are integrated and presented for discussion before the Block-level Development Seminar organised by the Block Panchayat. Similarly, the Block-level and Municipality-level development plans are integrated at the district level. The District Planning Committee guided by the State Planning Board, appoints district-level working groups and, based on their recommendations, gives shape to the district development plan.

The Planning Board has appointed working groups to prepare the State Plan. Offices of different government departments are also included in these groups so that their practical suggestions also get due consideration. The Planning Board is finalising a programme to organise a State-level Congress in connection with the 40th anniversary of the State, to discuss the draft Ninth Five-Year Plan of the State. We look forward to the participation of the representatives of all sections of people of the State in this Congress which will be a successful finale of the People's Movement for the Ninth Plan.

It is essential that all works relating to this People's Movement for Planning are completed within a short spell of time. It has to be done on a war-footing, systematic and time-bound. We have only our social commitments and collective strength with us to accomplish this task.

## Training

We had to train lot of people to accomplish the campaign successfully. Here also, we resorted to decentralisation because centralised training within the short available time was impracticable. A programme for training at three levels – State, District and Panchayat/Municipality – was prepared. Certain conditions were laid down for the selection of participants for these training programmes: they would be given no extra remunerations except traveling expenses and free boarding and lodging (and duty leave if they are government employees) for the duration of the training. At the State level, about 600 people – about 400 by the District Panchayat and the rest by the State Planning Board – were selected for being trained as chief trainers. The criteria for selection were:

- They should be interested in public activities and ready to impart training at District level.
- They should have a minimum educational standard to do the work effectively.
- At least one-third of them should be women.
- Elected representatives of them were given special consideration.

After the state-level training, a three-day training programme was organised in all the districts for the District-level trainers. These programmes were handled by the chief trainers. Training programme at Panchayat/Municipal towns level was organised next. This was in the form of one-day workshops. Such workshops were conducted well before the meetings of Gram Sabhas and ward conventions. Besides training, these workshops also served the purpose of discussing and planning the future course of activities. Once the meetings of village assemblies/ward conventions were over, the second stage of training for state-level trainers was organised to train them in the preparation of Panchayat/Municipal-level development reports. For mass publicity of the people's plan movement video cassettes on different aspects of development, were prepared by the government-owned C-DIT, and attractive posters and visual publicity materials by the State Public Relations Department.

## Creation of awareness

We know how important a role was played by publicity and the awareness programme for the success of the Complete Literacy Campaign. Such a massive public awareness programme was essential for the success of the peoples' plan movement. Important public figures, social and cultural leaders must be invited to and involved in the planning activities at all levels of

functions. Maximum possible coverage should also be sought from the print and visual media.

### Organisations

The State Planning Board is shouldering the organisational responsibility of the massive programme with the cooperation of the Department of Local Self-Government. A committee has been constituted under the Chairmanship of the Minister for Local Self-Government for coordinating the activities of different departments.

It is the responsibility of the State Planning Board to give necessary guidelines for decentralised planning. A special cell of experts drafted from different departments entrusted with the tasks of supervision, coordination and training is functioning in the Planning Board. Execution of all other programmes, including planning will be under the control of the Panchayati Raj institutions at different levels. Role of the people trained at various levels is only to assist these institutions in fulfilling their task. Officers of various government departments will also extend their assistance to these institutions.

District Planning Committee is responsible for coordinating the planning activity in the district. The District Planning Office is given necessary support services. The chief trainers assigned to the district function as a team under a convener, in close liaison with the District Planning Office. Similar trainer's teams have been constituted at Block/Panchayat/Municipality levels.

A high power Guidance Committee for the Campaign for People's Planning was constituted with EK Nayanar, Kerala Chief Minister as Patron and EMS Namboodhiripad as Chairman. Former Chief Ministers K Karunakaran, PK Vasudevan Nair and VR Krishna Iyer and Dr KN Ray were Vice-Chairmen of the council. Apart from political leaders, cultural leaders, educationists, scientists, and technocrats are also members of the high-power Committee. It can reasonably be expected that the Peoples' Plan Movement under the guidance of such a high-level committee will play a critical role in the future economic growth of Kerala.

### **A New Political Culture Of Development**

Action programme for the Campaign for People's Planning was explained in the previous chapter. This action programme envisages a new style of functioning. Equally important as formulating schemes for the Five-Year Plan by mobilising public participation is making use of this opportunity to build up a new development culture in Kerala.

There is no intention to create a new cadre of bureaucracy either in the Planning Department or Planning Board for the implementation of decentralised planning. The entire process of planning from below will have to be carried out by the local self-government institutions at different levels, in accordance with the guidelines issued by the Planning Board. The Campaign for People's Planning is meant primarily to train, equip and make them capable of taking up this new and challenging task.

When it was decided to delegate away to local self-government institutions at lower levels the authority to formulate schemes for the Ninth Five-Year Plan in areas assigned to them, a question was raised uniformly by many of the elected representatives of the people: What is the use of formulating schemes so long as the means of implementation – staff, finance and authority of law – are not provided to them? In order to study this problem and suggest measures to enable the Local Self-Governments, administratively and financially, Kerala appointed the Sen Committee. Waiting for the recommendations of the Sen Committee and government's decision on them for the introduction of decentralised planning meant that the Ninth Plan, as in previous years, would have to be centrally formulated in the Planning Board with the help of other government departments and decentralisation of planning would have to wait till the Tenth Plan. The Planning Board did not want this to happen and decided to initiate the process of decentralisation of planning immediately in the Ninth Plan itself whatever may be the constraints. Not only that, the mobilisation and lining up of tens of thousands of people for the Campaign for People's Planning can be converted into a mass movement for the implementation of the recommendations of the Sen Committee and make decentralisation of power a reality.

Our past experiences give a clear indication of the critical importance of such a mass movement in bringing about fundamental changes in law. In the history of post-independent Kerala, the most important legislative measure was the land reforms. How fundamental and far-reaching were the changes this legislation had made in the economic, social and cultural life of the people of this State while in many other states, bulk of the surplus land escaped through the loopholes in the law! It did not happen in Kerala not because of any superior quality of the law, but because of a massive lineup of the peasantry and agriculture labourers for an effective implementation of the law. The same logic applies to the process of decentralisation of powers. Only a mass movement can effectively counter the vested interests and discard the past dead weights. The Movement for peoples' planning exactly aims at this.

The new political culture of development which the planning process under the leadership of the new Panchayat Raj and Nagar Palika institutions

acquiring decentralised powers try to give shape to has three basic elements:

- Participation of the public in development activities rising above party politics.
- Emphasis to voluntary services and collective efforts by people in development activities.
- A thorough restructuring of the bureaucratic system right from the root, keeping services to people as the prime goal.

### Peoples' participation

The People's Planning Movement aims to mobilise about 50 lakh (5 million) people to the action front at different levels. What is the basis for the optimism that such a massive public participation can be achieved? It is the organic character of our society. Almost all the sections of the people of Kerala are already well-organised in one form or other, in one organisation or other of the multiple public organisations functioning in the state. Participation of people can be ensured only through the participation of peoples' organisations.

But the unfortunate truth is that the attitude of many of the existing organisations is not favourable to such an optimism. Their main activity at present is to fight for the rights of their members. This is justifiable in one sense. It is through such numerous fights for rights that these organisations grew and made social and economic gains. But in the peculiar situation prevailing today, these organisations can forge ahead only by engaging themselves in development activities also side by side with the fights for rights. This can be substantiated by a few examples.

Take for example, the agriculture sector of Kerala. Small farmers and agriculture labourers are the two prominent groups in this sector. Around 90 percent of the landowners are small holders. Uneconomic size of holdings, low productivity, high wages of agricultural labourers, etc. make farming an unattractive proposition. So a large segment of these small holders seek gainful employment outside the farm sector. In farm operations they have to depend heavily on agriculture labourers. Farm wages are indexed to cost of living. When the cost of living index rises agricultural labourers naturally demand rise in wages. If farm productivity of income from farming do not show a proportionate increase, the interests of the farmers and farm labourers begin to clash. Agriculture gets diversified into less labour-intensive crops, side-cropping and many farm operations get abandoned. In such a situation how can we bind the unity of these two prominent sections of our rural society? One way out is to improve the productivity of land. Such an improvement has become indispensable for the unity of our rural

organisations. Same is the case with the village and small-scale industries sector. Many of our traditional industries are now organised on cooperative basis. The living standard of the people dependent on this sector can be raised only by increasing the productivity and diversifying the products of traditional industries.

We have already discussed in the earlier chapter, the deplorable conditions of service sectors like education and health which are often trumpeted as the glorious sectors of Kerala economy. Financial stringency does not permit the state government to invest more money in these sectors to expand and qualitatively improve these services. One solution suggested to this problem is privatisation of these sectors. But privatisation means gradual deprivation of quality education and medical aid services to the common people who cannot afford to pay for them. If we want to confine this spreading tendency for privatisation, we have no effective way but the expansion and quality upgradation of these services.

It has been possible to improve the quality of life of the people of Kerala by regulating the direction of development by social controls and selected incentives without leaving it entirely to be decided by the market forces. But controls on the free play of market forces and the mass movements which facilitated such controls are now viewed by some people as stumbling blocks in the development of the state. Even the liberally thinking people who praise the role of people's organisations in the redistribution of wealth have now started thinking that the surcharge of organisational strength obstructs the economic growth. Such a conversion from negativism to creativism is a big challenge before the multiple unions of the people of Kerala. To meet this challenge, there should be a change in direction of the activities of unions.

There is widespread anxiety that as most of the people's organisations in Kerala are divided on party lines, it may not be easy to unite and mobilise them for participative planning. Some people even refer to this system as the one overcharged with partisan politics, while admitting of organised mass movements, overlooking party affiliations, to fight for the rights of the people. A practice should gain root in the state by which people should unite and come forward overlooking party considerations to participate in development activities just like in case of the fights for the rights. The all-pervasive political competition should transform itself into a friendly one for serving the people and carrying out developmental activities.

### **Voluntary services**

Many people still consider development schemes as doles thrown out from above. Main reason for this notion might be that these schemes are

formulated and executed by the bureaucratic machinery alienated from the people. Nobody asks what we should get. This attitude should change. People should visualise development activities as a collective effort to improve their lives and living conditions. There is no dispute about the fact that development activities at the Panchayat level will have to depend heavily on the financial allocations given by the state Government. But not small a share of the resources can and should be raised locally. The most important resource that can be mobilised this way is manpower. One-fifth of the workforce of Kerala do not have any work in spite of their willingness to work. Majority of the people already employed are not fully employed. Their work-energy is being wasted now. Everything is decided through bargains in the market. It is true that there are strong obstacles in harnessing human resources for productive purposes. Nevertheless, at least a segment of the unemployed workforce can be put to productive work by drafting them for voluntary services. A number of development activities in many Panchayats of the state have already been carried out through voluntary participation of people. The educated people of Kerala may not do manual work for wages, but may be willing to do it as voluntary service.

Somebody may raise a doubt, quite reasonably, whether such a large-scale mobilisation of voluntary services will not affect the interest of wage-earning labourers? This is due to a narrow, short-sighted understanding of the situation. Voluntary services will be utilised mainly to create socio-economic infrastructure facilities which, otherwise, would not have been created through wage-labour as they may not yield any tangible or immediate returns. Building up of these infrastructure facilities will create an atmosphere favourable to the growth of investment and productivity which, in turn, will generate more employment opportunities in the productive sectors. As in the case of the literacy movement, voluntary service is the soul of the People's Planning Movement. More than one lakh people, not remunerations, can be lined up for this new development literacy programme. This goal can be achieved if the civic sense and patriotic spirit of the people are awakened. Endeavour of the People's Planning Movement is to open up new vistas of social values in our everyday life.

Not only manual labour but also money and things in kind can be collected from voluntary sources. Although the government is facing a severe financial crunch, there is no dearth of money with a substantial section of our rural population. Main source is the inflow of Gulf money. As we have observed in the first chapter, though Kerala is a backward state in terms of domestic production, the consumption level of the state has risen significantly in recent years. How many new buildings are coming up in each village! In spite of such lavish expenditure, how large an amount we have deposited

in banks! Part of this money can be collected as donations for the improvement of hospitals and schools and other social welfare activities. Do not the communal organisations establish schools and other institutions by collecting money from the members of their community? We have numerous examples of organisations like Parent Teachers' Associations in many places successfully mobilising resources for their activities. When roads, bridges and other public utilities are built, will it not be possible to collect at least part of that expenditure from the beneficiaries?

### Experts' participation

One of the main weaknesses of the present development process is that it has not been able to absorb appropriately the latest technical and scientific knowledge. Our experience is that technologies and processes developed by our research laboratories and institutions remain confined within their four walls. A good number of our research scientists remain withdrawn in their ivory towers of academic pursuits. This situation should change. Through people participation, we should be able to utilise the traditional knowledge and wisdom and experience of our farmers and other working class for development purposes. This is very crucial. The planning from above was one completely negating the traditional wisdom of our rural folk and propagating instead, so-called modern scientific technology which was not suitable to our country.

The traditional wisdom gained out of experience by the people should be integrated with the modern scientific knowledge. For this, the scientists and technologists should move from labs to farms and factories. They should mingle with people, educate them, learn from them and strive to bring in changes in the country's scientific and economic structure. It is a sad truth that such a demand was never raised seriously by the people earlier. But people's planning needs the services of these experts. Our universities and research institutions should create an atmosphere conducive to a positive response and creative cooperation by our experts to the needs of the people.

Assessment of availability of experts need not be confined to those currently in active employment. In every Panchayat area, there are many retired engineers, technologists and professors. The average longevity of life of these categories of people might be around 80 although the all-Kerala average is 70 years. Fifty-five is the age for retirement from active service but not an age to retire from life. It is possible to bring many of them from retired home-life to an active social life of voluntary social services. The only caution is that they should be given the respect. Lack of necessary expertise is often pointed out as a severe limitation to local-level planning. This is not true of Kerala.

### Participation of officials

The people's planning programme does not envisage a development strategy entirely dependent on voluntary participation of people guided by experts, completely ignoring the existing government machinery. On the other hand, our intention is to remould the present bureaucratic culture. The bureaucracy has to play a key role in the successful implementation of the programme.

So far we had in our country a bureaucratic system designed to suit a centralised administration. Bureaucracy has frequently been accused of delay, corruption, procedural entanglements, backward looking for precedence and procedure, alienation from people, etc. Departmentalism is the hallmark of the administration system. The hierarchy of each department extends from village to secretariat levels. At lower levels, they are not interlinked.

Our attempt through the People's Planning Movement is to transform our bureaucracy from a departmentalised, mechanically functioning one to one which could render quality services to the development process of the country and as a participative, democratic system of administration. Mutual interaction of the officials and non-officials have to be taken to higher functional levels. Both have to make some amends in their approaches and styles of functioning. The literacy movement of Kerala is a good example of the beneficial effects of such an interaction.

There is a fear among government officials that decentralisation of power will lead to an erosion in their power and authority. What really happens will be just the opposite. Many things that could not be done using official position could now be done with the active participation of the people and with the cooperation of the representatives of the people. Responsibilities of the lower-level functionaries of the government machinery are likely to increase manifold by decentralisation. At the same time there will be another change also, apart from the higher-level officials at the respective levels. This is inevitable in a decentralised democratic system. Both officials and non-officials should adjust themselves to the realities and, evolve, hand-in-hand, a new style of administration.

In short, People's Planning Movement aims at evolving a new work style, bringing together at local level people's organisations, officials and experts under the leadership of people's representatives. It is expected that substantial voluntary work and donations can be mobilised locally through these collective efforts. By integrating the locally raised resources with the centrally allocated outlay, we should be able to evolve a development process aimed at sustainability of growth, increase the production and productivity of the productive sectors like agriculture and small-scale industries, upgrade of the quality of services of the service sectors like education, health, etc. and

improve the lot of women and weaker sections of society. This new development process should start in the Ninth Plan itself.

*Excerpted from a handbook compiled by the All India People's Science Network (AIPSN) on the preparation of Panchayat Development Reports by volunteer teams for the campaign 'Know the country, change the country' in 1997-98.*

PART C



# Beyond the Financial Crisis



# The 1997 Financial Crisis and Asian Progressives

 **Joel Rocamora**

It's a classic financial mania. You live in a little world of greed and everybody around you is interested in spinning the story to make the greed sound like a good investment.

*International Herald Tribune*  
January 13, 1998

Tear gas, rubber bullets and police sweeps, the object of incessant media coverage, are the outward signs of impending change – that the guardians of the social order have grown afraid. (Bacon,1999)

WHAT DOES Eisuke Sakakibara and the 'Battle of Seattle' have in common? Sakakibara, Deputy Finance Minister of Japan at the height of the financial crisis in 1997 and 1998, was recently proposed by the Japanese and other East Asian and Southeast Asian governments to replace Michel Camdessus as IMF Managing Director. In Seattle, 50,000 anti-WTO activists successfully challenged the start of a new round of negotiations for further trade liberalisation. Neither of the two would have happened without the 1997 financial crisis.

Should we, as Asian progressives, care? We are surely celebrating Seattle. It is one of the precious few victories of the international progressive movement. Should we support Sakakibara to run the IMF? Our instincts, our gut feel, says call for the outright abolition of the IMF instead. Since most of us do not know Sakakibara from Chow Yun-fat, who is going to explain his importance? To rise to the challenge of the opportunities opened up by the 1997 financial crisis, we have to struggle to understand both Seattle and Sakakibara. We have to figure out how to bridge the gap in political action between the two.

The abject failure of the attempt to start a new round of WTO negotiations at Seattle and the nomination of Sakakibara to head the IMF provide stark examples of the ideological disarray of international capitalism. At the beginning of the 21st century, there will be major efforts, massive debates to redefine the main thrusts of neoliberalism, to reclaim capitalism's ideological hegemony. Asian governments and their ideological avatars will be major players in what will be a competitive process between the main centres of international capitalism.

Asian progressives cannot concede this arena to their governments and the groups who control them. This historic conjuncture provides an opportunity for Asian progressives to intervene at the centre. We have been occupying the ideological margins for too long, justifying our limited intellectual and political impact as solidarity with the politically deprived. We have to reclaim our governments for our people. Doing this is most importantly an act of political and ideological imagination.

### **Post-Cold War Crisis**

In December 1999, a scant two-and-a-half years after the start of the financial crisis, the most badly-hit economies with the exception of Indonesia are again growing at close to pre-crisis pace. Give it another year or so and the dominant 'crony capitalism' mantra for exorcising the financial crisis will again give way to 'Asian miracle economies' redux. The progressive movement, meanwhile, is still busy calculating statistics and writing funding proposals for dealing with the social impact of the crisis. With very few exceptions, we are unaware of movement in the tectonic plates of international capitalism.

At the turn of the century, international capitalism is in the throes of massive change. The 1997-98 financial crisis exposed a fundamental weakness. Despite renewed efforts to hype the unexpectedly quick recovery of affected Asian economies, this crisis was the first major crisis of international capitalism in the post-Cold War period. It is a real crisis, one that has destroyed billions of dollars of created economic value and devastated over a hundred million lives.

Far from being 'over', the crisis can still lead to global recession depending on whether American economic managers succeed in slowly letting the air out of the US' stock market bubble, and if the major economic powers can figure out a way to control volatile exchange rate movements, especially between the three major currencies, the dollar, euro and yen. More importantly, hesitant efforts to work out a new 'international financial

architecture' betrays an inability to understand the continuing dangers from highly volatile capital flows and the deep structural roots of the crisis.

"This crisis," Walden Bello points out, "has its roots in over-capacity or under-consumption, which today marks global industries from automobile to energy to capital goods. Diminishing, if not vanishing returns in industry have led to capital being shifted from the real economy to squeezing 'value' out of already created value in the financial sector. The result is essentially a game of 'global arbitrage', where capital moves from one capital market to another, seeking to turn profits from the exploitation of the imperfections of globalised markets by taking advantage of interest-rate differentials, targeting gaps between nominal currency values, and short-selling in stocks, that is borrowing shares to artificially inflate share values then selling." (Bello,1999:4)

Dubbed 'casino capitalism', these international financial flows have been the driving force of international capitalism in the last decade of the 20<sup>th</sup> century. More than growth in trade or FDI (foreign direct investments), it has determined the main thrusts of globalisation. During this period, "the volume of foreign exchange spot transactions had grown to more than 67 times the total value of the international trade (including 'invisibles' or services)". By 1997, more than US\$1.25 trillion sloshed around in foreign exchange markets every 24 hours. (Jomo, KS,1998: 10) "Not surprisingly, volatility, being central to global finance, has become as well the driving force of the global capitalist system as a whole." (Bello,1999:4)

With this much money floating around at this frenetic pace, decisions by managers of billions of dollars of these funds tend to be determined by herd mentality. Decisions by these, often very young, fund managers will determine whether they will earn six or seven digit annual incomes. For the people in the countries they place these funds in, and pull them out of, the same decisions will determine, not income, but life and death for tens of millions of people. In Indonesia, the percentage of people living below the poverty line plunged to more than 50 percent from 12 percent in the space of a few months after the crisis hit at the end of 1997.

The factors pushing this phase in the development of international capitalism are structural. Financial centres in Europe, the US, Japan, and their networks in the rest of the world all benefit from this frenetic activity. Because of its role as the world's largest economy, and because most international financial flows are denominated in US dollars, the US plays a central role in pushing policies supportive of these developments and not incidentally, in enjoying its benefits. With less than 5 percent of the world's population, the US consumes a full quarter of the world's products and services. The resulting trade deficits are made possible only by sucking in

prodigious amounts of the world's capital into the US' stocks and bonds markets.

In mid-December 1999, a widening US trade gap again raised fears of a precipitate slowdown of the economy. In the first nine months of 1999, the US current account deficit was running at an annual rate of \$319 billion, 45 percent higher than in 1998. "A widening trade gap is a potential problem for the economy. As money flows out of the United States to pay for imports, it must be replaced by investment from abroad. As long as the American financial markets perform well, there is likely to be foreign demand for US stocks and bonds. If those investment flows were to evaporate, however, American financial markets could tumble..." (Martin,1999:13)

Ideologues of American capitalism are working hard to hype the unprecedented eight years of steady growth of the US economy as the final solution to 'the economic problem'. (Glassman,1999: 6) In fact, managers of American macro economic policy including Federal Reserve Chairman Alan Greenspan are extremely nervous about the economy's dependence on the continuing growth of the already bloated US stock market. The financial crisis and low growth in Japan and the European Union economies meant that there was ample capital for the American economy's prodigious appetites in the last few years. With the Japanese, European and other Asian economies steadily recovering, their own appetites for the capital the US is using will increase. The US economy will decelerate. The only question is whether it will be a 'soft' or a 'hard' landing.

## **Ideological Crisis**

Fast-paced, high-gloss 'casino capitalism' is powered not just by money, but in much the same way as the bright lights of Las Vegas, by the glitter of the catchword of the 90s, 'globalisation'. Endowed with all kinds of power and limitless possibilities by proponents and enemies alike, 'globalisation' is supposed to be turning the world into one seamless market, sweeping aside all obstacles with the power of an irresistible, inevitable historical force. Only those who are willing to be dumped into the junk heap of history, who want to be trampled by rampaging 'globalisation', will attempt to get in its way.

In reality, globalisation does not just 'happen', it is pushed, often with severe economic and political sanctions. Second, it is the US and the international financial institutions it dominates, the IMF and the World Bank, who are most avid in pushing 'globalisation'. While other European and OECD countries support one or another element of the globalisation

conundrum, it is, most importantly, an Anglo-American political project. Third, that if it's the US and other countries of the North who are pushing, it is mainly countries in the South who are being pushed.

Far from eroding the nation state, globalisation is the result of actions of particular nation states. "Globalisation... is often misunderstood as something imposed by micro-processes, such as the revolution in information technology. A number of sophisticated studies, however, have begun to attribute global economic change to the actions of state authorities as they have set about responding to domestic economic crisis precipitated in turn, by a series of external shocks, by US financial deregulation to support extraordinary levels of deficit financing, and ultimately by prolonged world recession. Once set in train, however, the process of internationalisation has acquired a certain momentum of its own – especially in finance. It is in this fourth era of adaptation that we see not only the expansion of capitalism on a world scale, but also the contest of different models of varieties of capitalism, as internationalisation proceeds and as the domestically more robust states seek to 'externalise' aspects of their own model." (Weiss, 1998:11)

The instruments in this global power game, of course, are firstly economic. As the largest importing nations of the world, the US and the European Union countries can leverage access to their markets to pry open markets in the developing countries. Regional economic formations such as the North American Free Trade Association (NAFTA) and the European Union, and the World Trade Organisation (WTO) magnify the reach and scope of trade as an instrument, but at the core of these organisational tools is the buying power and size of the domestic markets of the advanced capitalist countries.

The second major instrument is capital, to finance trade, as Foreign Direct Investment (FDI) to increase industrial and agricultural production, and as loans from multilateral banks. Although there are a range of instruments for wielding control over capital flows, the most important is the IMF and its *imprimatur*, its 'good financial housekeeping seal of approval'. More recently, credit rating agencies such as Standard and Poors have been added to the instruments for enforcing macroeconomic orthodoxy.

Regulatory mechanisms and institutions, the whole legal infrastructure of economic policy in target countries have been radically 'reformed'. Working with the World Bank and regional banks such as the Asian Development Bank, the IMF pushed more than 60 developing countries to implement structural adjustment reform throughout the 80s and stretching into the 90s.

Much has been written about structural adjustment and its impact on developing country economies. Its most important components include trade

and investment liberalisation and macroeconomic stabilisation policies. The first removes nationalist restrictions on trade and investment. The second is geared towards cutting government expenditures to limit budget deficit induced inflation, and cutting demand in the economy as a whole through narrow limits on money in circulation. The main goal is the creation of a stable fiscal and monetary environment for foreign trade and investment and during the 1980s, to secure payment of foreign debt to commercial banks.

In the 1990s, the opening up of capital accounts to allow unhindered entry and exit of funds into stock and foreign exchange markets was added to the already toxic structural adjustment policy mix. To attract foreign capital, exchange rates were pegged and steadily pushed to appreciate, and local interest rates kept high. While we cannot say that the IMF wanted weak financial sector regulatory mechanisms, in the heyday of 'emerging markets' rhetoric in the first half of the 90s, regulation was a poor cousin to liberalisation. Already weakened by structural adjustment reforms, economies in Asia entered a realm of financial system vulnerability which made them easy victims of the crisis in 1997.

Another source of pressure to facilitate the acceleration of Western penetration of the economies of the South is the wide-ranging 'governance and democratisation' campaign. To facilitate this thrust, specific elements in the Western conception of liberal democracy have been pushed, most importantly, its anti-state bias and the equation of 'democracy' with 'market'. Trade and other forms of liberalisation have been packaged as 'democratisation'. Since governments are corrupt and inefficient, the argument goes, democracy can be advanced only if many of the economic functions of government are 'privatised' – turned over to the 'market'.

"Today's renewed focus on the state's role has been inspired by the dramatic events in the global economy which have fundamentally changed the environment in which states operate. The global integration of economies and the spread of democracy have narrowed the scope for arbitrary and capricious behavior. Taxes, investment rules and economic policies must be ever responsive to the parameters of a globalised world economy. Technological change has opened new opportunities for unbundling services and allowing a larger role for markets. These changes have meant new and different roles for government – no longer a sole provider but as facilitator and regulator." (World Bank, 1997:1)

The 'Washington Consensus' is the most radical ideological expression of neoliberalism. It is called the 'Washington Consensus' because the main source of ideas and real political and economic pressure is the US government, in particular the US Treasury Department, the Washington

Bretton Woods twins – the World Bank and the IMF – and Wall Street in New York City where the US' main stock market is. “The Washington Consensus held that good economic performance required liberalised trade, macroeconomic stability, and getting prices right. Once the government dealt with these issues – essentially once the government ‘got out of the way’ – private markets would allocate resources efficiently and generate robust growth.” (Stiglitz, 1998b:1)

Apart from the none too subtle pressure of economic and political sanctions, the full panoply of Western, especially ideological promotion has been mobilised in support of the ‘Washington Consensus’. Graduate schools, especially schools of economics and politics promote these ideological propositions in the guise of objective scholarship. International print and broadcast media, long dominated by American companies, all promote the same ideas. The ideological triumphalism of the Washington Consensus reached its height in the years after the collapse of the Soviet Union and the socialist bloc in 1991.

Although ‘democracy’ has always been part of the ideological arsenal of international capital, ‘democratisation’ discourse in the 1990s has been strongly influenced by post-Cold War conditions. The removal of socialism as an alternative has led to all manner of Western triumphalism, the grossest being Fukuyama’s ‘end of history’ conceit. Western style liberal democracy, Fukuyama asserts, is the final goal of political evolution. History, therefore, has ended.

Instead it is Fukuyama’s fictional world that came crashing down with the Asian financial crisis. The pre-crisis volume of money in international capital markets will probably return in the not too distant future. What is lost is the sense of limitless power that accompanied the helter skelter growth of capital markets in the early 1990s. Despite attempts by the still considerable number of its promoters in securities companies and business magazines, it has become rather difficult to claim that the market is the most efficient allocator of capital.

What is even more clear is that the ideological hegemony of globalisation in its Washington Consensus form is finished. The divergence of IMF and World Bank language on the Asian crisis is startling. Joseph Stiglitz, until recently the World Bank’s chief economist, is one of the most articulate and sought after critics of IMF and US Treasury Department orthodoxy. Jeffrey Sachs, architect of Polish ‘shock therapy’, has criticised every single IMF initiative since the start of the crisis in July 1997. Other critics read like a list of the US’ famous and influential: George Schultz, Henry Kissinger, Paul Krugman, George Soros, Martin Feldstein.

The collapse of the Clinton administration attempt to jump start a new

round of trade liberalisation talks in Seattle is a perfect example of the ideological disarray in the ranks of the leading countries of international capitalism. This was not an occasion for deciding on new trade agreements, mind you, they only had to decide on an agenda for future talks. As impressive as the civil society mobilisation against the WTO was, the failure of the Seattle police and the Clinton administration's negotiating team to prepare a gameplan for the conference was startling. That Clinton decided to play to Western civil society groups by pushing the incorporation of labour standards into trade agreements is even more startling.

What happened? Why, more apropos, 'how' did the neoliberal ideological juggernaut get stopped in its tracks?

### **Financial Crisis and the Deconstruction of Neoliberalism**

The enemies of casino capitalism are legion. Seattle provides a microcosm of its victims and competitors. The US push for removing subsidies for agriculture was opposed by the two main competing capitalist centres, western Europe and Japan. Clinton's ill-fated attempt to link labour standards to the WTO was opposed by developing countries led by India. The civil society groups who closed the streets of Seattle included a bewildering array of NGOs and social movement organisations with no unifying politics except feeling victimised by uncontrolled globalisation.

What is striking about Seattle is the almost total failure of neoliberal ideology to provide a frame for a compromise. Disagreements arising out of competitive pressure among leading capitalist countries is not new. In the past, the more powerful countries, more often than not the US, have been able to provide the ideological packaging for a set of pragmatic compromises. In Seattle, no one could devise an ideological formula for a new round of trade liberalisation talks because many of the key ideological guideposts of neoliberalism have been eroded in the bitter debates over the 1997-98 financial crisis.

There is no debate about what happened. In Thailand, Indonesia, South Korea, Malaysia and to a lesser degree, the Philippines, banks were allowed to pile up unhedged dollar loans which made them vulnerable to sudden, large currency devaluations. These banks took advantage of often large interest rate differentials between foreign currency (more often than not, US dollar) interest rates and local currency interest rates. Banks did not hedge their dollar loans because they believed that their governments would maintain policies that kept exchange rates stable.

The same policies tended to push banks towards lending to real estate

developers, stock market players and other speculative investors. Pumped up by increasing amounts of foreign funds, real estate and stock market 'bubbles' developed. These 'bubbles' are highly susceptible to developments that interrupt the steady increase in asset prices. In 1997, what let the air out was a real estate glut in Bangkok which made it difficult for developers to pay their loans, which then made it difficult for local banks to pay their foreign loans. This let the air out of a much larger 'bubble', the fast growing, loan financed Thai economy as foreign fund managers pulled their funds out en masse like a bunch of lemmings running to the sea. Lemmings in nearby countries, perhaps believing that 'all Asians bank alike' quickly followed.

What started out as a banking crisis turned currency crisis quickly metastasised into generalised economic disaster. With massive devaluations, even well managed banks and corporations suddenly found themselves unable to pay their dollar loans. Over ambitious, adventurous banks now became ultra conservative in their lending. Panicky governments raised interest rates in a vain attempt to defend local currencies but put loans beyond the reach of many businesses. Many companies closed or retrenched heavily, suddenly putting millions of people out of work. Weak demand then added to this already poisonous cocktail to push economies into deep recession.

While the events of the crisis are indisputable, ascribing responsibility has been bitterly debated. Western media coverage has targeted the Asian NIC model of close government-business coordination, redefined as 'crony capitalism' as the source of the crisis. Following neoliberal logic, the 'source' of the crisis is the state. Because these propositions are, in fact, ideological propositions, they get asserted with varying degrees of connection with reality. In this case, the facts call for opposite conclusions.

In contrast to the Third World debt crisis of the 1980s which was brought on by public sector debt, the Asian crisis of the 1990s is a crisis of the private sector. In the 1980s, principally in Latin America, national economies were plagued by balance-of-payments crisis, budget deficits, high inflation, much of this linked to government profligacy. This time around, Asian governments went into crisis with balanced, often surplus budgets, low inflation rates, high levels of national savings and investment. Governments maintained what economists call good 'fundamentals'.

What failed here was the market not government. "Speaking in Helsinki on 7 January 1998, the World Bank's chief economist Joseph Stiglitz [was quite explicit] in saying that "financial markets do not do a good job of selecting the most productive recipients of funds or of monitoring the use of funds and must be controlled." (Bullard,1998:41) George Soros,

understandably, is not a hardline critic of financial markets, but he says that "... financial markets, far from tending towards equilibrium, are inherently unstable. A boom/bust sequence can easily spiral out of control, knocking over one economy after another." (Soros,1998:2)

Identifying the locus of the Asian crisis is a crucial issue because it lies at the root of the debate on the IMF formula for dealing with the crisis. IMF critics say that the IMF formula is geared towards solving a 1980s type crisis of the public sector, not the market crisis of the 1990s. The components of the formula all call for actions in the public sphere: Central Banks raising interest rates to prevent speculation on the local currency, governments cutting subsidies and other expenditures to keep inflation low, legislatures passing yet more liberalisation and privatisation laws to entice foreign investors to come back.

Despite the efforts of the IMF to make it appear as if its conditions for rescue packages are unquestionably the only possible steps that can be taken if countries in the region want to recover, many political questions have been raised. The many dimensions of 'who pays' for and in the wake of these rescue efforts are imminently political questions. High-flying bankers may be having difficulty making payments on their condominium loans and BMWs, but IMF austerity measures, tighter monetary and budget parameters and high interest rates, hit smaller businesses and poorer segments of the population a lot more.

"Understanding these crises is important because their social costs are not insignificant. These types of crises have always tended to be resolved by using taxpayer resources and through higher unemployment and lower growth so that the costs have been borne mostly by those whose incomes are not based on asset holding ... these costs as a proportion of GDP have been as low as 8 percent and as high as half of GDP. In the case of Thailand, estimates of the extent of non-performing loans have been as high as US\$40 billion, which is equivalent to about 15 percent of Thai GDP." (Montes, 1998:7)

What to do with bank debt, that of borrowers from the region and their creditors, is also an intensely political issue. Economists refer to this as a 'moral hazard' issue. The existence of a number of guarantees on bank transactions, national and international alike, lessens the risks from lending and contributes to debt crisis, both on public debt as in the 1980s or private debt in the current crisis. If bankers believe that governments will bail them out, they are not likely to exercise much care in their lending decisions.

Filipinos are particularly sensitive to this issue because of the way foreign creditors took advantage of a financially strapped Aquino government in 1986-87 and forced it to transform private debt, a lot of it incurred by Marcos

and his cronies, into public obligations. If banks, local bank borrowers and foreign lenders, get bailed out with public funds at a time when social service budgets are being squeezed, the political outcry is likely to be deafening.

A potentially even more explosive political issue attendant to IMF conditions for bailout funds is the possibility of massive redistribution of corporate assets in favour of foreigners. Taking advantage of the extreme weakness of the region's economies and the vulnerability of regional governments, the IMF has played hardball and insisted on further opening up local economies in exchange for bailout funds. This is not just your usual liberalisation situation. Large chunks of the region's banking and corporate sectors are technically insolvent and, with further liberalisation, up for grabs. Potential western buyers have a double advantage, bargain basement prices and dollars bloated by depreciation of local currencies.

In the past two years, developments have 'resolved' some of the most bitter debates. Where its initial bailout packages emphasised the standard Washington Consensus formula of government budget cutbacks, the IMF has been acquiescing to higher budget deficits to reflate economies. Another Washington Consensus basic principle, cutting government subsidies, has been set aside as foreign ODA donors scramble to finance government programmes to alleviate hunger and other gross manifestations of sudden descent into poverty.

IMF representatives in Asia have even been quoted to say what in early 1997 would have been heinous heresies, that under certain conditions temporary controls on capital flows may be necessary. In September 1998, IMF Asia Pacific Director Hubert Neiss said short-term capital controls were being adopted in Asia to make it difficult for banks to run up short term debts to foreigners, all apparently with the IMF's blessings. (*Manila Times*, 15 September 1998) By 1999, a few IMF officials were even saying that Malaysian Prime Minister Mahathir Mohammad's reimposition of capital controls may not have been such a bad thing after all.

The debates also offer possible advances in dealing with some theoretical issues related to state and market dynamics. On the one hand, the Asian crisis would seem to 'prove' the vulnerability of national economies and their governments to the destructive winds of globalisation. On the other, the failure of financial markets has reversed a strong pre-1997 trend towards liberalisation of financial flows. It brought on the current trend towards regulating financial flows and designing a new 'architecture' for international finance. The supposedly much weakened state has taken on major new powers and acquired massive banking and financial assets in its efforts to clean up the mess.

There is another dimension to the issue of democracy and the Asian

crisis that is seldom mentioned in media reports, the role of the IMF. What there is a lot of is controversy over the economic wisdom of 'conditionalities' linked to IMF rescue packages. Where the politics of the IMF role is raised, it is often in a positive light. IMF pressure on Soeharto comes off as the IMF pushing for democracy in Indonesia. In fact, I would argue that the political impact of the IMF role is distinctly anti-democratic.

Macroeconomic policy is one of the most important areas of policy in government because it affects everyone in the country. In a democracy, setting the framework of macroeconomic policy should be the subject of wide ranging discussion. In countries under the IMF thumb, this area of policy is closed off to the public. The IMF demands transparency of everyone except itself; accountability where it cannot be made accountable because it does not belong to the politics it intervenes in.

Martin Feldstein, Professor of Economics at Harvard University and President of the National Bureau of Economic Research, and former advisor to US President Ronald Reagan, is very critical of the IMF. "... the Fund should not use the opportunity of countries being 'down and out' to override national political processes or impose economic changes that 'however helpful they may be ... are the proper responsibility of the country's own political system ... a nation's desperate need for short-term financial help does not give the IMF the moral right to substitute its technical judgements for the outcomes of the nation's political process. (Bullard, 1998:41)

The Fund has also been attacked for its intellectual arrogance in applying the same solution, regardless of the problem and for applying bilateral agreements to solve a regional problem. According to Joseph Stiglitz, the main problem is the belief that "political recommendations could be administered by economists using little more than simple accounting frameworks, leading to the situation where 'economists would fly into a country, look at and attempt to verify these data, and make macroeconomic recommendations for policy reforms, all in the space of a couple of weeks.'" (Bullard, 1998:42)

## **Challenging American Hegemony**

While objective conditions would seem to resolve many of these issues, in practice they have not been resolved because these issues have been 'ideologised'. Certain propositions, about inflation, government budgets, monetary parameters and other economic policy issues are stated not with the power of theory or empirical evidence, but the economic and political power of governments pushing other governments to adopt specific policies.

Used this way, these propositions do not allow nuance, much less the possibility of reversal, when confronted with contrary empirical data or superior theoretical propositions.

Discourse on these issues, therefore, has to go beyond texts. We have to enter arenas that economists are loathe to enter, the arena of power and power agendas, of national interests and the clash of these interests. The failure to put in place regulatory mechanisms to control financial flows and prevent financial crisis can only be explained by American obstruction, by the fact that it is the US economy that benefits from the current situation. Working closely with the IMF, the Clinton administration is devising proposals that will limit the damage to liberalisation of financial flows achieved in the years before 1997. Underestimating the extent of the damage, the IMF has even devised proposals for advancing liberalisation through enforced transparency in financial transactions and acquiring the power to force capital accounts liberalisation on its members.

Nervously looking to see how Uncle Sam reacts, Asian and European governments led by Japan and Germany began exploring ways of dealing with the crisis and with the regulation of international financial flows independent of American proposals in 1997 and 1998. Japan, for example, proposed setting up an Asian Monetary Fund to provide governments in the region the money for fighting back speculative attacks on their currencies. The Japanese and key European governments also proposed a mechanism for limiting the volatility in the value of the US dollar, the Japanese yen, and the Euro. Both proposals were meekly withdrawn when the Americans objected.

This situation is likely to change in the coming years. American dominance in shaping neoliberal discourse and more importantly, their policy components is a product of American economic dominance. The heydays of globalisation hype in the 1990s were also years of rapid growth of the US economy and great difficulty for its main rivals, Japan and Germany. Although its pace and dimensions is not certain, it is likely that the situation will be reversed in the coming years. What is certain is an American economic slowdown. The Japanese economy is now generally perceived to have passed its long recession and entered a new period of growth.

Western Europe has been affected by the Asian crisis even less than the US, and looks set to enter a period of more rapid economic growth. The turmoil in international currency markets brought on by the Asian crisis will accelerate the Euro's development as a competitor to the US dollar despite its rocky first year. The return to power of social democratic parties in all but two of the member countries of the European Union means the end of the Thatcherite, anti-welfare state ideological hegemony. The Germans

will accelerate the Euro's development as a competitor to the US dollar despite its rocky first year. The return to power of social democratic parties in all but two of the member countries of the European Union means the end of the Thatcherite, anti-welfare state ideological hegemony. The Germans have begun to work with the French to lower interest rates, pay less attention to inflation and more to pump priming economies to deal with serious unemployment.

Disagreements between Asians, especially the Japanese and the Europeans with the Americans on economic and political issues is not new. It's not just that European and East Asian capitalisms are different from American capitalism, their different locations in the international capitalist system generate different interests and ideological vantage points. The unquestioned hegemony of neoliberalism starting in the 1980s and especially after the collapse of the socialist bloc blunted competition between the three capitalist centres and assured American dominance. The ideological crisis of neoliberalism in the aftermath of the 1997-98 financial crisis will intensify ideological contention.

The debacle in Seattle is a good example of this intensifying ideological contention. The issue of American and European agricultural subsidies was 'resolved' sufficiently to allow the conclusion of the Uruguay Round of GATT negotiations which led to the creation of the WTO. This time the Japanese and Europeans not only defended agricultural subsidies despite American objections, they also pushed the debate into new territory by insisting that defending agriculture is necessary for the cultural integrity of their countries. Linking labour standards with the WTO generated a different divide pitting advanced capitalist countries against less developed countries.

"The WTO talks broke down after wealthy nations refused to retreat from entrenched positions. The European Union insisted on talks on new global rules on investment, Japan wanted the US to negotiate on weakening its rules that block imports. But the US made the most demands and refused to back down on issues essential to its labour allies. The US wanted some procedure by which the WTO would look at labour issues – even a vague process – and also insisted that it wouldn't speed up cuts in textile quotas. Developing nations wouldn't go along with either requirement." (Cooper, 1999)

The success of the NGO and social movement offensive against the WTO in Seattle was facilitated by these deep disagreements among governments. Police mishandling helped. "Tear gas, rubber bullets and police sweeps, the object of incessant media coverage, are the outward signs of impending change – that the guardians of the social order have grown afraid."

on how to reform the IMF. Battered by criticism from both ends of the ideological spectrum, the IMF is in the throes of major change, creating conditions for disagreement in the process. At the meeting of G20 countries in Berlin in mid-December 1999, for example, German and Japanese representatives led opposition to an American proposal to limit the IMF to emergency lending. The resignation of French Managing Director Michel Camdessus is widely interpreted as a result of his identification with the old-style IMF.

The nomination of Eisuke Sakakibara to Camdessus' position is another example of the sorry ideological state of the IMF. That the Japanese government, backed by other East and Southeast Asian governments, would nominate anyone at all is already proof of a new state of affairs. By tacit agreement, the head of the IMF is supposed to be European while that of the World Bank is an American or at least nominated by the Americans. Sakakibara does not have a chance to actually become IMF Managing Director. Given his political persona, selecting Sakakibara for nomination was giving a big political 'finger' to the US.

Sakakibara is the closest thing to an Asian IMF *bete noir*. When he was Deputy Minister of Finance in 1997-98, at the height of the financial crisis, he was the highest ranking Japanese official who was openly critical of the IMF programme for dealing with the crisis. He was the architect of the Asian Monetary Fund proposal. Dubbed 'Mr Yen' by media, Sakakibara engineered the government intervention which depreciated the yen against the dollar, a big Washington Consensus 'No, No'. Japanese progressives, however, accuse him of being an old-style nationalist who would create a modern day 'Greater East Asia Co-Prosperity Sphere.' (Landers, 1999)

## **Seattle and Sakakibara**

"The Seattle events," a statement by representatives of Filipino NGOs and social movement groups point out, "are a confluence of two politically significant factors: the massive and popular street protests that denounced the WTO and the whole 'free trade' dogma; and the disunities and contradictions within the WTO itself that eventually led to the collapse of the trade talks. In both counts, i.e. both inside and outside the WTO convention hall, the US failed to bully its way through."

This balanced statement by Philippine anti-WTO activists provides contrast to the more characteristic extravagance of NGO claims about its Seattle victory. Two major factors account for the maximum impact achieved by NGOs. "The nongovernmental organisations (NGOs) that descended

on Seattle were a model of everything the trade negotiators were not. They were well organised. They built unusual coalitions (environmentalists and labour groups, for instance, bridged old gulfs to jeer the WTO together). They had a clear agenda – to derail the talks. And they were masterly users of the media.” (*Economist*,1999)

Another factor is the NGO organisational technique for attacking targets such as the WTO which makes it very difficult for governments to suppress. “This phenomenon – amorphous groups of NGOs, linked online, descending on a target – has been dubbed an ‘NGO swarm’ in a RAND study by David Ronfeldt and John Arquilla. And such groups are awful for governments to deal with. An NGO swarm, say the RAND researchers, has no “central leadership or command structure; it is multi-headed, impossible to decapitate”. And it can sting a victim to death.” (*Economist*,1999) This organisational technique has been made possible by the internet which enables NGOs to organise international coalitions quickly and cheaply through e-mail.

“The battle of Seattle is only the latest and most visible in a string of recent NGO victories. The watershed was the Earth Summit in Rio de Janeiro in 1992, when the NGOs roused enough public pressure to push through agreements on controlling greenhouse gases. In 1994, protesters dominated the World Bank’s anniversary meeting with a ‘Fifty Years is Enough’ campaign, and forced a rethink of the Bank’s goals and methods. In 1998, an ad hoc coalition of consumer-rights activists and environmentalists helped to sink the Multilateral Agreement on Investment (MAI), a draft treaty to harmonise rules on foreign investment under the aegis of the OECD. In the past couple of years another global coalition of NGOs, Jubilee 2000, has pushed successfully for a dramatic reduction in the debts of the poorest countries.” (*Economist*, 1999)

The lines of division in Seattle did not cut cleanly between governments inside the conference, and NGOs and social movement groups outside, on the streets. The Clinton administration proposal to link environmental and labour standards to WTO trade sanctions was supported by Northern labour and environmental groups and opposed by similar groups in the South. Apart from sharing southern government fears that environmental and labour standards would be used to limit their exports’ competitive advantage, southern NGOs also believe that “Clinton’s agenda on these issues is a hypocritical and a double-bladed weapon intended to give the WTO extra powers in micro-managing the economies of third world nations in addition to what the IMF and the World Bank have already been doing.” (Philippine Statement,1999)

It is important to bring out this distinction because ‘civil society’ political

culture prefers the shaping of issues in simple, universalistic terms. Civil society discourse tends to see 'globalisation' as an unmitigated evil that affects all countries, and all classes within countries the same way, excluding of course its promoters. This and other simplifications is greatly tempting at the grassroots level and for mass movement mobilisations. It facilitates 'NGO swarms' such as the 'Battle of Seattle'. But simplification of issues actually feeds into the anti-state bias of neoliberalism by bypassing the nation-state. It underestimates the wide variety of state-civil society engagements in many countries of the South.

This simplistic perspective will make it difficult to understand the significance of the Sakakibara nomination to the IMF and to get an accurate reading of the terrain within which civil society groups will struggle on international economic issues. Asian civil society groups do not know Sakakibara because they tend to see the Japanese government as a 'junior partner' of the US in the region. Such dismissive perspectives also apply to regional groups such as the ASEAN and extends to the governments of the region. There is enough 'truth' in this perspective to make it credible especially to grassroots groups who only do occasional international work. But imposing it as the only 'politically correct' perspective severely distorts perception of the terrain for those groups who regularly operate in the international arena.

This is a problem at any time, but especially now when the terrain is rapidly changing. In the midst of the 1997-98 financial crisis, it was difficult for governments in the region to cross the US because they were dependent on IMF bailout funds and on the American market for exports. With the economies badly affected by the financial crisis now back on their feet, and with Japan now recovering from its almost decade long recession, the economic power equation is going to change. This change will become even more pronounced once the American economy starts decelerating.

This changing power equation is already having an impact on the way the region's governments look at their relations with the rest of the world. APEC (Asia Pacific Economic Cooperation), the American project for roping the region closer to itself, is going nowhere. ASEM (Asia Europe Meeting), a framework for Asia Europe economic and political cooperation, is moving slowly because of the European Union's preoccupation with its expansion, but is in place to balance American power in Asia. Most importantly, the East Asian Economic Caucus (EAEC), Mahathir Mohammad's vision for an East and Southeast Asian regional formation without the United States is slowly taking shape as the ASEAN Plus 3 grouping. Initiated by Mahathir in 1997, the meeting of ASEAN heads of state together with those of China, Japan and South Korea has now been institutionalised into an annual affair.

It was the ASEAN Plus 3 summit in Manila in November 1999 which supported the nomination of Sakakibara to head the IMF. The meeting also began discussions for a regional formation that would unite East and Southeast Asian economies. "The ASEAN Free Trade Area (AFTA) will gradually be expanded into an East Asia Free Trade Area. Movement toward such a goal can be seen in the recent agreements between Japan and South Korea, and Japan and Singapore to begin discussion of bilateral free trade agreements. Singapore has made a similar proposal to South Korea." (Koh, 1999)

Civil society groups in the region cannot ignore these pivotal changes. They will affect the economies of the region, their governments, and in the end, the constituencies of NGOs and social movement groups. Being aware of these changes, and factoring them into civil society assessments of the political and economic terrain is the first step. For East and Southeast Asian NGOs and social movement groups, the next step is deciding how important location is in their decisions on positioning on international issues. Siding with their governments on the issue of WTO and labour standards is a good example. Another issue that will be placed on the international civil society agenda soon is the admission of China to the WTO, a step promoted by the Clinton administration, but opposed by American labour groups. Developing Asian civil society positions on these issues is important because Northern NGOs have tended to dominate in the setting of the agenda for international civil society.

The key question is how Asian progressives look at the geopolitical/economic repositioning that is only now beginning. One perspective is that these developments are not important for progressives because all of these governments are dominated by capitalists anyway. Progressives should oppose all of their initiatives, whether it is APEC, ASEM or ASEAN. Another perspective is that diminishing American power in East and Southeast Asia, and the evolution of countervailing power blocs, whether it is an Asia-Europe alliance, or even better, a more assertive Asian bloc is a positive development for progressives. In general, a multipolar world is better than one dominated by one hegemon, an arrogant, triumphalist United States.

Without an understanding of the ongoing regional bloc repositioning, and developing a specific perspective in support of a multipolar world, Asian progressives cannot play an active role in shaping the ideological framework of such a new, multipolar world. There are a number of issues pushed by Asian governments that can be supported by Asian progressives. Support for the Asian Monetary Fund idea of Sakakibara, for example, means weakening the IMF's hold on governments in the region. The Asian-European proposal for a mechanism to control volatile fluctuations in the

value of the three main currencies, the dollar, yen and Euro, is worth considering for progressive support.

There are also political issues that will go into the refashioning of the ideological thrust of international capital in the 21<sup>st</sup> century. While the financial crisis has had a distinct democratising effect on the region, the old authoritarian 'Asian values' discourse still has supporters in the region. Mahathir and Lee Kuan Yew are still around. Malaysia and Singapore remain semi-authoritarian states. Burma is still an outright military dictatorship. The advancement of democracy in the region, winning struggles in authoritarian states cannot be done without active, progressive civil society involvement.

In the end, progressives in the region will have to supplement the 'civil society as watchdog' perspective with developing the political parties needed to win control over governments through elections. Victories such as in Seattle are deeply satisfying. But outside of media hype, the civil society role in defeating the WTO in Seattle could not have happened without the disarray in leading government ranks. As long as Asian progressives do not control their national governments, they will continue to be forced into reacting to the Sakakibaras who do. They will not be able to translate their progressive visions into policies for their governments.

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## *Statement of Solidarity for Democratic Indonesia*



Lembang, 24 September 1999

We, the representatives of the 27 organizations from 9 nations, strongly protest against the violence perpetrated by the military against demonstrators in Jakarta today. Officers and men of the Indonesian military who committed human rights violations today and in the past must be made accountable for their crimes.

Former President Soeharto, who has command responsibility as Panglima Tertinggi (Commander in Chief) of the ABRI/TNI at the time many human rights violations were made, must be the first to be tried.

We call for an Independent Committee to investigate recent human rights especially in East Timor, Aceh, Ambon and Irian Jaya. The violence in these and other places in Indonesia must stop immediately.

We are relieved that the national security bill has been withdrawn after the voice of the people was made clear on the streets of Jakarta and elsewhere. The new parliament's first item of business must be the repeal of the old Soeharto security law.

Indonesian democracy is still fragile. Restrictions on democratic space such as the security law will make it difficult for the forces of democracy to grow. The most important requirement, however,

is to put an end to the military's capacity to commit violence with impunity. Without this, even an end to *dwi fungsi* (dual function) will be meaningless.

We commit ourselves to continue to work among our peoples to build solidarity for the struggle of the Indonesian people for true democracy. The brave people of Indonesia deserve no less.

Signed by representatives of the following:

Selendang Lila, Indonesia  
Arek Lintang, Indonesia  
Patra-pala, Indonesia  
Akatiga, Indonesia  
Gerakan Lumbung Kota, Indonesia  
Sejahtera Tani, Indonesia  
Sekretariat Nasional YASPPUK, Indonesia  
Yayasan Flores Sejahtera, Indonesia  
Badan Eksekutif Mahasiswa FISIP-UI, Indonesia  
Asean Student Action Project, Indonesia  
Institute of Popular Democracy, Philippines  
Citizens Action Party, Philippines  
Korean House for International Solidarity, South Korea  
Asian Regional Exchange for New Alternatives, Hong Kong  
Street Corners, Hong Kong  
China Social Service, Hong Kong  
Factor X, Mexico  
Kerala Sastra Sahitya Parishad, India  
Alter Trade Cooperation, Philippines  
Assembly of the Poor, Thailand  
Bangkok Forum, Thailand  
Thai Community Currency Systems TCCS, Thailand  
Pakisama Peasant Organization, Philippines  
Action for Economic Reform, Philippines  
Solidarity for Indonesian Democracy, Philippines  
Meinung People Association, Taiwan  
Asia-Pacific Secretary for Consumerism Advocacy  
Research & Education, Malaysia

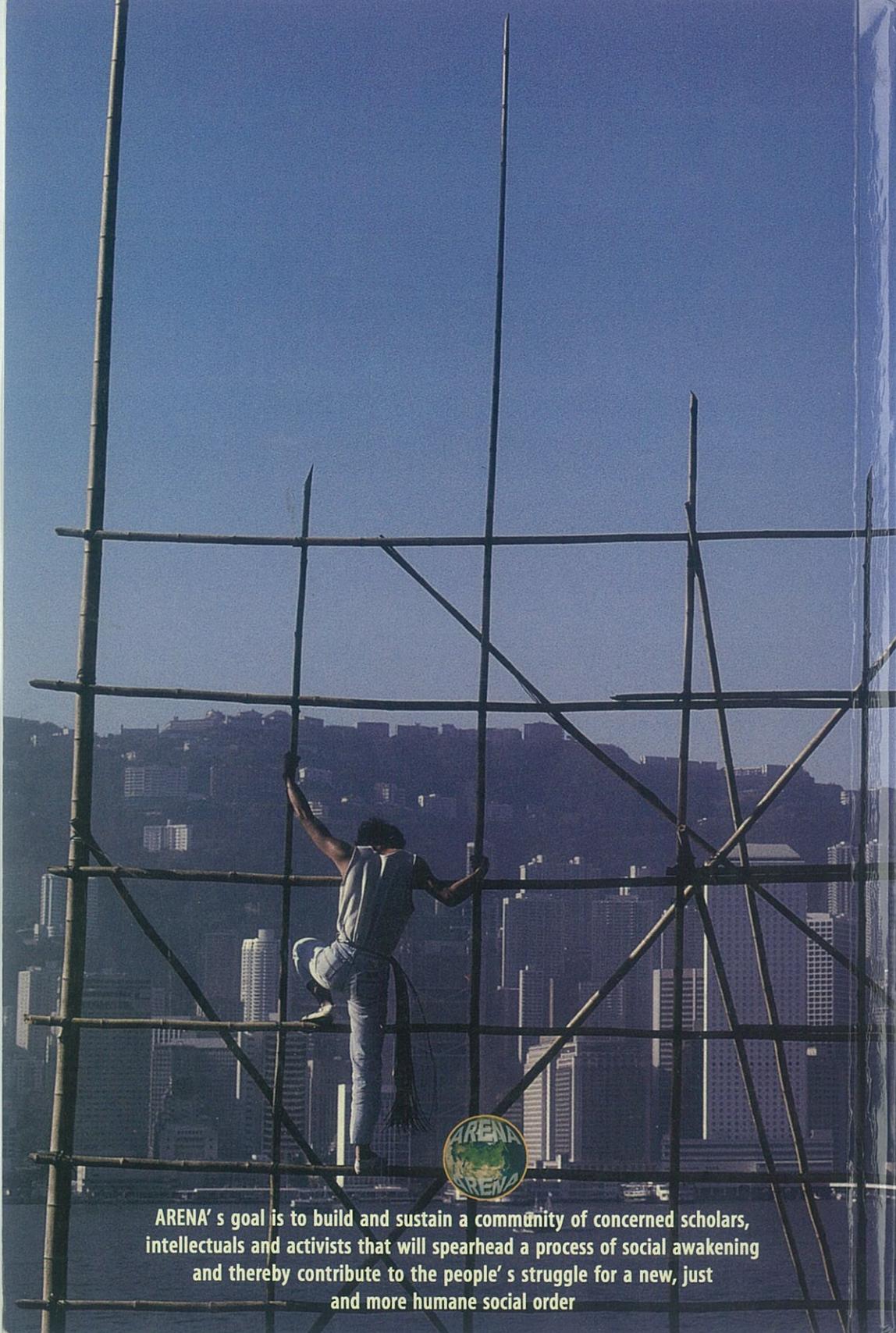
## Participants' List



Workshop on 'Beyond the Financial Crisis, Alternatives in Action'  
19-26 September 1999, Lembang, Indonesia

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**ARENA's goal is to build and sustain a community of concerned scholars, intellectuals and activists that will spearhead a process of social awakening and thereby contribute to the people's struggle for a new, just and more humane social order**