

THE POWER CRISIS: NATIONALIST MYTHS AND POLITICS

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An interesting feature of the present crisis in Sri Lanka's power sector is that it confronts problems from two directions. The first, which we began to experience from March, was related to the vagaries of climate; the prevailing drought had brought down water levels in the hydro-reservoirs to such an extent that power generation was affected and the government had to impose power cuts. On top of this, on the 29th of May, the second problem erupted when trade unions of employees in the Ceylon Electricity Board (CEB) struck work, challenging policy measures that the government was proposing to implement in order to meet the future power needs of the country; these measures included the sale of shares of the Lanka Electricity Company (Pvt) Ltd. (LECO), which is now responsible for the distribution of power through the national grid, to a foreign company, and the promotion of private sector ventures in power generation. These policies form a crucial element of what are called 'structural adjustment policies', that have characterized Sri Lanka's capitalist development from 1977; these policies in the power sector were initiated by the previous UNP regime, and the PA government was only completing what donors like the World Bank call the 'unfinished agenda of structural adjustment policies'.

This article argues that the present crisis challenges some of the fundamental assumptions on the basis of which Sri Lanka has developed its policies on power generation and distribution. These assumptions are not only a part of state policies, but also constitute a component of our national consciousness, and therefore have the characteristics of nationalist myth. The article also argues that privatisation involves complex political negotiations, pointing to the importance of developing a viable political strategy for its implementation.

The Myth of Hydro

One of the first casualties of the present power crisis is the long-held belief that Sri Lanka is endowed with inexhaustible water resources that can satisfy many needs including power. Sri Lankans generally wish to believe that they live in a unique country, beautiful and blessed by nature with many resources. Of these, the rivers that flow out from the central highlands form an important part. The idea of the country's good fortune in having these beautiful rivers is inculcated into our minds from early days in school; for example, one of the first pieces of poetry that a child learns in school glorifies these rivers. The mythology of inexhaustible water resources has entered into the national consciousness through many such mechanisms.

This nationalist mythology about resources had entered into the dominant development discourse even before independence. Using

these water resources to irrigate dry zone areas and to generate power has been a mainstay of our development policies, in the colonial as well as post independence eras. It also had the support of political parties of all colours. Nationalist imagery of hydraulic civilisations of the past gave an added legitimization to these policies within the political discourse, such policies being seen as attempts to emulate past rulers by resurrecting ancient hydraulic civilisations. The engineers who undertook these projects became national heroes, and politicians who gave political leadership to these projects compared themselves to kings of the past. At one time there was even a talk of exporting power to India, which gave nationalists a chance to score a point over the big neighbor.¹

The point is not that we do not have many rivers, nor that we should not have harnessed them for power generation. But the nationalist myths surrounding water resources prevented an appreciation of their limitations and the development of a rational policy regarding their use. The result was the dependence on this single source for more than 80% of our power.

In the present context, there are continually growing demands for additional energy from two principal sources - industry and households. The first is an inevitable consequence of options available in achieving economic growth, and the second the result of normal trends in improving living standards. The limitations of hydro-based energy in satisfying both these demands is being shown up with the increasing rate of growth in the industrial sector. The strongest demand for energy will come from this sector in the future, and it will be difficult to satisfy these needs, as well as to carry out a policy of electrification of households at an affordable price to the consumer, from hydro-resources alone.

It is also important to note that the limitations of hydro-power are seen in a context where one part of the country has been cut off from the national power grid for the past six years. The Jaffna district is one of the most densely populated urbanized areas in the country, with high levels of power needs; one can imagine the demands on the national grid if it too had to be provided with power during this period.

In understanding the limitations of hydro resources in Sri Lanka, it is also important to remember that water is needed for many other purposes in addition to generating energy. In areas of irrigated agriculture, there is a competition between water for cultivation and water for power generation. With water becoming a scarce resource, the two objectives of hydro projects compete with each other. The farmer has been the loser in this competition. Several measures have been taken to control the use of water by farmers (farmers aptly call water that is given to them under a controlled regime as 'mura

vatura') and there are trends showing that water, which was once available freely, is becoming a commodity. In certain areas, even in less urbanized districts like Badulla, available resources of water cannot meet even simple consumption demands.

Given this reality the time has come for us to abandon the nationalist myth that Sri Lanka is blessed with inexhaustible supplies of water; new demands from an industrializing economy and a modernizing society make necessary the questioning of the high degree of dependence on hydro-power.

State Monopoly of Power Generation

The second element is the monopoly position held by the state in power generation and distribution. Very recently, the legal framework that underlay power generation was amended to allow private initiatives which are, however, still marginal. The government is keen to promote private sector involvement in small scale projects, and is also trying to privatize the distribution arm of the government monopoly. There was also speculation about the privatisation of the CEB, but in the face of opposition, the government has denied this. The strike by CEB employees was against the privatisation of the distribution arm of the state monopoly.

One reason for the dominant position of the state in the power sector is historical. In many countries, including developed ones, at a particular historical moment, the state was the only agency capable of commanding the capital needed for this type of venture. Over the years, this historical condition became a part of various development ideologies, which looked to the agency of the state to achieve development goals. The promotion of state sector ventures within capitalist economies was defended by different currents of thinking, ranging from Keynesian economists to socialist ideologues. Among these currents, defending the state sector on the basis of a socialist argument on the lines of the Soviet thesis of a 'non-capitalist' path to development is very strong in Sri Lanka, although there have been recently extensive arguments from the left which have questioned whether the emergence of a state sector within capitalist economies had anything to do with socialism.

The demands put forward during the recent strike demonstrate the strength of this faith in the state sector among many who would regard themselves as being on the left. Looking at the social composition of the strikers, such faith seems to be even stronger among some of the professionals who are employed in these institutions. However the time has come for the progressive and democratic sections of our society to take a fresh look at these state sector ventures without being trapped in a narrow 'socialist'/capitalist dichotomy. I would even argue that this is an essential task for the left in order to put forward alternative development policies that could resist the onslaught of market orthodoxy.

One relevant factor in such a fresh look would be an examination of the nature of the socio-political forces that were instrumental in the emergence of these state sector ventures as well as of the various class and sectional interests which benefit from them. If we are to provide a simplified sketch, heading the list of beneficiaries would

be the politicians of ruling parties. For many politicians, state monopolies are a major means of capital accumulation as well as a resource-base for the distribution of political patronage. What is popularly called 'political interference' in state sector ventures or 'corruption' in these institutions, is a reflection of this process. Given the nature of our ruling class, this is almost a structural characteristic of state sector ventures. It is no surprise therefore that some of the strongest opponents of privatisation come from within ruling regimes. Who would like to give up the control of institutions that bring in so many benefits economically, as well as politically ?

The second in the hierarchy of beneficiaries are those who enter into managerial positions in these organisations. Over the years, through the phenomenon of political appointees, a considerable number of top managerial positions in state sector ventures have been distributed on the basis of political loyalty. This has developed a strong interest group that combines the political elite, as well as the bureaucratic elite; they would like to protect these state sector institutions and keep them as they are. State centered socialism of the Soviet variety produced a bureaucratic and managerial class which dominated those societies. The process does not differ much in our societies, although the phenomenon exists on a smaller scale.

The third group of beneficiaries are those who are employed in them in various other capacities, such as white collar workers and minor employees. In the initial stages of state sector expansion, it is the large scale employment creation that distributes benefits of state sector expansion among the wider society. If the expansion of Sri Lanka's state monopolies had any impact on issues of social justice, it was through the expansion of employment in these categories. However over the years this possibility begins to diminish for two reasons. First, the distribution of jobs is closely linked to the system of political patronage, thus cutting out some sections of society from these benefits. In fact the acrimonious competition for state sector jobs through political patronage has contributed to the incidence of political violence in our society. Second, it becomes increasingly difficult for state monopolies to act as employment agencies without making entire organisations economically non-viable.² The direct effect of the first tendency is to limit their ability to act as a mechanism for the distribution of resources in society at large, and the second process leads to a situation where state owned enterprises become a burden on the entire society.

Thus it is difficult to defend state monopolies in the present context of capitalist development in Sri Lanka either through a social justice or an efficiency argument. The earlier historical condition where the state was the only possible source of capital is no longer true. Even in utility sectors like power, there is now private capital to be mobilized.

It is due to the difficulty of defending state monopolies on the basis of either their beneficial social impact or efficiency that nationalist arguments have become the main platform for their defence. The possible entry of foreign capital through privatisation is used as an argument to promote an economic nationalism. Privatisation is opposed because it amounts to 'selling off national assets to foreigners'. This fits in well with the anti-western rhetoric of the national-

ists, even though much of the capital coming into Sri Lanka does not have a western origin. With the vibrancy of capitalist development in East Asia, the spill-over from there will be more important for countries like Sri Lanka.

It also has to be noted that the defence of state monopolies through a nationalist argument strengthens the centralized state of Sri Lanka, which is the other platform of nationalists who are opposed to any form of devolution of political power to minority ethnic groups. In fact much of the resource base of this centralized state comes from state owned enterprises. It is this that gives the centralized state such power in society. Maintaining state monopolies contradicts the possibility of creating space for autonomous economic decision making at local level. Here, the political objective of those who defend the centralized state sector, and of those who oppose any form of weakening of the central state through devolution of power become congruent.

These nationalist arguments are also used by local capital in the process of privatisation, so that they may have a monopoly of state sector ventures that are privatized. This was most noticeable when the first steps were taken to privatize the plantation sector. The nationalist pressures were strong enough to compel the state to keep out foreign capital. The anti-Indian bogey was used effectively at this point, and the most vociferous supporters of this trend were the representatives of local capital. Their objective was to prevent competition from foreign capital.

This experience with the plantation sector should warn us against jumping into an ideological commitment to the private sector in the same way as some are ideologically committed to a state sector under the mistaken notion that it is socialist. Looking at past experience, one thing that can be said with certainty is that the private sector in Sri Lanka will use all possible means to undermine the market mechanisms and competition that give dynamism to a private sector. The nature of the capitalist class in Sri Lanka is such that it will argue for the private sector to be the engine of growth, but will make use of non-market mechanisms to undermine competition. They will make use of political, family, caste, ethnic or other linkages to undermine the competitive environment. Much of the material that is being unearthed through various commissions on so called 'corrupt' practices reflects this reality. Many would love to convert a state monopoly into a hidden private monopoly.

Therefore in the privatisation debate we need to remove the ideological blinkers surrounding both the state and the private sector. Assessing each on their own merits, and defining in the new context of global capitalism the precise role that the government should play as owner, manager or regulator, is a critical task.

A fundamental reason for the crisis in power generation can be traced to the state monopoly, and the manner in which it operates. Its operations were non-transparent and it had scant regard for the consumer. The situation of the consumer has deteriorated so much that instead of having the possibility of choosing among different suppliers as in a non-monopoly situation, he has come under the control of the monopoly which has even persuaded the government

to strengthen its position through the imposition of emergency regulations.

Politics of Privatisation

As demonstrated by the recent strike, it is not easy to break through state monopolies. Over the years, with the expansion of the state sector, both its social base and those who benefit from it have expanded to form a strong political force. The question is how can the government manage the politics of privatisation without letting the situation deteriorate into confrontation and violence.

Compare the recent confrontation that took place between unions and the government with what happened when the UNP took the first steps to privatize plantations. They had to deal with several social groups linked to the state owned plantation sector - workers in estates, the white collar staff of the corporations and the management at estate level. The UNP managed to take care of the workers through bargains with the CWC and LJEUW. The bulk of the management staff at estate level and some at the senior level in the corporations did not mind privatisation because they were assured of places under private management. It was the white collar workers of the over-staffed corporations who protested against privatisation. But their strength alone was not sufficient to create a strong opposition. The UNP therefore managed to begin on the reversal of what was perhaps the most important landmark of the pre '77 closed economy period. The agreement it had with the CWC, wherein it conceded to some of its demands, was crucial in the bargaining process which preceded the privatisation of plantations.

The present government, with a larger programme of privatisation, does not seem to have a strategy for dealing with the politics associated with it. The impression one gets is that the privatisation process is dominated by the need raise money to cover the budget deficit and not by a coherent strategy for economic growth. Economists and other bureaucrats who manage privatisation seem to be the dominant actors in the process. They are in a hurry to sell off state sector ventures to achieve this narrow objective.

But privatisation is also a very complex political process; however, the government does not seem to have a strategy to deal with this aspect of privatisation. This is quite sad, because even agencies like the World Bank, that used to look at privatisation purely from an economic point of view, are now paying attention to its politics.³

In the absence of a coherent political strategy for privatisation, the government is likely to fall back on what all Sri Lankan governments do when they are faced with opposition, viz, repression. The fundamental structural and institutional reasons for such phenomena have not disappeared just because of a regime change. The short history of this regime shows many instances of intolerance, use of political thuggery and other elements of authoritarianism.

Negative Environmentalism

Another factor which has contributed to the present power crisis has been the influence of a particular ideology associated with the protection of the environment. Basically this ideology demands the protection of a particular part of the natural environment considered under threat by some development scheme. Of course there are debates whether these predictions can be substantiated by available knowledge; I believe in some cases we shall never be able to come to a final conclusion.

Rather than these debates about the status of the environment, what concerns us here is the perspective of single cause oriented environment groups⁴ who approach this question from a purely protectionist point of view. From this simplistic point of view, what matters is that some part of the environment is endangered and measures are needed to protect it, including laws, institutions to implement the laws, barbed wire fences, security guards, boards announcing to the public that this is a protected area, and of course attempts to educate the population on the importance of protecting it. In the extreme variant of this ideology, people enter into the picture only as a target of education programmes that are geared to protect the environment. All other aspects of people's lives such as how they deal with the environment either in their material or symbolic aspects what will be the impact of protectionist measures on these aspects, what are the alternatives people have, who will pay for these alternatives, etc., are not tackled. In other words, this protectionist approach does not address the complex relationship between nature and society.

Recently a newspaper carried a news item about some academics asking the government to halt the excision of some land from the Wasgamuwa Wildlife Sanctuary. But of course there was no discussion about the plight of the landless peasantry and the alternatives available to them if this land was not allocated. Or to take an international example, Greenpeace is now protesting against Chinese nuclear tests. But there is very little discussion on the complex questions associated with international relations when some powers have the monopoly of nuclear arms. The question here is not a simple issue of whether Wasgamuwa Park is endangered or nuclear tests are harmful. I will probably agree with both propositions. But the issues surrounding these two questions cannot be confronted within a conceptual framework that ignores other issues. As far as development issues are concerned, this approach to environment has no concrete answer to the question of how we can combine the protection of the environment and at the same time improve the standards of living of the mass of the population.

In Sri Lanka today there are many organizations with such protectionist ideologies on environment, supported by various sources in developed countries, who also have a similar single issue perspective on environment. In a way this is an attempt to transfer the politics of lifestyles that dominate some of the social movements of the West to developing countries. Western governments have to respond to this social base and often the result is the transfer of the same perspective to developing countries, through government projects as well. Recent writings from the west have dubbed this tendency "Green Imperialism".

This attitude to environmental protectionist evokes a positive response from some populist ideologies of development originating within our society which broadly adhere to variants of rural populism. Proponents of these ideas basically believe that answers to problems of development can be found only by adopting lifestyles that are simple and low in consumption levels. Such ideas on development fit in very well with protectionist trends. For both these currents of thought, rural life styles of a pre-industrial society are models of low consumption and environmental harmony; they believe that Sri Lankan rural society, in some mythical past and before it was derailed by colonialism, had enjoyed such a model of development and the answer is to go back to it. Through this link to the past, rural populism in development becomes a part of Sinhala nationalism. For these nationalists, answers to development problems are found in the model of the village, centered around the tank, the paddy field and the temple. These populist versions still persist despite the fact that the country's economy is increasingly linked to an international system and more and more people have to look for answers to their economic problems through these linkages.

The time has come to question these pure protectionist versions of environmental conservation. Some part of the responsibility for the present power crisis lies with the influence of such lobbies. Of course this is not to say that environmental protection is an issue that can be ignored. But as with any other problem, it cannot be tackled in isolation. The discourse on environment needs to get out of the protectionist trap and develop a perspective that will simultaneously encompass other development issues as well.

Note:

1. Scoring points over India has always been a pastime of the nationalists, and in many popular mythologies the natural environment of Sri Lanka is used for this purpose.
2. In many popular discussions, defenders of public sector enterprises point to the volume of profits they have generated. But the more relevant indicator of economic viability is the rate of profit, i.e., profit levels per unit of input. The more these organisations become sources of employment through the mechanism of political patronage, the more likely that their rates of profit will decline. Secondly, in order to be viable, these organisations should be able to function like any other capitalist venture which has to get capital from money markets, operate in an environment of external as well as internal competition, look for avenues of expanded production, new markets, etc. It is not that there are no state sector ventures in the world which can come up to this model. But for the Sri Lankan state sector to operate in this manner, it will need extensive reform. The question is whether it will be possible to bring about these reforms while maintaining the dominant role played by the Sri Lankan state in their operations.
3. See World Bank Policy Research Report, Bureaucrats in Business: The Economic and Politics of Government Ownership, October 1995.
4. Single cause groups are guilty of not tackling the relationship between the issues they are concerned with and the other concerns of society. They suffer, in effect, from reductionist tendencies.