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AUGUST, 1962

CEYLON TODAY

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The New Budget

THE Minister of Finance, Mr. Felix R. Dias Bandaranaike, introducing the Budget in the House of Representatives on July 26th, said that he believed that the solution of the present problems of our country could not be found in books on dialectic theories of history. They intended to make their country prosperous not merely by changes in the ownership of the means of production where necessary, from the private sector to the public sector, but by aiming to make the most productive use of the means of production in the public, private and co-operative sectors that they had in their country.

The Finance Minister stated that the aim of the Government was to eliminate privilege in their society. It was not the Government's intention, however, to raze to the ground what had already been done, in order to erect something it was hoped would be better. The neutralism they professed in their foreign policy found its counterpart reflection in their domestic affairs, in the acknowledgment that different political philosophies can and must co-exist in their democratic society, according to the free votes of the people.

Here are extracts from Mr. Bandaranaike's Budget speech:—

“During the last two years when I was Finance Minister, Ceylon faced problems arising from continued deficit financing, diminishing external assets and very low prices for its export products. I have found it necessary to adopt certain corrective measures which resulted in the level of revenue being raised by Rs. 110 million in 1960/61, and by Rs. 120 million in the current year. The fall in external assets was reduced from the level of about Rs. 200 million annually to Rs. 60 million a year by the imposition of heavy duties and import quotas for luxury and semi-essential goods.

“The Gross National Product for 1961 at current prices was estimated at Rs. 6,274 million compared with Rs. 6,127 million for 1960 and Rs. 5,844 million for 1959. Taking the 2.8 per cent. increase into account, there was really a decline of 0.4 per cent. in per capita income in money terms in 1961 from the 1960 above the 1959 levels. The primary reason for this drop was the fall in prices of Ceylon's export products in the period under review.

"The export sector showed the highest rate of expansion in physical output—7.8 per cent. in 1961 over 1960—the main contributors to this increase being tea and coconut products. Unlike the previous year, 1960, when the domestic sector's rate of expansion was 6 per cent. when the export sector's rate was 3.1 per cent., last year the domestic sector's rate had fallen to 2.7. Whether valued at current market prices or at constant 1959 prices, the rate of increase in production showed a marked decline in the agricultural, forestry, livestock and fisheries group.

"The Gross National Product figures reveal that the net output of industry, other than construction industries and the export processing industries also showed a decline, at constant 1959 prices, of 5.2 per cent in 1960 below the 1959 levels, and of 2 per cent in 1961 below the net output of goods and services used in capital development undertaken in the Government sector.

"An analysis of the gross national expenditure in recent years discloses that domestic consumption and gross domestic capital formation exceeded the Gross National Product. This excess was met by a drawing down of external reserves. The margin of excess was considerably reduced in 1961 due entirely to restrictions on consumption. The decline in consumption was accompanied by an improvement in the level of investment as shown by the increase of 4.6 per cent in total capital formation in 1961.

"The disciplines that have been imposed on the country by exchange control and import restrictions have resulted in some improvement but, as I shall show in discussing our Balance of Payments and External Assets position a little later, a further improvement is necessary as the results are still adverse. To put it very simply, Ceylon has, in recent years, been consuming more than she has produced as the consumption of domestic products and imported products

has exceeded the total of Ceylon's production of commodities for domestic markets and for export.

Balance of Payments

"SINCE 1958, Ceylon's Balance of Payments has been in a chronic state of deficit. In the three years 1958, 1959 and 1960, the deficit amounted to Rs. 152.9 million, Rs. 208.0 million and Rs. 220.5 million respectively. In 1961, however, the deficit on Current Account was brought down to Rs. 87.2 million. This marked reduction in the rate of deterioration was due to a drop of Rs. 208 million in the value of imports from Rs. 1,999 million in 1960 to Rs. 1,791 million in 1961. The full benefit of this saving on imports did not, however, accrue to the country as the value of its exports declined by Rs. 89 million from Rs. 1,796 million in 1960 to Rs. 1,707 million in 1961.

"The drop in the value of exports was due to a steep fall in the prices of export commodities. Taking 1958 as the base year, the export price index fell from 104 in 1960 to 95 in 1961. The loss of export earnings would have been even greater had not the volume of exports in 1961 increased over 1960. The export volume index which was 103 in 1960 was 107 in 1961. On the imports side, the saving was the result mainly of a reduction in the quantities imported. The principal saving on imports was in the consumer goods class and was the result of tariff increases and quantitative restriction introduced in 1960 and intensified in early 1961.

"The deficit on the merchandise account which amounted to approximately Rs. 183 million in 1959 and Rs. 203 million in 1960 was brought down to Rs. 83.8 million in 1961. Invisible items excluding official grants, showed a net payment abroad of Rs. 53.7 million in 1961 as compared with Rs. 70.2 million in 1960; official grants remained at almost the same level.

"In the invisible items category, the item 'Foreign travel' which includes official and private travel and educational remittances, but does not include expenditure on passages, showed a deficit of Rs. 17.7 million in 1961 compared with a deficit of Rs. 24.3 million in 1960. Net payments abroad on account of investment income amounted to Rs. 39.9 million in 1961 compared with Rs. 44.2 million in 1960.

"The total deficit on Current Account was Rs. 87.2 million in 1961 compared with Rs. 220.5 million in 1960 and Rs. 208 million in 1959. The corresponding figures for 1957 and 1958 were Rs. 195.3 million and Rs. 152.9 million.

"The principal change in regard to the financing of the Balance of Payments deficit in 1961 was the greater reliance on foreign borrowings rather than on the running down of external reserves.

"Ceylon's external assets which had fallen by Rs. 199.2 million in 1959 and Rs. 192.7 million in 1960 fell by Rs. 8.3 million in 1961. If the drawing of Rs. 53.8 million from the International Monetary Fund which was effected in the early part of 1961 is not taken into account, the decline would have been Rs. 62.1 million. Although the rate of decline has fallen steeply, the external assets position cannot be considered by any means to be satisfactory.

The Money Supply

"THE money supply increased by Rs. 42.3 million in the 11 months ending November, 1961, and at that time stood at Rs. 1,251.1 million. The chief cause of the expansion in the money supply was once again the volume of credit created to balance the Budget. The proportion of currency in circulation to the total money supply increased in accordance with recent trends and stood at 53.2 per cent. at the end of November, 1961,

as compared with 49.2 per cent. at the end of December, 1960. The increase in the proportion of currency in circulation to the total money supply cannot be considered a satisfactory feature as it implies a contraction of the banking habit and restricts the scope of bank intervention for the promotion of trade and economic development.

"The point has now been reached when external reserves are down to a level below which they cannot fall without untoward consequences to the economy, and unless measures are taken to limit the monetary demand, the effect of import restrictions would be to create a scarcity of supplies and competitive bidding for those supplies unless, as I have stated earlier, increased domestic production makes up for the reduction of imports.

Exchange Control

"AT this point I should like to refer very briefly to the exchange control measures that had been adopted by the Government in the course of last year.

"Capital remittances to non-residents have been completely stopped. These remittances amounted to a substantial sum in the past. Remittances of profits and dividends belonging to non-residents continue to be made.

"The holiday ration is now allowed only once in 7 years. The maximum amount permitted is £150 per adult subject to the proviso that the allocation of Rs. 500 available for travel to the Indian Group is set off against the total allowance of £150 where travel is undertaken to both groups of countries.

"Exchange for business travel is allowed once in 12 months provided the purpose is the promotion of exports or the establishment of local industries which will result in foreign exchange savings.

“Exchange for medical treatment is allowed on production of satisfactory evidence that equally efficacious treatment cannot be obtained in Ceylon.

“Exchange for maintenance of dependants of non-nationals is allowed up to definite ceilings not exceeding one-third of the gross monthly income, but in the case of temporary residents on short term contracts remittances of two-thirds of the gross monthly income are allowed.

“Exchange for education abroad is allowed provided the course of studies is of positive value for the economic development of the country and only in cases where adequate facilities are not available in Ceylon.

“Emigrants are not permitted remittances of capital but are allowed their holiday ration if it is available.

“Repatriates are allowed at the time of departure remittances up to maximum of Rs. 250,000 of their proved net assets from all sources. They may also remit their balance assets in annual instalments of Rs. 25,000.

“In the case of non-residents, transfers of sale proceeds of assets, whether movable or immovable, are not permitted, but in exceptional cases, on grounds of dire hardship, remittances up to a maximum of Rs. 10,000 are allowed. Remittances on this account amounted to Rs. 14.4 million in 1958 and Rs. 2.38 million in 1961.

“Remittance of profits, dividends and income is freely permitted after deductions are made to meet local liabilities. These remittances which amounted to Rs. 83.3 million in 1956 fell to Rs. 62.1 million in 1961, inclusive of interest on loans.

“Transfers of current contributions to provident and pension funds are permitted in monthly or quarterly instalments. In 1956

these remittances amounted to Rs. 1.35 million. In 1961 the figure was Rs. 1.12 million.

“Transfer of premia on foreign currency life policies is allowed. Transfer of surplus funds earned on non-life business is also allowed. Remittances on this account amounted to Rs. 14.7 million in 1956 and Rs. 10.9 million in 1961.

Prices and Wages

“THE Colombo Consumers' Price Index rose by 1.3 per cent in 1961. The main factors responsible were a rise of 3.1 per cent. in the domestic group and 1.0 per cent. in the import group, as against a decline of 14.0 per cent. in the export group. The export group, however, has very little influence on the index as its weightage is only 5 per cent.

“The price of average food commodities fell by 1.0 per cent. in 1961, but the costs of clothing rose by 9.3 per cent., fuel by 1.7 per cent. and miscellaneous commodities by 4.5 per cent.

“There were no increases in the wage rates of Government employees in 1961. The increase in the cost of living resulted, therefore, in the decline in their real wage rates by 1.3 per cent.

“As regards workers in the Wages Boards Trades, the wage rates of workers in agriculture increased by 0.5 per cent. and of workers in industry and commerce by 0.2 per cent. in 1961. The real wage rates, however, fell by 0.8 per cent. and 1.1 per cent. respectively owing to the rise in the cost of living.

Foreign Trade

“IN referring to the Balance of Payments, I stated that on merchandise account there was a deficit of Rs. 83.8 million in 1961. The Balance of Payments statistics are derived from actual payments which do not match

the physical movement of goods in each period. An examination of the Customs Returns which give the value of goods actually exported and imported shows that the value of exports fell from Rs. 1,832 million in 1960 to Rs. 1,733 million in 1961, a drop of Rs. 99 million, whereas the value of imports which amounted to Rs. 1,960 million in 1960 fell to Rs. 1,703 million in 1961, a drop of Rs. 257 million from the previous year, resulting in a trade surplus of Rs. 30 million.

"The value of imports fell very appreciably owing to the drastic import restrictions introduced in January, 1961, consisting of total bans on many items and quotas in the case of others. Consumer goods, and intermediate and investment goods all registered a fall in import volumes but the biggest drop was in the group 'other consumer goods'. Imports in this category fell by about 66 per cent. in volume.

"The general export price index showed a fall of 9 per cent. while the import price index showed only a 1 per cent. drop in 1961. The terms of trade thus fell from 102 in 1960 to 94 in 1961.

"Tea production continued to show an increase, the total production in 1961 being 455 million pounds as against 453 million pounds in the previous year. The average Colombo auction price of Rs. 1.83 was, however, the lowest for the three years 1959, 1960 and 1961.

"Rubber production at 215 million pounds declined from the 1960 levels. Prices continued to fall through 1961 and necessitated the introduction of a sliding scale of export duties in November, 1961, to provide relief to producers.

"Exports of copra which amounted to 583,000 cwt. in 1960 rose to 1,100,000 cwt. in 1961, an increase of 89 per cent., while exports of coconut oil rose from 1,110,000 cwt. in 1960 to 1,837,000 cwt. in 1961, an increase

of 65 per cent. Desiccated coconut exports fell from 1,099,000 cwt. in 1960 to 967,000 cwt. in 1961.

"In the intermediate goods category, the value of motor car imports fell from Rs. 53.1 million in 1960 to Rs. 8 million in 1961 and of watches from Rs. 28.6 million in 1960 to Rs. 0.1 million in 1961. Of course, I am not speaking of the activities of smugglers.

"The percentage decline in imports in 1961 was 25 per cent. for consumer goods, 2 per cent. for intermediate goods and 13 per cent. for investment goods.

Patterns of Trade

"AS in the past, the Sterling Area was our principal customer accounting for 55.2 per cent. of all exports and 56.1 per cent. of all imports. The value of exports to the Sterling Area was almost the same as in 1960 and amounted to Rs. 957.2 million but imports fell by Rs. 98 million from Rs. 1,053.8 million in 1960 to Rs. 955.8 million in 1961, thus producing a trade surplus of Rs. 1.4 million. The value of imports from the Sterling Area was less than in previous years although rice imports from Burma increased from Rs. 123 million in 1960 to Rs. 185 million in 1961.

"Imports from Britain fell by Rs. 72 million from Rs. 434 million in 1960 to Rs. 362 million in 1961. The sharp drop was due to a fall of Rs. 35 million in the value of vehicles imported and Rs. 6 million in the value of fertilizers.

"A reduction of Rs. 31 million in the value of imports of dried fish and Rs. 13 million in the value of imports of *sakkarai* was chiefly responsible for the fall in imports from India from Rs. 268 million in 1960 to Rs. 207 million in 1961.

"Ceylon's trade with the Dollar Area showed a surplus of Rs. 137.6 million in 1961 compared with a surplus of Rs. 161.7 million in 1960. Exports fell to Rs. 247.7 million, a

drop of Rs. 10 million from the previous year's level, while imports rose by Rs. 14.3 million to Rs. 110.1 million.

"The European Economic Community which had shown promise of being a steadily improving customer in recent years, took Rs. 147 million of our exports in 1961 compared with Rs. 204.2 million in 1959. This was largely due to a fall in the value of exports of rubber and desiccated coconut to West Germany from Rs. 50 million in 1960 to Rs. 35 million in 1961, and a drop in coconut oil exports to Italy from Rs. 22 million in 1960 to Rs. 12 million in 1961. Imports from the E. E. C., however, fell from Rs. 197.2 million in 1960 to Rs. 179 million in 1961, mainly due to a decline in the value of cars imported from Germany from Rs. 8 million in 1960 to Rs. 2 million in 1961.

"Ceylon had a surplus of Rs. 48 million in her balance of trade with China for 1961. The Rubber-Rice Agreement continued to be in force that year and provided for the sale of 31,000 metric tons of Ceylon rubber to China and the purchase of 200,000 long tons of rice from China. The value of exports to China in 1961 fell to Rs. 83 million from the figure of Rs. 121 million for 1960. Imports fell to Rs. 35 million in 1961 from the figure of Rs. 132 million for 1960. The value of rubber exports to China fell from Rs. 121 million in 1960 to Rs. 60 million in 1961, due to a drop in the volume of rubber exported, while the value of rice imports fell from Rs. 110 million in 1960 to Rs. 12 million in 1961 and accounted almost entirely for the decline in the value of imports between the two years.

"Our trade with the USSR and other Eastern European countries continued to maintain its upward trend. The exports to these countries amounted to Rs. 72.8 million in 1961 against Rs. 55.6 million in 1960. Imports rose from Rs. 21.4 million in 1960 to Rs. 47.3 million in 1961. Ceylon had a favourable trade balance of Rs. 25.5 million in 1961 with these

countries. The principal commodity exported by Ceylon to these countries was rubber, the value of exports of which amounted to Rs. 47.8 million out of the total exports of Rs. 55.6 million in 1960. In comparison, the value of rubber purchased in 1961 by those countries increased to Rs. 62.3 million. In this group, the USSR with a total purchase of Rs. 45.1 million and Poland with a total purchase of Rs. 22.1 million proved to be our best customers.

"Imports from Poland rose from Rs. .5 million in 1960 to Rs. 24.2 million in 1961, the major item being sugar imports valued at Rs. 17.2 million.

"Bilateral Payments Agreements with countries of the Soviet Bloc and others continued in force. In December, 1961, a Trade Agreement was concluded with India for the exchange of specific commodities between the two countries over a period of 12 months.

Public Debt

"THE total gross Public Debt, including both foreign and domestic debt, increased from Rs. 2,390.0 million at the end of 1960 to Rs. 2,741.3 million by the end of 1961. This was increased further by the end of March, 1962, and stood at Rs. 2,829.4 million. The net total public debt (i.e., excluding sinking fund provision) was Rs. 2,510.5 million at the end of the first quarter this year as compared with Rs. 2,105.8 million at the end of 1960.

"The gross foreign debt increased by Rs. 14.4 million in 1961 while the net foreign debt increased by Rs. 8.0 million in that year. There was a further increase of Rs. 14.5 million and of Rs. 12.8 million in the gross and net foreign debt, respectively, during the first quarter of 1962.

"The gross domestic debt which covers rupee loans, Treasury Bills, Tax Reserve Certificates and Central Bank advances increased from Rs. 2,092.9 million at the end

of December, 1960, to Rs. 2,502.9 million at the end of March, 1962. The net domestic debt increased from Rs. 1,880.5 million to Rs. 2,264.4 million during that period.

Foreign Private Investment

“A WORD now in regard to foreign private investment. This, I know, is a matter which has interested hon. Members on more than one occasion. In my Budget Speech for 1960-61, I set out Government policy in regard to private investment and dealt at length with the concessions which were available. I indicated clearly the areas demarcated for both public investment and private investment.

“In regard to all new investments which are approved by the appropriate Ministry, Government policy is to allow the investor to remit his profits and dividends. Repatriation of capital is also permitted in such cases.

“It has been represented that these assurances themselves are not sufficient to encourage the foreign investor to bring his capital into this country and that, short of legislative safeguards, no other measures will be effective. A proposal to provide such safeguards through legislation is under consideration and it is hoped that a decision will be taken shortly.

“I realize that all the capital that is required for our development purposes cannot be found in the country. If foreign capital is needed we must obtain it from any available source. I make special mention of this point here because there must be a proper appreciation of the need for adopting a policy in regard to foreign investment which is consistent with our foreign policy itself. As long as that policy is one of neutralism and non-alignment we must and we shall provide equal opportunities to capital from all parts of the world provided the capital is to be used for our national development and in a

manner consistent with national policy and national aspirations.

“At no time has it been more necessary for us to preserve the goodwill of all countries and their peoples and to avoid any measures which are of a discriminatory nature. The treatment we accord to foreign investors must, therefore, be unquestionably fair. In turn we would expect foreign investors themselves, both those with investments already in this country and prospective investors, to appreciate the trends of policy in this country and to co-operate with us in the attainment of those policies.

“During the year the terms of an Investment Guarantee Agreement to be entered into between the Government of Ceylon and the United States Government regarding U. S. investments in Ceylon which would offer a stimulus to U. S. private investment in this country were approved.

“A similar agreement with the West German Government is under consideration.

Ceylon and Common Market

“NEGOTIATIONS between Britain and the European Economic Community in regard to Britain's entry into the Common Market commenced during the year in real earnest. We are watching these negotiations and taking all the necessary measures to protect our essential interests.

“We hope that, if Britain decides to join the Common Market, it will not be on terms which will cause any damage to our trade. Our High Commissioner in the United Kingdom has for the purpose of watching our interests been accredited as Ambassador to the European Economic Community in Brussels.

“We are also watching developments in the international field which offer the promise of measures of regional economic co-operation. We agree in principle that some

(Continued on page 25)

The Three-Year Programme

" THIS document presents the first comprehensive programme of action and implementation for the building up of a better future for the people. It indicates not only objectives and targets but also concrete ways and means by which the Government proposes to achieve them. These ends and means are not, however, conceived merely in terms of maximising prosperity, since greater prosperity requires not only the adoption of new techniques, the learning of new skills, greater increment in capital formation, etc., but also sacrifices in the form of increased savings and numerous changes in attitudes, values, policies and institutions," states the introduction to the draft Short-Term Implementation Programme tabled in the House of Representatives by the Minister of Finance Mr. Felix R. Dias Bandaranaike, on July 26th. It adds: "In the present Programme the Government has taken good care not to concentrate on increasing prosperity regardless of cost but to strike a proper mean between material prosperity and human welfare and to evolve a programme of balanced development in reshaping our society and our way of life. In the result, the present Programme does not represent uncritical borrowing from other countries, whether it be of objectives, techniques, policies or institutions. In every case, the Government has sought to adopt solution best suited to our own culture and needs. Thus, the Programme provides for the strengthening, along democratic lines and through carefully selected ways and means, of a socialist economy most suitable for the country. It embodies those new elements which are best suited or adapted to our needs but preserve, at the same time, the best characteristics of our diversified culture. The Plan's objectives as well as the

ways and means are such as to provide for a truly national approach towards prosperity and well-being."

The recommendations for implementing the short-term programme are summarised as follows:—

I. GENERAL

THE need for the maximum contribution of both the public and the private sector towards economic development has certain policy implications. It requires—

- (i) that the government clearly defines the essential fields of production it wishes to reserve for itself. (This has already been done);
- (ii) that, once a policy of the government has been defined it should be maintained for a reasonable time;
- (iii) that policies of government in respect of various aspects of economic development should be consistent with one another;
- (iv) that public enterprise be efficient; otherwise, because of its capital-intensive nature, it will become a burden on the economy and retard its growth;
- (v) that the government administrative machinery has to be efficient;
- (vi) that a favourable 'investment climate' be fostered through tax incentives, import control, etc.;
- (vii) that small-scale private enterprise, e.g., small-scale farming, fishing, small-scale industry should be effectively assisted through extension services, credit and marketing facilities.

Public Corporations

- (i) *Greater autonomy.*—In order to become successful the management of public corporations should be able to take prompt decisions and to act in a business-like manner ;
- (ii) *The need for rules.*—The above does not imply that the public corporations should have complete independence. There would have to be rules governing appointments, salaries and wages, labour relations, price procurement and financial regulations, etc. There should also be an official nominated by the Minister of Finance, who will act as a financial adviser to the Board of Directors ;
- (iii) *Responsibility of the Management.*—Managements should not be challenged on individual issues but should be held responsible for the overall results. If a managing director fails after having been given a fair chance, he would have to be replaced ;
- (iv) *Parliamentary control.*—The government intends to have a Select Committee of Parliament to receive the Annual Reports and Accounts submitted by the various corporations and to review the broader aspects of each corporation's work with a view to assessing how effectively the corporation concerned had carried out the functions for which it was set up. The Committee would submit an annual report to Parliament on its examination of the work of each corporation ;
- (v) *Auditing.*—The accounts of every public corporation will be audited either by the Auditor-General or by a firm of commercial auditors selected by the Auditor-General

who will have the right to check the report of the firm and call for any information required.

Organisation for securing public co-operation

IT is the intention of the government to establish an organisation to secure public co-operation in a systematic manner.

It is intended to appoint in each Ministry or department concerned with economic development an advisory committee of representatives from both the public and the private sector. It would be of advantage also to have in each such committee a representative of the Department of National Planning.

In local government organisations too it is intended to establish similar committees consisting of officials and representatives of the local people to discuss and review schemes for the development of their own districts.

It is very necessary to give wide publicity to subjects related to the government's economic development programmes through the radio, film, press, and school books.

Discipline

THERE is a need for great discipline. This has implications for both the public and the private sector.

- (i) *The public sector.*—In the first place clear and realistic targets in respect of projects, programmes and policies requiring a high degree of performance have to be set.

Furthermore the government intends to elaborate a system of performance budgeting implying the establishment of certain financial norms (e.g., investment cost per mile of road, investment cost of a certain

type of house, etc.). This will take a number of years to be elaborated fully.

Again, departments and public corporations should perform in accordance with the requirements of the targets. Departments will be given greater opportunities for speedy action by simplifying financial regulations. Measures have also been initiated to improve organisation and methods, to eliminate bottle-necks, and so on.

The Government is also considering to give certain preponderantly technical departments a position similar to that of public corporations.

Furthermore, there has to be a simple but effective system of progress control on broad issues within the Cabinet and the Ministries. Next year government will report to Parliament on the progress made with regard to the targets.

Those who are responsible will have to give an account if the progress made is inadequate. They may have to be transferred and replaced by others.

- (ii) *The private sector.*—In general, the private sector has a similar approach to discipline. Wherever the methods used to maintain discipline are fair, the government will give its support.

Administrative Cadres

THE administrative cadres are to be streamlined by the creation of a unified Administrative Service.

Planning Machinery

AT all levels—national planning level, ministerial and departmental levels and

rural levels—appropriate planning should be pursued in order to promote—

proper approach to thinking in a development context ;
realistic preparation of investment schedules ; and
adequate implementation.

Rural Development

(i) Rural Development should be looked upon as the responsibility of all departments concerned with rural life rather than of a single department, viz., the Rural Development Department.

(ii) It should be regarded as covering all aspects of rural life and all officials concerned with rural life and conditions should be considered as development officers.

(iii) The principle of self-help should be extended to cover all rural development work and not confined to public works.

(iv) Villagers must be helped to realise that rural development is primarily their concern and officials should look upon their role as primarily that of friends, guides and philosophers in relation to the rural people.

(v) To perform their functions properly village workers and development officers should receive adequate training.

(vi) Local institutions at all levels, from the village to the district, should be strengthened and their functions and activities co-ordinated. There should also be co-ordination of measures and policies of different Ministries and departments in relation to rural development.

(vii) The powers, responsibilities and financial resources of Village Councils should be increased to make local democracy and local planning real and effective.

(viii) The contribution of local planning to national development and its place in national planning should receive adequate recognition.

Increasing Benefits from Investment in Physical Capital

IN the first place, emphasis should be given to using existing productive capacity to the fullest degree through better methods, better organisation, elimination of under-utilisation, etc.

In preparing and selecting investment projects and programmes priority should be given to those which comply with as many of the following criteria as possible:—

- (a) significance of the project for economic development;
- (b) short gestation period or time taken for an investment to come into production;
- (c) low capital-output ratio at capacity output;
- (d) low capital investment per worker at capacity output;
- (e) favourable ratio of foreign exchange savings to investment;
- (f) favourable profit ratio at capacity output; and
- (g) social significance of the investment.

A continuous process of pre-investment surveys, resources surveys and applied scientific research is required.

The scope for regional co-operation should be taken into account in selecting projects that can be built up on a scale wider than the domestic market.

The whole problem of costs of construction and other work undertaken by government is under review.

Increasing Benefits from Investment in Human Capital

A BETTER use should be made of existing human capital. This implies emphasis on activities which require skills that are readily available, use of skills to the fullest degree, mobilisation of unused labour

resources and improvement of existing skills through extension services, training on the job, etc.

At the same time, the skills required for the expansion of existing fields of production as well as for new fields of activity have to be provided. Education would have to be re-orientated and vocational guidance given, in order to meet these needs.

National Income and Wage Policy

(a) Wage Policy should be considered as part of National Income Policy and geared to the needs of economic development.

(b) Claims on increments to National Income should be considered in the following order of priority:—

- (i) expenditure for development purposes. Workers should be required to subscribe out of an increase in normal wages, to National Bonds, Provident Funds, etc. to add to the resources for investment;
- (ii) creation of employment opportunities for the unemployed;
- (iii) raising sub-standard wages to at least a minimum level.

(c) A statutory Tripartite Body for wage revisions should be set up.

Foreign Aid

(i) If foreign aid is to contribute to an increase of total investment resources, and to assist in meeting foreign exchange gaps created by foreign costs of development, the potential aid in a project or programme has to be spotted by the Department or Agency concerned well before the stage of project preparation and brought to notice of Government in time, to be explored for negotiation.

(ii) The large sum of negotiated but yet unallocated Aid, highlights the need for a planning approach at different levels.

(iii) The availability of a Short-term Programme, is a major factor contributing to the flow of external finance.

(iv) Increase of foreign finance in the private sector should be obtained by—

- (a) the initiative of the local private sector ; and
- (b) the use of the Industrial Credit Corporation idea through which to channel foreign funds to the private sector.

(v) Maximising aid should depend much more than it has in the past on initiative from this country.

(vi) This approach should apply not only to normal loans, but also to Gifts, Money Grants, Rupee Loans (including Commodity Aid), and finance of local costs entailed in Aid on foreign costs.

(vii) Embassies, including those in countries that receive Aid, must play an important part in relating projects to sources of finance, and in enlarging the total volumes of Aid accruing here.

(viii) There is much more scope for utilising IDA finance on investments that cannot by their nature stand the same test for profitability that directly productive investments could.

(ix) Obtaining assistance under Aid programmes tied in advance to specific projects whose place in the investment pattern is yet unknown, should generally be avoided.

(x) Purchase of raw materials from countries having bilateral trade agreements with Ceylon carries possible dangers of unrealistic costs and needs to be kept in mind.

(xi) The composition of Aid should be such as to reflect increasing proportions being received in industry and agriculture, without of course reducing the actual volume going to other sectors.

(xii) Aid, as finance, is complementary to net foreign exchange earnings, by the export sector. The maintenance of export levels and export prices, developing new export industries where possible, import-substitution at a rapid rate, Regional Co-operation, and import control, should all be of continuing concern to foreign aid organisation.

Ceylon's War against Malaria

GEORGES Zottola, the Italian journalist and writer who published an outstanding book on man's hunger throughout the world, came to Ceylon at the request of "World Health" to witness hand to hand fighting with malaria. The article which he took back from his voyage tells of the strenuous efforts pursued by Ceylon to rid itself of malaria, the disease that century after century ravaged the population of the island. He saw how the malaria teams live and work. Before setting out for Ceylon, he was received in Geneva by Dr. Carlos Alvarado (Director of the Malaria Eradication Division of the World Health Organization), who spoke to him in these terms of the world malaria campaign: "It's a real war, an all-out war. Half measures mean defeat." The following article tells what Georges Zottola experienced in Ceylon, in the front line of the world war against malaria and its dread ally, the anopheles mosquito.

IT was on a sultry afternoon that the plane set me down in Colombo among the tousled coconut trees. Soon I took leave of the two air-hostesses in their turquoise saris and was met by Dr. Frohlich, WHO representative in Ceylon, a ruddy-faced Austrian with a dash of Asia about him. We drove to 6, Torrington Square, a small peaceful house hidden by flamboyant trees. Through the window, young Singhalese could be seen bending over their microscopes. Dr. Frohlich opened the folding doors.

A man in white sat at a beechwood table.

"This is Dr. T. Visvalingam," my companion announced, and there we were before the leader of the anti-malaria campaign, a man "of tremendous enthusiasm and energy" as I had been told at WHO headquarters in Geneva.

The history of malaria and the history of the island are inextricably intertwined. Why, twenty-five centuries ago, did the descendants of the first Sinhalese kings—their Buddhist temples and irrigation works suggest a high civilization—desert their smiling northern valleys to take refuge in the unknown south? Why did their kingdom fall prey to the all-devouring jungle? A legend dating from the third century A.D. tells of a bow-legged, swollen-bellied demon who spread a strange chilling fever far and wide.

When Anuradhapura¹ was struck by a terrible drought, King Sri Sangabodhi prayed to heaven for relief. A deluge ensued, but after the rains a demon appeared, spreading a fever which brought on the chills, and wherever he went there was shivering death.

In 1300 A.D., the venerable Buddhaputra Thero in his "Ocean of Prescriptions" described a recurrent fever. "It comes back every day, every second day or every third day."

In one of the first maps of the island drawn by the Dutch in 1638, the region of the old Kingdom of Yala carries this notation: "Depopulated and deserted three centuries ago because of the fever."

Father Queiroz wrote in 1687 that the ancient court of Anuradhapura was abandoned following a prolonged pestilence.

"The illness," he said, "is an evil not only of this country but of all hot countries. It attacks the same person two or three times."

In the 17th century, a certain Knox, who was a prisoner for many long years at Kandy in the central part of the island, wrote: "This land is infested and people die at such a rate that often we have nothing to eat, for there is no one to bring us food."

¹ Seat of the first Sinhalese Kings, in the north-west of the Island.

For nearly a thousand years, the mosquito ruled on the throne of Anuradhapura. The insect kingdom stretched unchallenged across the northern part of the island (the dry endemic zone), and swift forays were made into the intermediate (epidemic) zone¹. Every raid meant a terrible epidemic, and the outbreaks were repeated at fairly regular intervals every three to five years as the aftermath of a dry period: 1906, 1911, 1914, 1919, 1923.

The first organized efforts to conquer the mosquito were inspired by economics. In 1926, the Ceylon Tea Planters' Association drew up a plan of defence that was entrusted to the brother of the famous Ronald Ross. Some years earlier the government had created a post for a malariologist and set up its first anti-malaria centre at Kurunegala.

Without mercy, the disease struck in 1928 and again in 1934, a year that turned out to be one of the worst in the island's history. An official document tells the story:

"The year 1934 was exceptionally dry. The south-west monsoon, from April to September, brought no rain, nor did the following north-east monsoon, from November to March. With very little water in them, the river beds provided breeding places for mosquitoes.

"In early October, the epidemic broke out along the Maha-Oya and rapidly invaded the regions adjoining the northern and central course of the river. At Kegalla, the death rate in February 1935 was eight times the normal figure. In the regions of Kandy, Matale and Kurunegala it was respectively four, six and eight times as high as expected.

"Among the children, malaria took a heavy toll. The regions of Kegalla and Matale registered 452 and 500 deaths for every 1,000 births. At Kurunegala, the death rate was 800 per 1,000. At Puttalam

and Anuradhapura, the infant death rate was 512 and 613 respectively for every 1,000 births.

"One third of the cerebral malaria cases ended in death. Dysentery and pneumonia were added to the evils of the epidemic and many deaths were attributed to these illnesses. Among the children, convulsions often preceded death. Abnormal swelling appeared among some of the survivors, especially the very young, caused by malnutrition as happens during war and famine. Malaria was the most frequent cause of miscarriage; mortality among pregnant women was high. Some cases of black-water fever were noted."

Dr. Ratnaika, chief of the quarantine services, completed the nightmare account: "I had just received my medical degree and was assigned immediately. The shock I experienced marked me for life. We travelled through ghost villages. In the huts, grandparents, parents, children, lying side by side on mats, were dying in horrible convulsions. The children's bellies were swollen big and round as drums. Not a house without a fresh grave, and the bodies were piled among the coconut trees."

Within six months—from November 1934 to April 1935—the malaria-transmitting mosquito was to bring down four million people and leave more than 60,000 dead.

There was no alternative: destroy the mosquito or be destroyed by it. So, in 1937, Ceylon extended its Malaria Control and Health Scheme to the whole island. Health areas, 105 of them, were created as commando units behind enemy lines. But the mosquito's vengeance was terrible, striking about half the population.

At least 3,413,618 people were stricken in 1940 out of a population of 5,915,000! In 1941, there were 3,220,360 cases! The next year, 3,225,477 cases!

¹ The intermediate zone separates the north from the south-west, known also as the humid zone. The humid zone is not malaria-ridden.

Then DDT came to the rescue. Intensive spraying throughout the island was organized in 1946. A year later, a million and a half Ceylonese were stricken. In 1950, some 600,000. In 1955, some 23,000.

But in 1955, the sprayings were interrupted because bad news travelled the world: in Europe some mosquitoes were resisting DDT. As a result of the interruption, malaria started increasing again in Ceylon and it was then that the government took the decision to rid the nation of its major scourge once and for all: in November 1958, a five year plan was launched to wipe out the disease. This task the government entrusted to Dr. Visvalingam.

Dr. Visvalingam is a former tennis champion. At the age of 53 he can still play six sets in a row without tiring.

In his school days, curiously enough, medicine did not attract him at all. "My main interest was organizing," he told me. There was no competition, celebration or performance of which he was not the main promoter and driving force. And still today the jungle teams benefit from this passion for organizing.

His father urged him to study medicine. After attending the university at Colombo, Visvalingam went to London to specialize in tropical diseases. His thesis *Malaria and Its Control in Ceylon* attracted considerable attention.

Thereupon he returned to Colombo to serve the government. His work was perhaps obscure but it was exciting, and when one fine day he himself caught malaria he was certain of his vocation.

"It's a terrible illness that I wouldn't wish on my worst enemy."

The great appointment of his life came on 16th October 1958, when Dr. Visvalingam was made Superintendent of the Anti-Malaria Campaign. Shortly after, the five year war to eradicate malaria was started, Visvalingam threw himself into it body and

soul. To conquer, he must be as much as an organizer and a strategist as a malariologist.

"In Europe," he remarked, "Armistice Day falls in November, but here November is the month that saw the declaration of our great war."

"This is June 1961, Dr. Visvalingam. Your work has now been going on for three years. How far have you got, may I ask?"

He rose and picked up a rule. On the wall, some graphs illustrated the course of malaria.

Dr. Visvalingam interpreted the lines: in 1936, Ceylon had 5 million people. Of these, 3 million had malaria that year. In 1960, however, there were only 467 cases from among a population of 10.5 million. In other words, twenty-five years ago, the disease struck one out of every two people; today it strikes one out of every 25,000 people.

"The Five Year War will end in November 1963, Dr. Visvalingam. Are you sure of winning?"

The chief of staff looked at me sharply through his glasses:

"We shall win. Eradication will be achieved."

On the beach of Mount Lavinia, the coconut trees swayed like ballerinas' skirts. Ripples, curled by the tropical breeze, broke on the red sand. I was sitting on the terrace of my hotel looking through some malaria files. Dr. Visvalingam had given me one yesterday, I had received another one in New Delhi, and a third at WHO headquarters in Geneva.

A group of water sprites were playing on the beach in a flurry of tossing plaits. I was plunged in malaria. As I read I took notes.

"In Ceylon, the near-disappearance of malaria has resulted in an economy of some thirty million dollars a year, that is to say, six times the cost of the five-year eradication plan"

"The overall cost of this five-year plan is only five million dollars, whereas a single commercial jet plane costs eight million . . ."

"Since the use of DDT in Ceylon, an annual average of 65,000 acres have been converted to agriculture (1948 to 1958). In a single year, 1958, the paddy fields cleared of jungle amounted to 75,632 acres. These increases have considerable value in a country where 75 per cent. of the national income is spent on importing foodstuffs and where as much as two thirds of the country's rice, the staple food, has to be bought from abroad"

In Dr. Visvalingam's file I read :

"During 1960, 94 *Anopheles culicifacies* were captured in 14,434 DDT-sprayed houses as against 225 *Anopheles culicifacies* captured in 803 non-sprayed houses"

"Now that I know your headquarters at Torrington Square", I had told Dr. Visvalingam the day before at his office, "I would like to see your men in action."

"I'll pick you up tomorrow morning. We can spend three days in the endemic zone."

While waiting for Dr. Visvalingam's car, I saw Agnes, who immediately waved to me. She sells necklaces made of shells. I had met her the day before and had bought one.

"Are you married?" I asked after our greeting.

She nodded with a broad smile.

"Any children?"

From the bottom of her basket she produced a yellow snapshot of youngsters standing in a row, like a picture taken at the end of the school year.

"One.. two.. three.. four.. nine!" she counted triumphantly.

"All yours?"

"Yeeees!"

"And how many brothers have you?"

"There were nine of us, too.. Now we are only two.. Me and.."

She pointed to a man of about thirty who, like herself, was selling necklaces on the beach.

"And the others?"

Her voice trembled.

"Fever.. strong fever.."

She clenched her fists, shuddered, clutched her face, threw back her head.

"Dead.. all dead.."

Which of the epidemics that broke out in the island carried off the brothers of Agnes like the wind carries away the lotus flowers? Does every human being here grieve for a loved one killed by the bite of a mosquito.

The powerful car of Dr. Visvalingam appeared suddenly from behind a clump of rose trees.

We drove off toward what was still called the epidemic or intermediate zone, the first stage of our three-day trip across Ceylon. As part of the anti-malaria campaign, a regional office had been set up at Kurunegala, which as it happened, was the focal point of the 1934 catastrophe. The road skirted woods of coconut and rubber trees. (Rubber is one of Ceylon's three principal riches, the other two are tea and coconuts.) With a quiver of their silver leaves, shimmering trees saluted us as we passed.

Behind the steering wheel of his car Dr. Visvalingam summed up the situation.

"In the epidemic zone, the transmission of malaria has been stopped—for good I hope. Nearly four million people live and prosper today in what was an immense cemetery in 1934. We have stopped spraying. We are now in the phase of surveillance, round-the-clock vigilance, and consolidation.

"In the endemic zone, on the other hand, despite the results achieved, we are continuing to use DDT. spraying and vigilance. We are fighting on very difficult terrain, for the endemic zone covers the greater part of the island, which is two thirds jungle."

"You are fighting in the jungle?"

"Yes, we have to. Many farmers go in for *chena*, that is to say seasonal farming in jungle clearing. If we skip a single hut, we

run the risk of bringing about an even worse catastrophe than in 1934. Because people are healthier today, they aren't so immune as they used to be.

"Sometimes, our men have to work their way through several kilometres of dense jungle in order to reach an isolated hut. In such cases, they may not have time to return to base the same day; they camp in the jungle."

"And wild animals?"

"Our men are armed. After all, they may be attacked by crocodiles, leopards or bears. The Ceylon bear is terrible."

"And cobras?"

"The jungle is infested with them. Last month, one of our men was bitten by one. You don't survive the bite of a cobra. A year ago, another was attacked by a leopard. Once in a while, a well-behaved elephant will thrust the tip of his trunk into a hut window."

"For some years now, you have been spraying in the endemic zone. Aren't you afraid that the mosquitoes will become resistant to DDT?"

"So far I have had no trouble. Up to now, the local *Anopheles culicifacies* have developed no resistance. I hope to achieve eradication without any disagreeable surprises."

We drove on. Some leafy banana trees were arched over the road. Now and again we came across a hut where sari-clad Sinhalese women with flowers in their hair were making the huge straw hats worn by the tea-pickers.

"How do you organize your forces, Dr. Visvalingam?"

"At the moment, I have 913 men, most of them in the field. They are divided into three main groups: control units, vigilance units and vigilance sub-units. The control units are responsible for spraying. The vigilance sub-units track down cases in dispensaries and in the huts. A blood specimen of every

person with fever is sent to the Colombo laboratory. If the case is positive, Colombo immediately cables the vigilance unit, which gets in touch with the sick person, provides the necessary care and follows up the patient for two years. They don't declare the patient cured until three consecutive blood examinations have proved negative. What's more, once a year we take mass blood tests of the whole population—even the healthy. Nobody should escape the check-up. We hunt down the parasite in human blood like we track down the mosquito in the jungle."

We eventually reached the Kurunegala office. The regional officer, dressed in khaki, came to meet us. We passed from one office to another. Ventilators whirred on the ceiling.

"Any newly detected cases this week, Mr. Fernando? Show me today's blood samples, Mr. Arianathan I have read your latest report, Mr. Palliawadana excellent"

Dr. Visvalingam knows the name, the face, the work of each of his 913 men. Not a week passes without his making a quick visit to the front line.

"Perhaps it will spoil your week-end" I had suggested when he had proposed this three-day trip across Ceylon.

A smile had flickered across his ascetic face.

"Spoil my week-end? Week-ends in an all-out war? I took my last holiday in 1958. I'll have a rest after eradication."

We went on to the entomology section. Here the habits, behaviour and reactions of the mosquito are studied. I asked to see one. What an extraordinary thing, this fragile insect which a flick of the finger can reduce to pulp, and which has undermined and destroyed whole empires!

"Where are your control units working today, Mr. Singh?" asked Dr. Visvalingam.

"The nearest is thirty miles away, sir."

"Let's go."

Dr. Visvalingam's big car could not cope with country roads, so the chief-of-staff jumped into a jeep. Bumps and coconut trees marked our route.

And so I met the foot soldiers of his war against malaria, humble figures working beneath the saffron sky, barefoot, in khaki shorts, their hair bound in handkerchiefs. Each man was working a sprayer which, like a shower nozzle, projected above his head. They were carrying tanks of liquid on their backs like rucksacks.

For the team it was a difficult day. They were to spray a group of houses belonging to workmen who were constructing a large dam. Was it because of the weather or because of mealtime? Whatever the reason, the workmen had raised a protest.

Dr. Visvalingam jumped out of the jeep and rushed to the construction engineer's office.

"Do you realize what it means? There is the jungle, beyond the river. If even one of your men carries the malaria parasite in his blood, all your efforts—and ours also—may be utterly wasted."

The engineer agreed.

"I promise you. All the houses will be sprayed."

A little later, in his living room, the engineer, sipping from a glass of pineapple juice, told us about his project.

"We are making an artificial lake which will submerge the jungle between those two hills. The accumulated rain water will permit thousands of acres of forest to be converted into paddy fields"

It is essential to come here, into the heart of Ceylon, to realize the economic significance of the fight against malaria. Wherever the mosquito is conquered, great projects arise. Freed from their age-old infestation, the friendly valleys welcome man.

We drove on into the jungle along a thread of asphalt flanked on either side by weird tropical vegetation.

"A cobra sometimes curls up in the branches of a tree and drops on a passer-by," Dr. Visvalingam said to me absent-mindedly.

I rapidly wound up the window.

"Here," he continued, "you have not only to know how to drive, but also how to avoid animals. It's part of the war against malaria."

An enormous hump-backed turtle lumbered slowly across the road. The next encounter shortly after was rather more impressive: a reptile, three metres long, suddenly emerged from a thicket and started crossing the asphalt.

"It's nothing, just a jungle lizard," Dr. Visvalingam explained as we drove over the beast's tail.

Perched on a milestone at a turn of the road, a black-faced monkey in London-smoke fur sat chewing a banana and watched us pass.

"This is the time when the elephants go to bathe," said Dr. Visvalingam. "Sometimes a whole herd crosses the road. It is better not to startle them."

We saw no elephants—but at the gates of Anuradhapura, a cobra met his end under our wheels and a large leopard was devouring a monkey by the side of the asphalt.

In the distant twilight a chant was heard: the Buddhist monks were saying their evening prayer. Anuradhapura, the holy city, "the city of the hundred kings", cast the shadow of its solemn temples across our path. In the evening light, the world's oldest tree, grown from the branch of a sacred bo-tree planted twenty-five hundred years ago by Buddha's first disciple, stretched majestically towards the sky.

In the life of the Ceylonese people, 75 per cent. of whom are fervent Buddhists, the monks play an important part. The health inspectors work closely with the religious authorities for purposes of educating the public ; in the teaching of disease prevention and in the fight against malaria, what the monks say is listened to with respect. I saw the young priests dressed like Buddha in saffron yellow tunics, with shaven heads and black umbrellas as protection against the sun.

We spent the night at the rest house of Anuradhapura. I tossed and turned under a heavy mosquito net. The air hummed with insects, and strange sounds drifted in from the neighbouring jungle. On the walls of my room, milky-white lizards made brief appearances and rattled with a deep throaty voice.

The next morning we visited the regional office of Anuradhapura situated among centuries-old elms. Thousands of monkeys gambolled in the branches, chattering at the top of their voices.

"They are nice," said a man of the anti-malaria campaign. "The trouble is they sometimes get into the office and carry off our papers."

We drove on towards the advance posts. At each dispensary, we stopped briefly. The commander-in-chief would question the man on duty about fever cases and would take notes, analyse, criticize and discuss.

Driving along the road, Dr. Visvalingam suddenly applied the brake. He had recognized one of his soldiers, a member of a vigilance sub-unit that makes house-to-house surveys.

"Mr. Wilson ! It is now 10 o'clock. Your working day began three hours ago. Let's have your report quickly. How many houses did you visit today ? Any fever cases ? How many blood smears ?"

Surprised by his general on a hot country road, the soldier became confused and stammered. Dr. Visvalingam raised his voice.

"Each man," he said later, "must be conscious of his task. It is the humblest soldier as much as the general who wins a war."

We penetrated deeper into the jungle until we reached a clearing and a hut which was both bakery and drug store. On the other side of the clearing was a row of three houses facing a well where children romped among a sleeping buffalo. The sprayers were at work. Dr. Visvalingam inspected each house and examined the palm roofs, which provide shelter for mosquitoes. Then he checked the health cards which each householder, even in the depths of the jungle, must by law fasten to a wall of his house.

"What is your name ?" he asked the head of one family as he wrote in his notebook.

"D. H. Jamis," the old man chewing a betel nut answered with dignity.

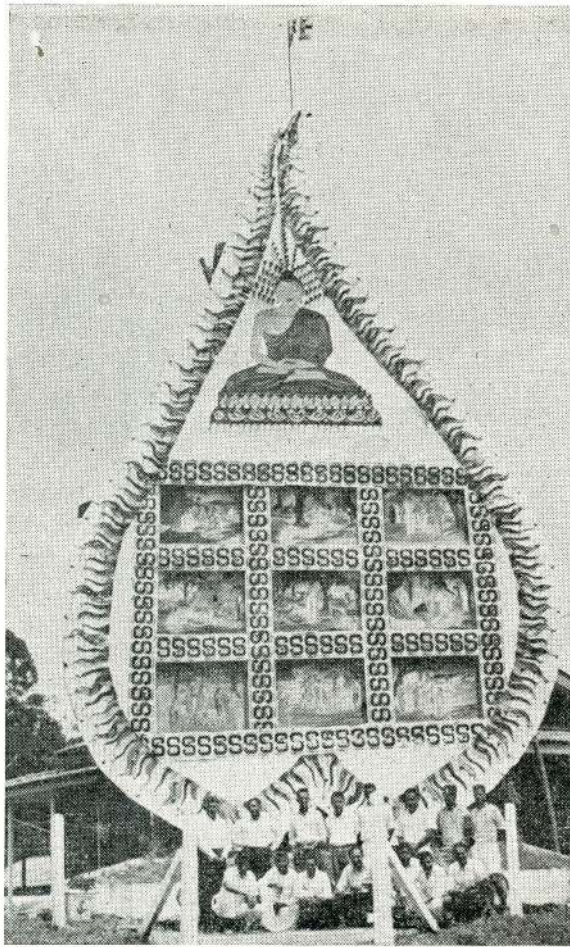
So we spent three days at Polonnaruwa, Dambulla, Matale and Kandy.

The evening—Sunday evening—was falling softly on Colombo as Dr. Visvalingam deposited me at the steps of Mount Lavinia. I had spent three days on the malaria front line. For Dr. Visvalingam, it was a war-week-end. The next day, from eight in the morning, he would be at his desk, the chief-of-staff's desk in Torrington Square.

My visit was at an end. The plane took off for Europe, for home where there is no more malaria.

Goodbye Ceylon. Goodbye, dear Agnes with the shell necklaces. Your smile, your children's smiles, will mean that malaria is vanquished.

[Reproduced from "World Health", published by W. H. O.]



Vesak Pandal, 1962
May, erected by
H. M. Cy. S.
"Rangalla", at
Diyatalawa

The Pandals of Ceylon Buddhists

D. T. DEVENDRA

ONE of the most spectacular displays of this century during any of the religious festivals in Ceylon is the glittering temporary facade of woodwork which Buddhists delight in erecting, decorating and illuminating during the sacred full moon day (Vesak) in the month of May. Known as Pandals, these structures often reach a staggering height and proportion. They provide a fine opportunity for local artists (peoples' artists

would be an apter term) to shine before the thousands who converge at road junctions to gaze upon their splendour.

Pandals, of course, are of the lineage of the gateways of ancient Buddhist topes, known more academically by the name toran. It is the toran which also sired the well-known torü of Japan. Toranas, as they are better known in our country, are not known from local monuments. Instead, we

have the feature called Vahalkada. The toran of Sanchi Thupa carried a wealth of sculptural art upon every conceivable face of its components. Similar treatment is found on the railing which enclosed the pre-Christian Bharhut Thupa; here, a number of the previous-life stories of the Buddha-to-be serve as visual aids in instructing devotees. From sculpture, embellishments soon gave form to mural art. And this same method, brush and paint, continues to be used by those who set up the pandals of today's Buddhist Ceylon.

Large sums of money are spent on these occasions and all of it comes from neighbouring residents who contribute freely, the lowest to the highest, as for a meritorious cause, in the Buddhist sense. The scenes, painted in bright colours, are religious. They are in narrative form, after folk devices, and narrators use a loud-speaker to keep up a running explanatory account all throughout the night to the huge crowds who come to view a pandal. Often brochures are sold at low cost; people can take them home, not so much as mementoes but as edifying literature to read for the season, for the significance of the panel stories is an instruction in the scriptures, in a popular sense.

A study of the paintings and of the techniques of their authors, of this cheap and widely circulating literature, of the effects of the display upon the multitudes who come as spectators, not to speak of the forces behind these popular creations, is most illuminating in sociology. For in them are folkway visible and intrinsically changeless, unlike lost folk cultures which academicians are trying to resurrect from the past. Here is living testimony of the spirit which moves things, not that which has been petrified. What urges people to behave so? Why will the repetition, year after year, not pall? What is the secret which induces them to call into aid the "untutored" artist? Will the painter tutored in an Art School stand up

to popular appeal? These are fit problems for the genuine scientist to tackle.

A new feature is the wizardry of coloured illumination by electricity. Indeed, the technical advances made in this line have been amazingly rapid in recent years. The pandal which drew unprecedented crowds this year to Gasworks Street in Colombo was a staggering exhibition of the electrician's skill. On June 18th (Poson Festival) it was set up, too, in the marketplace of the New Town, Anuradhapura. With such facilities a pandal-consciousness has rapidly spread, so that far-away folk in corners of the country are also treated to these wonder-raising sights. This year, for instance, saw the first ever pandals of the Armed Services station of Diyatalawa. Among them the pandal erected by the Royal Ceylon Navy Unit not only took, perhaps, precedence, but it was also of the unique form of a giant leaf of the Bodhi Tree sacred to the Buddhists.

Innovations, and what may be described as deviations from traditions, are naturally bound to arise, particularly when a somewhat competitive spirit is abroad. Whereas the pandal form is that of an upright face chiefly rectilinear, that trend towards a new look has altered the old lines and brought about shapes which fall outside the general norm. The Navy pandal at Diyatalawa is an example of this new trend which, of course, has been evident for some time now. In the same way, the Dying Buddha in the lowermost panel of the Gasworks Street pandal has been, for the artist's convenience, given the wrong position. The Teacher, according to every traditional account, had turned on his right, but the painter of this pandal has made Him turn on His left.

The pandal of Buddhist Ceylon will long continue to be a source of simple joy and delight, as much as an expression of folk-culture. Nobody, therefore, should miss seeing one.

Our Banking System—III

STANDING apart from the thirteen commercial banks but yet an integral part of the banking system is the Central Bank of Ceylon which was established in 1950. The role of the Central Bank in the economy is somewhat different from those of the commercial banks because the former does not engage in commercial banking activities and is also responsible for specialised functions such as the issue of currency notes, foreign exchange control and the management of the public debt. Its principal function is to regulate the banking system and to act as the ultimate source of liquidity to the commercial banks in the country.

Until the establishment of the Central Bank the monetary system which existed in Ceylon was generally referred to as a sterling exchange standard which was broadly similar to those in operation in most British colonies. The sterling exchange standard was managed by a Board which was called the Board of Commissioners of Currency. The functions of the Currency Board were much more limited than those of the Central Bank. Its principal duty was to exchange domestic currency or rupees for sterling or other foreign currencies and *vice versa*. In effect therefore the functions of the Currency Board were similar to those of a large-scale money changing institution. The Currency Board itself had no control over the amount of currency because all it had to do was to issue domestic currency against sterling and *vice versa*. The significant feature of the Currency Board system was that it ensured the stability of the external value of the Ceylon rupee and it automatically provided conversion of rupees into any other currency through sterling. Since the Currency Board system was one that required a reserve of 100 per cent. against the domestic note issue, the volume of currency in circulation of course

came to be dependent on the quantum of foreign assets available to the country and the availability of foreign assets itself depended on whether there was a surplus or deficit in the balance of payments. Ceylon was the first Commonwealth country to have replaced the Currency Board system with a Central Bank. With the establishment of the Central Bank the latter took over the management of the currency and monetary affairs in the country. The objects of the Central Bank are laid down in the Monetary Law Act of 1949 which is the law governing the business of Central Banking in Ceylon. Its task is to regulate the supply, availability, cost and international exchange of money so as to secure the following objectives:—

- (a) The stabilisation of domestic monetary values;
- (b) The preservation of the value of the Ceylon rupee for current international transactions;
- (c) The promotion and maintenance of a high level of production, employment and real income in Ceylon;
- (d) The encouragement and promotion of the full development of the productive resources of Ceylon.

With a view to achieving these objectives the Central Bank has been given the exclusive power to be the sole authority for the issue of currency notes and coins in Ceylon. It has also wide powers for controlling the banking system of the country. This control over the banking system is achieved by various measures which in economic parlance are referred to as instruments of monetary policy. Although the Central Bank has the monopoly of the currency issue in the country it is not legally required to maintain a 100% foreign exchange reserve against the currency issue

as was the case under the Currency Board system. The Central Bank is only required to maintain an international reserve which is considered to be adequate to meet deficits in the balance of payments. There is no fixed ratio between its international reserve or its holdings of foreign currency and foreign assets and its currency liabilities which is the currency issued by the Bank. The Central Bank is also the government's banker, fiscal agent and economic adviser.

Monetary Board

THE overall responsibility for the management operations and administration of the Central Bank rests with the Monetary Board. The Monetary Board consists of the Governor of the Bank, the Permanent Secretary to the Ministry of Finance and one other member appointed by Government. In terms of the Monetary Law Act, the Monetary Board is a body corporate and is exclusively responsible for the affairs of the Bank and the powers of the Bank under the Monetary Law Act are exercised by the Monetary Board. In view of the wide range of functions undertaken by the Central Bank the work of the Bank is today entrusted to several departments all of which are a part of the Bank. There is the Banking, Economic Research, Bank Supervision, Public Debt, Exchange Control, Employees' Provident Fund and the Secretariat Departments, Except the last mentioned which deals with purely administrative matters all the other departments have very specialised functions. The Banking Department acts as the clearing house for the commercial banks in the country. It maintains Government accounts, handles the foreign exchange business of the Bank and is responsible for the currency and coin issue. I shall refer to the functions of the Public Debt, the Exchange Control and Employees' Provident Fund Departments later on.

The law creating the Central Bank has mentioned specifically that a Department of Economic Research and a Department of Bank Supervision should be set up. The function of the former is to prepare data and to conduct economic research for the Monetary Board in formulating, implementing and executing economic policies and measures. The functions of the Department of Bank Supervision is to exercise supervision over banking institutions in the country. It regularly examines and reports on all the banking institutions in the country with a view to the promotion of sound banking which is essential for healthy economic development.

The Central Bank functions in the economic system by exercising control over the commercial banks and for this purpose the bank has been given various instruments of control. These instruments used to control the monetary system are used by most other central banks. Of these the most important is the use of Bank rate which is the rate of interest which the Central Bank charges to lend to the other commercial banks against types of security which are acceptable to the Central Bank. The Bank could also influence the monetary system by engaging in open market operations which is the sale or purchase of securities from the money market with the object of either increasing or decreasing the quantum of bank credit. Sales of securities by the Central Bank tends to contract the volume of credit while purchases tend to expand the supply of credit. All commercial banks have to maintain with the Central Bank statutory reserves which is a fixed percentage of the commercial banks' demand and time deposits respectively and there is therefore a fixed relationship between commercial bank reserves and the volume of credit they are able to create.

Central Bank's powers

THE Central Bank has the power to directly vary these reserve requirements with a view

to either expanding the credit creating capacity of the commercial banks or to diminish this capacity. It can exercise this power to fix different reserve ratios for each class of rupee deposits whether it be demand or time and savings. Apart from these instruments of monetary policy the Central Bank could also use certain selective instruments of monetary control for regulating the credit operations of banking institutions. The Central Bank has power directly to prohibit commercial banks from increasing their amounts of loans and investments or to fix limits to the rate at which the amount of their loans and investments may be increased within a specific period. The Bank could also describe the minimum ratio which the capital and surplus of the commercial banks should bear to their total assets. It could also stipulate the cash margins which shall be required on letters of credit opened by commercial banks on behalf of their constituents. Margins on letters of credit could be used as an effective means of regulating the use of bank credit for the importation of certain types of goods which are not considered essential and it would also be used to discourage the speculative importation of commodities which might be in short supply at a certain time.

In so far as commercial banks are concerned one of the important functions of the Central Bank is to act as the ultimate source of liquidity to the banking system. By this we mean that the Central Bank is prepared to assist commercial banks by giving financial accommodation when the commercial banks are short of funds to meet their day to day operations. Apart from assisting the banks in the normal way in order to relieve financial stringency it has been proved that the Central Bank could assist the banking system by granting special types of advances with a view to promoting different types of economic activity. With a view to making available credit for the storage, importation or export of products, the Central Bank is per-

mitted to discount, re-discount, buy or sell bills with a maturity not exceeding 90 days from the date of discount. The Central Bank could also make available to the banking system credit for certain types of productive purposes by discounting bills which have their origin in transactions resulting from the production, manufacture or processing of agricultural, animal, mineral or industrial products. In addition the Central Bank would also grant direct advances to the commercial banks for specified purposes up to six months upon promissory notes which are secured by certain specified types of assets and securities. Assistance of this type from the Central Bank enables the commercial banks to engage in lending of slightly longer maturity than they are normally accustomed to. In special circumstances with a view to promoting or facilitating lending operations of long-term credit institutions the Central Bank could also make loans to mortgage institutions against promissory notes issued by them. When the stability of the monetary and banking system is likely to be seriously affected the Central Bank is also empowered to grant banking institutions extraordinary loans or advances secured by any assets which are defined as acceptable by the Monetary Board.

Other Functions

AMONG the other important functions of the Central Bank today, is to carry out its duties as the manager of the public debt. As the fiscal agent of Government the Central Bank on behalf of Government issues Treasury bills and loans of longer maturity; it also operates sinking funds and administers the payment of interest on loans and the repayment of debt. On account of this the Central Bank is directly responsible for the development of the market in Government securities and to maintain a satisfactory pattern of security yields and capital values. The Exchange Control Department which

was before 1950 a separate department of Government is now a department of the Central Bank. It is today directly responsible for implementing the Exchange Control policy of Government and its operations have helped to stem the outward flow of foreign exchange. With the establishment of the Employees' Provident Fund the Central Bank set up a separate department to administer and maintain the accounts of the Fund.

In any appraisal of the role of the Central Bank in the economy a factor that has to be taken into account is the limitations on monetary policy imposed by the conditions prevailing in an underdeveloped economy.

In the economically advanced countries where developed financial and economic systems exist the scope for effective Central Bank action is considerably more than in a less developed economic environment. For monetary policy to fully act in its classical role as a regulator of the level of economic and financial activity, Ceylon does not possess a developed money market and other institutional arrangements which are essential for effective Central Bank action.

(Adapted from a talk broadcast over Radio Ceylon. This was the third and final talk.)

THE NEW BUDGET

(Continued from page 7)

form of organization is necessary to promote economic co-operation in Asia. The Cairo Conference of Non-Aligned Nations which was held in early July discussed this among other subjects.

“Undeveloped countries, which have started or are in the process of starting a programme of economic expansion and which have adopted the technique of planning for economic development, must rely largely on their earnings of foreign exchange from the export of their primary products. They have a special interest in measures to stabilize these earnings. The need for stabilization is universally recognized and accepted, but there is a wide divergence of views in regard to the form and level of such stabilization. It is these details that require further

discussion in the international organizations that have taken up this question.

“The Bank of Ceylon was nationalized last year, and at the moment I am considering policy measures to make the Bank of Ceylon a more effective instrument for financing growth of industry in this country in a practical way. The techniques and methods I propose to adopt and follow are, broadly speaking, the techniques that were adopted to assist the economic recovery of Germany after the ravages of the second World War. I think it is well known to hon. Members of this House that German banking institutions did play a very large part in the rehabilitation and development of the economy of Germany after World War II.”

Model Re-settlement Scheme

N. GUNARATNA

(Government Town Planner)

A MODEL re-settlement scheme is now taking shape at Alubedde. Known as the Sirimagama Re-settlement Scheme it is intended to house 52 families who had undergone considerable hardship after the major floods in 1958. The houses have already been completed and most of the roads have been laid out. Arrangements are now being made for the construction of latrines and wells.

The scheme, which is in the nature of a model village with permanent buildings, well laid out access roads and other amenities such as a play-ground, community centre, creche, a co-operative stores, school, etc., will be completed by the end of August and will serve as a model for other re-settlement schemes.

The scheme was initiated by the Lanka Mahila Samitiya and is intended to re-settle the families of a flood damaged village at Alubedde. The then President of the Samitiya, Mrs. S. W. R. D. Bandaranaike, selected this village for the scheme after examining several other villages and with the conviction that this was the most deserving one. She felt that the scheme was particularly appropriate for this settlement as the inhabitants had undergone considerable hardships after the major floods.

At the time this scheme was mooted, land had been allocated to the inhabitants of the

village and financial assistance given to construct wattle-and-daub houses.

For the proper layout of the scheme it was necessary to carry out a fresh survey of the area and to re-allocate the land.

The scheme was drawn up and constructed by the Department of Town and Country Planning and the Land Development Department assisted with the supply of materials. The work was carried out as far as possible with the assistance of the allottees, who took a keen interest in the scheme. The cost of the scheme was borne partly by the Government and partly by the Lanka Mahila Samitiya, the Government's contribution towards the houses being the usual grant made by the Land Commissioner for village expansion schemes, viz., Rs. 1,000 for a house with a permanent roof. The Lanka Mahila Samitiya contributed Rs. 700 per house, and with the total amount of Rs. 1,700 it was possible to provide the allottees with a permanent building constructed with asbestos roof and cement floors.

The accommodation provided in each house consists of a verandah, a living room, a bed room and a kitchen. The cost of constructing the roads is being met by the Land Commissioner, and the Chief Public Health Engineer has agreed to provide the necessary funds for the construction of latrines and drinking-water wells.

Foreign Affairs

THE following is the text of a speech made by Mr. Jaya Pathirana, M. P., on behalf of the Ceylon Delegation at the World Congress for General Disarmament in Moscow from 9th to 14th July, 1962 :—

The Ceylon delegation considers it a privilege to participate in this momentous Congress dedicated to peace and disarmament. We thank the Soviet people for their hospitality which to us symbolises the burning desire of the people of the Soviet Union towards achieving sincerely the purposes for which we meet today.

We, who have emerged into freedom like other Asian and African nations from imperialist rule, have watched with admiration the struggles of the Soviet people for a new way of life, and their achievements have been an inspiration to us.

We are a small country—underdeveloped and striving to achieve economic independence after years of subjection to foreign rule. Nevertheless we have not bartered away our rights or our dignity as a nation by being an appendage to any outside Power, our difficulties notwithstanding.

After 1956 under the leadership of our late Prime Minister Mr. S. W. R. D. Bandaranaike, our country has consistently pursued a policy of neutralism. At the same time we are not just spectators of the international scene. On the contrary our neutralism takes a positive form and our country has manifested this policy and translated it into effective action wherever possible. After 1956 we have removed all imperialist military bases from our country, we have established friendly diplomatic and trade relations with all countries irrespective of ideological differences. We have contributed towards lessening international tension by expressing our point of view at international levels

like the U. N. O. and at Belgrade. We have refused to permit imperialist countries to make use of our air and sea ports against the national liberation movements, as we recently did when we refused Dutch ships the facilities of our ports in their fight against the Indonesian people trying to liberate West Irian. We assure the peoples of the world that in this fight for peace and disarmament, for the forward march of humanity for a better life and in the struggle of subject countries for national liberation, we will play our rightful role against reaction and exploitation against imperialism and colonialism.

To a world tired of strife and frustrated with a long record of wars and international discord, the conduct of power politicians unconscious and oblivious of the moral responsibility to humanity in attempting to bolster up outdated and decadent political conceptions through methods of war, is disheartening.

While nuclear fall-out from the Christmas Island zone spreads its potential destructive force over Asia, it is some consolation and hope to humanity that we are assembled here through the courtesy of the Soviet Union to discuss ways and means of fostering world peace through general and complete disarmament and thus ensure the continued existence of the human race and its prosperity.

Non-aligned countries like Ceylon have a special responsibility in participating in this Congress and mobilising world opinion for peace as we are conscious of the fact that in any future nuclear warfare, neutrals and belligerents will suffer alike.

The Ceylon delegation desires to re-emphasise that imperialism, colonialism, the different forms of exploitation, the desire of stronger powers to achieve their political

and economic objectives over smaller countries—a manifestation of the contradictions of imperialist capitalism—have been in the main the causes of war and international conflicts in the past.

We regret that today in the 20th century these factors still continue to exist though they have emerged sometimes directly, more often indirectly, but certainly in more subtle and vicious forms.

The fight therefore for peace and disarmament is the fight against the old order, against imperialism, colonialism, neocolonialism, monopoly, capitalism and militarism.

In any general plan for peace and disarmament, we consider it our foremost duty to stress that as long as there are still in Asia, Africa and Latin America countries which are either directly or indirectly under the tutelage of imperialist powers, and these countries are denied their inalienable right of self-determination, the causes of international disputes and tension will continue to persist.

The Ceylon delegation desires to emphasise the equal importance of disarmament and the national liberation movement of subject countries and stresses that world opinion should be mobilised to accelerate the day of their liberation as this is a *sine qua non* for peace. Already national liberation movements have shaken the foundations of imperialism. This is incontrovertible and its truth is beyond argument.

Not only is it necessary to liberate countries from the shackles of imperialism but it is also necessary to ensure that the natural resources of any country are not by subtle methods put under the control of imperialist powers through vested interests, cartels and economic aid with strings attached, as these are an outrage on the independence and liberty of a country and provide the simmering discontent out of which international disputes arise.

Out of recent experiences in our country we wish to condemn as equally outrageous to the concept of freedom and independence of any country, the attempt made by imperialist and colonial powers, either by direct acts of intimidation or economic manoeuvres, to prevent countries evolving their trade and foreign policies in the manner they consider suitable and beneficial to themselves. Decadent imperialism hopes to survive by acting through foreign companies, vested interests, right-wing organisations and hopes to re-establish its influence and economic domination by these vicious intimidatory tactics.

We must therefore mobilise world opinion towards eliminating the causes of international tension and demonstrate to the rulers of nations that the method of force and war for the solution of international problems has been a failure. The long history of wars has demonstrated this and instead international disputes should be solved by peaceful negotiations and by the force of world opinion as happened, for example, during the Suez crisis.

The Soviet plan of total disarmament subject to international control and supervision to be completed in four years in three stages could provide a workable basis subject to suitable amendments. One of the methods of ensuring that these reasonable proposals are carried into effective realisation is to strengthen the United Nations Organisation as a controlling and supervising agency in order to enable it to act effectively and impartially. To achieve this, we must prevent some nations attempting to control UNO for their own interests.

We are also of the view that in the international councils of the world for the promotion of world peace and disarmament world opinion will not be fully represented and effective if a nation with a population of nearly 700 millions is denied its rightful seat in the UNO. I am referring to the People's Republic of China.

The answer to the age of the common man fighting to rid himself from exploitation and oppression and go forward by the method of socialism is not military alliances on the part of those who disagree with that particular system, which has ushered a new hope for humanity. The only method is peaceful co-existence between competing ideologies and permitting a free world to decide by democratic methods the system which it desires to follow.

Sometimes when military alliances have failed to intimidate and retard the forward march of socialism, the imperialists resort to economic alliances in order to stifle the economic advancement of underdeveloped countries. The European Common Market is a collective effort of imperialist powers to achieve this purpose by the subtlest method known to history. We therefore wish to alert Asia, Africa and Latin America which are fighting imperialism to be watchful of these new manoeuvres of imperialism to rehabilitate its economic domination in the world.

The world stands today at the cross-roads : either we take the road to peace and prosperity and the continued existence of the human race and its civilisation or we resort to a global war with nuclear weapons and destroy the human race and achieve nothing.

The Ceylon delegation assures the peoples of the world that its people and government stand for peace and disarmament, national independence of subject countries and their economic rehabilitation. We wish this Congress all success.

Ceylon and Algeria

THE Government of Ceylon has extended its recognition to the independent State of Algeria and the Government of Algeria.

The Ministry of External Affairs in announcing this issued the following communique on July 4.

“The Government of Ceylon has extended its recognition to the Independent State of Algeria and the Government of Algeria with effect from July 3, 1962.

“In this connection the Prime Minister has today sent a telegraphic message of felicitations to the Prime Minister of the Government of Algeria as follows :—

‘On the occasion of the attainment of independence by Algeria, I have great pleasure in conveying to the Government and people of Algeria sincerest felicitations from me personally and from the Government and people of Ceylon.

‘The Government and people of Ceylon have all along declared their solidarity with the people of Algeria in their valiant struggle for independence and today we share with them their rejoicings at the attainment of their historic goal. Ceylon looks forward to a long era of friendly relations and close understanding with Algeria in the future.’”

Radio Active Fall-out

THE Ministry of Defence and External Affairs in a communique issued recently stated that the Government was gravely concerned over the contents of a report on radio active fall-out in Ceylon.

The following is the text of the communique :—

The Government is gravely concerned over the contents of a report on radio-active fall-out in Ceylon by the Director of the Radio Isotope Centre in the University of Ceylon. His report is based on a study of samples of rain water collected since 1st November, 1961.

The following is a relevant extract from his report :—

“The rain water samples tested in this laboratory up to the 14th of May, 1962, did not show any activity above our background level. However a higher activity was found in the rain water collected from 14th May,

1962 to 17th May, 1962. A higher activity was also seen in the samples collected from 14th June, 1962 to 18th June, 1962, and after that there has been no activity so far. The radioactivity so far detected in the samples mentioned has been above the usual background level but is well below the permissible levels that a human being could stand. However, it is an indication that our surroundings have begun to be contaminated with some external source of radioactivity. If repeated doses of this radioactivity are brought down by the rain then there certainly could be a danger depending on how much activity is built up. There may possibly be no immediate effects, but it is believed that 'long-term' effects could be serious."

The Government has brought these facts to the notice of the U. S. Ambassador in Ceylon and expressed its concern. In the meantime the Director of the Radio Isotope Centre has been directed to intensify his studies of this subject and keep Government informed of his findings.

Avoidance of Double Tax

AN Agreement for the avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Tax on Income and Property between the Government of Federal Republic of Germany and the Government of Ceylon was signed on July 4, in the Ministry of Finance. The Hon. Felix R. Dias Bandaranaike signed on behalf of the Government of Ceylon. His Excellency Dr. Theodor E. Auer, Ambassador Extraordinary and Plenipotentiary, signed for the Government of the Federal Republic of Germany.

Under this agreement the income arising in a country will be taxed by the Government of that country; relief or exemption from tax on such income will be given by the country in which the recipient is resident.

The Agreement will become effective in law after ratification and the necessary exchange of Instruments of ratification in Bonn

and when a resolution approving the Agreement is passed in the Senate and the House of Representatives.

Ambassador for Thailand

CONSEQUENT on the raising of the status of the Royal Thai Mission in Ceylon from a Legation to an Embassy, His Excellency Mr. Sukich Nimmanhemindra, who has been appointed by the Royal Thai Government as their first Ambassador Extraordinary and Plenipotentiary to Ceylon, presented his Letter of Credence to His Excellency the Governor-General at Queen's House. His Excellency Mr. Sukich Nimmanhemindra who is concurrently accredited to Ceylon and India will reside in New Delhi.

Ambassador for Brazil

HIS Excellency Mr. Luix Aranha Pereira, who has been appointed by the Government of the United States of Brazil as their first resident Ambassador Extraordinary and Plenipotentiary in Ceylon, presented his Letter of Credence to His Excellency the Governor-General recently at the Queen's House.

World Council of Peace

THE following message has been sent to the Chairman, Presidential Committee, World Council of Peace, by the Prime Minister on the occasion of the World Congress for General Disarmament and Peace held in Moscow from 9th-14th July, 1962:—

"I have noted with much interest the contents of your letter regarding the World Congress for General Disarmament and Peace to be held in Moscow in July.

"In common with the peace-loving peoples of the world, we in Ceylon are convinced that disarmament is the crucial question of our times. A settlement of this question will be

of paramount importance in the march towards World Peace and human welfare. The armed powers must recognize mankind's need for an immediate international understanding on general and complete disarmament. Ceylon believes that global disarmament can be achieved in practicable successive stages, each stage being accomplished to the mutual satisfaction of the major Power Blocs concerned on the basis of objective verification and control. In our view, the will to disarm is the supremely important factor.

"My Government appreciates the efforts of the 18-Nation Disarmament Committee in the interests of Disarmament and World Peace. It is heartening that non-aligned opinion has found direct access to the deliberations of the Disarmament Committee, as it rightly should. This is indeed a historic development because it acknowledged the universality of mankind's desire for Peace. Since the armaments race holds catastrophic implications for the whole of mankind, it is logical that disarmament should be the concern of the peoples of the world as a whole.

"It is in this light that we see the value of the proposed World Congress for Disarmament and Peace, as an avenue for the expression of world opinion in the interests of a cause that is truly universal."

Agreement with W. Germany

AN Agreement was concluded in Bonn in April, 1962, under which the Federal Republic of Germany enabled the Government of Ceylon to take up long-term loans up to a total of 40 Million Deutsche Marks (about Rs. 48 Million) from the Federal Reconstruction Corporation called the Kreditanstalt fur Wiederaufbau.

Of this sum 32 Million Deutsche Marks will be made available for the expansion of the Kankesan Cement Works and the establishment of the Terminal Grinding and

Packing Plant at Galle. This loan is repayable in 15 years, including a period of grace of three years, the interest payable being 5½ per cent.

The balance 8 Million Deutsche Marks will be used to purchase Port Equipment. This amount will be repayable in 10 years, including a period of grace of two years, and will carry interest at 4½ per cent.

The necessary loan Agreements with the Kreditanstalt were signed on July 6, at the Treasury. Mr. H. S. Amerasinghe, Secretary to the Treasury, signed on behalf of the Government. The Ambassador of the Federal Republic of Germany in Ceylon, Dr. T. M. Auer, was present at the formal signing of these Agreements.

New High Commissioner

THE Government of Australia has, with the concurrence of the Government of Ceylon, decided to appoint Mr. Bertram Charles Ballard as High Commissioner for Australia in Ceylon in succession to Mr. J. C. G. Kevin.

Mr. Ballard, who had previously held several diplomatic appointments, was Minister in Bangkok from 1952-55 and Minister in Tel Aviv from 1955-60. He was appointed High Commissioner in Accra in 1960.

Ceylon represented at Iraq's Celebrations

THE Government of Ceylon was represented at the Fourth Anniversary celebrations of the Iraq's Revolution by Mr. Anton Muttukumar, Ceylon's High Commissioner in Pakistan and concurrently Ceylon's Ambassador to Iraq.

Agreement with U. S.

AN Agreement was signed on July 19 between the Governments of the United States and Ceylon under U. S. Public Law 480 to enable the purchase in the U. S. of

50,000 tons of flour. The Government of Ceylon will make matching purchases of 150,000 tons of flour from normal sources of supply.

The proceeds of the sale of this flour will be allocated partly to meet U. S. Expenditure in Ceylon and partly to finance development projects agreed on between the two Governments.

The Minister of Commerce, Trade, Food and Shipping, Mr. T. B. Ilangaratne, signed on behalf of the Government of Ceylon and the U. S. Ambassador in Ceylon, Miss Frances E. Willis, signed for the U. S. Government.

Japanese Ambassador

THE Government of Japan has, with the concurrence of the Government of Ceylon, decided to appoint Mr. Jiro Takase as Ambassador Extraordinary and Plenipotentiary of Japan in Ceylon in succession to His Excellency Mr. Yasusuke Katsumo.

Mr. Takase, who entered the diplomatic service of Japan in 1933, was Counsellor of the Japanese Embassy in Bangkok in 1957 and became Counsellor of the Ministry of Foreign Affairs in 1959. He was appointed

Director of Immigration Bureau in 1960, which post he now holds.

Message to U. A. R.

THE Prime Minister has sent a message of good wishes to the President of the United Arab Republic on the occasion of the National Day of the United Arab Republic.

A meeting was also held in Colombo under the auspices of the Ceylon-Arab Friendship Association on July 22 to mark the occasion. The Minister of Commerce, Trade, Food and Shipping, Mr. T. B. Ilangaratne, addressing the gathering, said that a revolution occurred in a country sometimes for the benefit of the people. Such a revolution took place in Egypt where there was earlier a feudal government.

He said that Egypt under President Nasser had made rapid progress so that it could be regarded as one of the leading Socialist countries of the world.

Mr. Ahmed Fouard Naguib, U. A. R. Ambassador in Ceylon, said that the tenth anniversary celebrations marked the revolution which brought about the liberation of his country, successfully removed the evils of imperialism and established social justice with equal opportunities for all.

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