

TRIBUNE

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- ◆ CHINA—PM's VISIT
- ◆ CEYLON—
CROSS ROADS
- ◆ INDIA—
INDIRA & LEFT
- ◆ AFRICA—ARAB
DIPLOMACY
- ◆ GOLD—
PEKING'S VIEW
- ◆ ECM—
ECONOMIC GAINS
- ◆ BANGLADESH—
TRIALS
- ◆ BRAZIL—
MOST POWERFUL
- ◆ EDITOR—
INSURGENCY TRIAL,
PRIVATE SECTOR,
ETC.



WITH COMPLIMENTS

C. V. BHATT

What We Can Learn From China: What We Must Know From The IMF Report

by PERTINAX

ON JUNE 24 the Prime Minister, Mrs. Srimavo Bandaranaike, is expected to leave for China on a goodwill mission which is expected to last anything from seven to ten days. The PIA plane in which she will travel will do one hop from Colombo to Shanghai in seven hours and after an overnight stay at Shanghai she will

probably fly to Peking on the 25th to begin her goodwill tour. On her schedule will be Peking, the Great Wall, the Ming Tombs, Hangchow and Shanghai. She will most likely be taken to see how agricultural communes work, and if she does not go the Shansi Province to familiarise herself with the Tachai Production Brigade of the People's Commune of Tachai in Hsiyang Country, she will be told about it and will be shown other production brigades which have emulated the Tachai Brigade.

On the cover of this week's *Tribune* we have a picture of a group from the Hsikupi Brigade also in Hsiyang County of Shansi Province working on the construction of new cropland. The PM will be told how the Tachai Brigade had changed a small village in rockstrewn mountains, isolated from the outside world into something which is very different. Gone is the abject poverty. In the old society, only about 800 mu (a mu is one-sixth of an acre) of farmland was worked of which 60 percent was owned by one landlord and three rich peasant households). The soil was poor and the ero-

sion was serious. Grain yield per mu was only 100 jin (one jin was equal to half a kilogram). Nearly 80 percent of the population of 430 persons (in 83 households) were poor and were hired labourers for the landlord and the rich peasants. "They were poverty-stricken and were forced to sell their children". But now "The village has taken on a new look. Blocks of new houses and stone-walled caves have replaced the earthen caves, and electric light and tap water are supplied to every household. The brigade has ample grain reserves and public accumulation fund and every household has bank deposits and its own grain reserves."

"Gone forever is all the poverty. The once bare mountains are now covered with green. The canal along the mountain ridges leads water up to irrigate the terraced fields on the slopes; crops grow well in the gullies. Tachai is now flourishing. Since liberation in 1949, the poor and lower-middle peasants, guided by Chairman Mao's proletarian revolutionary line, have taken the road of socialist collectivization, and have made vigorous and successful efforts to transform the hills and gullies.

"Bringing their collective strength into play, they built several hundred stone embankments for the terraced fields on the slopes and led water uphill for irrigation. They carried out scientific experiments and improved farming

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technique so that the land gave stable high yields. In 17 of the 18 years since the agricultural co-operative was set up in 1953, Tachai was hit by natural disasters of varying degrees but still managed to increase output every year. Forestry, animal husbandry and sideline production also made big progress. More than 40,000 fruit and other trees were planted on barren slopes. The number of draught animals increased from 10 to 90.

"Making rapid progress in mechanization and semi-mechanization, Tachai now has electricity and machines for irrigation, processing of farm produce and crushing of fodder. Carts and aerial cableways have replaced shoulder poles and donkeys as means of transport. Several million jin of farmyard manure are carried uphill mostly by cableway for the terraced fields. Machines are used in building permanent farm works. With revolutionary enthusiasm to transform nature, the poor and lower-middle peasants of Tachai last winter and this spring used bulldozers to level nine hillocks, joined the small plots together and turned them into "man-made plains". Work done every year by farm machines accounts for 60 per cent of that done by the brigade's labour power.

"How is it that Tachai has been able to bring about such great and profound changes? Chou Yung-kuei, secretary of the brigade party branch, said: 'The fundamental reason is

that people have changed their thinking. People can change the land, technique, output and village because they have changed their thinking. This change is the result of arming them with Marxism-Leninism-Mao Tsetung Thought." Under the leadership of the Party branch, the several hundred poor and lower-middle peasants and other commune members of Tachai have fostered the spirit of self-reliance and hard work and the Communist style of cherishing the state and the collective. Their lofty aim is to farm for the revolution. Their motto is to make revolution and go all out to make still greater contribution to the emancipation of mankind.

"The Tachai Production Brigade is an outstanding unit in China's agriculture. In 1954, Chairman Mao Tsetung issued the great call "In Agriculture, Learn From Tachai." Since then, a mass movement to learn from Tachai is spreading wider and deeper in the China's countryside, in mountain regions and on the plains, north and south, and in agricultural regions and livestock-raising areas. This has given a great impetus to the rapid growth of China's socialist agriculture."

I HAVE QUOTED *in extenso* from an official Chinese handout, but there is no doubt that China has made vast strides in agricultural (as well as industrial) production, and this is something about which Ceylon can learn from China

and the Chinese—namely about hard and persistent work. I have also devoted this space to the Tachai Unit because the PM will do well to see for herself the kind of work essential to make this country prosperous. However, there is a tendency for people here to want bounties from abroad. When the UNP came to power in 1965 there was universal expectation that the West would shower gifts, grants and aid to make this country a paradise. All these hopes turned out to be a mirage-like dream.

Now there are expectations of another kind. *Tribune* has received many comments on the article I wrote last week on *Ceylon's Economy*. One short note I received stood out from the rest. The writer prefers to remain anonymous, but it reflected the thinking of a large number of people in the establishment. This is what the note said: "Yankee IMF monster for standby loan wants us to devalue the rupee—Disgrace in this year of the Republic NM, says to hell with IMF. Please expose the IMF and write against devaluation at this critical stage: it will otherwise spoil our big interest-free hard currency loan which has been promised by China as a gift to our PM when she goes there. Socialist countries are prepared to help us. India cut off IMF. Why should we be tied up in their knots? Don't allow this loss of independence. We will gladly forgo the charity rice. They can help export with

more FEECs. But the rupee should not be devalued for at least six months till we explore all avenues. Once devalued it will never be possible to rehabilitate it. The worst calamity—confusion and misery to the country will emerge. Soaring prices of even domestic products. The *Sun* group wants devaluation to help hoarders and racketeers and mudalalis. Defeat them by not devaluing. They have sent many goods and car parts underground. Stooges of Yanks in the Central Bank and agents of mudalalis in the Planning Ministry are also pressuring N.M. to devalue. He is weak and might succumb. It will be the end of his great name. Give him a shot in the arm to kick the IMF. 800 million Chinese will easily give 12 million Ceylonese all we need. They are giving large amounts to Africa and Latin America. \$ 300 million is a drop in the ocean for China. Don't spoil this free gift by humbling before the IMF. . ."

This anonymous writer knows his onions. He is confident that the PM will land another interest-free hard currency loan when she goes to Peking next week. He also thinks that China will be more inclined to give a hard currency cash loan if Ceylon says "boo" to the IMF. The writer correctly sets the minimum hard-currency loan in cash which Ceylon needs at about \$ 300 million. He wants this columnist and *Tribune* to campaign against devaluation. He wa-

nts this column to expose the IMF. And to preach a sermon to the Minister of Finance, Dr. N. M. Perera, not to succumb to IMF pressure and devalue the rupee.

THIS COLUMNIST and *Tribune* will agree that devaluation is bad and that if it could be avoided it will be a good thing. But Ceylon's economy has got it to such a mess that options and alternatives before it are limited. The alternatives to devaluation are known and the present Government and its Minister of Finance had undertaken to adopt some of them in 1970, and in 1971, but they have not implemented them fully or in a measure adequate to stave off devaluation. The writer does not see any point in campaigning for or against devaluation. *Tribune* can only act as an observer and record developments.

But there is one thing for which *Tribune* and this writer will gladly campaign, and that is to persuade people to work hard and work even harder. The Tachai Brigade in China is an example worth emulating. What we should get from China is not interest-free hard currency loans but the spirit of work and especially hard work. The eight-hour day should be forgotten in the public sector and state enterprises. People now work more on overtime than during normal working hours. Unless all this is ended, there can be no progress in the economic field. Devaluation to please the IMF,

or interest-free hard currency cash loans from China are only palliatives. They will not cure the illness.

And one does not know what the global objective is in geopolitical strategy China has in making these gifts to small nations like Tanzania, Malta, Nepal, Ceylon, and now Chile. Ostensibly there are no strings, but Chinese mandarin wisdom is supreme. China is doing one better than the West and the European socialist east.

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No one has given free cash loans. Loans from the West had strings attached. The aid from the USSR and the European east was always tied-project-aid. Experience has shown that most loans and the aid were never re-paid properly. The developing countries are in no position to repay them and in the end they have nearly always been repudiated. Canada, conscious of this, had started this business of giving aid as free grants. But Canada never gave cash loans. Only project gifts—projects from which Canada's domestic industries benefited. China has gone one better. But where will this end? Unless the recipient countries pull themselves by their shoe-strings all these gifts and loans will not bring about an economic breakthrough. Ever since Independence in 1947/48, Ceylon has received many gifts and even a greater volume of aid. But where has all this taken Ceylon?

Nowhere, Ceylon has slipped from where she started in 1947/48. I referred to the IMF Report, not because I am enamoured of the IMF and its logic. But because what it says merits respect and consideration. Ceylon is still in the capitalist orbit and its public sector is neither strong enough or profitable enough to offer a real challenge the capitalist bedrock of Ceylon's economy. Nor has Ceylon as yet developed an administrative machine to mobilise manpower to produce results which the Tech-

ai Brigades in China have done.

FOR THIS REASON it is a good for readers of *Tribune* to know just what the IMF and the world of capitalism think about the situation in this country. This knowledge is essential for anyone who wants to promote production in Ceylon—either in the private sector, or the public sector, or the state sector. In last week's piece I quoted extracts from the opening section of the IMF Report to show what the problem which confronted this country really amounted to. This week I cite further extracts on the question of Resources. When I wrote the piece last week, the indications were that the Government would devalue the rupee, but now the trend seems to be otherwise. Newspaper reports indicate that the Cabinet had decided against devaluation. Does the Government think that a Chinese hard currency cash loan will help us to put off devaluation? But even if the hard currency loan from China materialises, and the evil of devaluation postponed, the basic problems will remain. And this is what the IMF Report has to say on THE RESOURCE PROBLEM: The remedy is now clearly seen to be a combined action to reduce real wages, thus leading to an immediate increase in the labor intensiveness of production and investment, and to raise real savings to increase

the overall investment level. Given the country's socialist aspirations, it is recognized that additional savings will have to come essentially from the public sector. The need for action is rendered particularly acute by the present state of the balance of payments. In 1968, and even more in 1960, the previous Government attempted to boost consumption and investment alike, and financed these by short-term borrowing. In 1969, in addition to regular net aid (essentially from the Ceylon Aid group) of about \$ 40 million, total net short-term indebtedness of more than \$ 90 million was also incurred. Converted at the FEEC rate, this is equivalent to almost 10 per cent of GDP in that year. Together with net aid, it much exceeds any conceivable measure of gross public sector investment. In other terms, both gross public sector savings and total net domestic savings were negative in 1969. Since then, further short-term borrowing on that scale has proved impossible, and the balance of payments has been brought into better control, though the accumulated short-term debt outstanding still creates a serious liquidity problem. In 1971 short-term debt was reduced by about \$10 million while regular net aid rose by about \$13 million to the level received in 1969. The country also benefited from an unprecedented and possibly unique \$25 million convertible foreign

exchange loan from China."

IT MUST BE NOTED that the official exchange rate is Rs. 5.95 per US \$, but a Foreign Exchange Entitlement Certificate (FEEC) of 55 percent is levied on most imports. The resulting FEEC rate of Rs. 9.2 per US \$ is used throughout the IMF Report, unless otherwise and specifically indicated. The Report then goes on: "Even so, the perilous equilibrium of the balance of payments could be preserved only by drastic budgetary measures. Confronted with this situation upon its rise to power in mid-1970, the new Coalition Government could not raise government savings either by increasing taxes or reducing current expenditures. It avoided a crisis by cutting the investment of Government proper from Rs 459 million in 1969/70 to Rs 337 million in 1970/71, the lowest since 1964/65; in real terms undoubtedly the lowest in the decade. Discouraged by uncertainties surrounding its future role, and hampered by licensing policy, the private sector also reduced its investment, thus realising a large part of its savings for Government use.

"The five year plan's targets imply an increase in public savings of Rs. 327 million in the first Plan year (1972) over the previous year, to be followed by a 10 percent annual growth. Another way of evaluating the magnitude of the effort immediately needed is to approach

it from the side of the budget and the balance of payments. Merely to right the balance of payments, i.e. to maintain its deficit within the bounds traced by normal aid availabilities, would require an increase in Government savings of about Rs. 250 million: that is the domestic resource equivalent of last year's \$25 million Chinese loan. In addition, one may wish Government investment to recover. A first minimum goal may be its 1969/70 level. This level of Government investment, which was not enough to reduce unemployment even in a year when private sector investment was still relatively lively, would require an additional Rs. 122 million, i.e. a total increase of Rs. 372 million in Government savings. In future years, of course if investment is to rise, further savings efforts would be required. If the level of investment is to rise high enough to impart dynamism to the Ceylonese economy, provide employment to the new entrants to the labor force and make a dent in the backlog of unemployment, these future efforts would have to be quite high. In fact, they would have to be so high as to strongly limit the rate at which overall consumption can be allowed to grow in future. If employment is indeed to increase, this would mean that the real incomes of those already employed would have to be further compressed. It would certainly be extremely difficult to ask the employed workers to accept a series

of minor sacrifice following one major sacrifice. It may be easier to accept an even greater sacrifice followed by a slow but steady rise in real income. In economic terms, of course, the chances of speeding up the growth of income will be improved by any measure which accelerates the rise of investment. The desirable 1972 increase in public savings may therefore be put at, very roughly, Rs. 600 million.

"As against these figures, the 1971/72 budget, as presented to Parliament in November, 1971, aimed for a Rs. 334 million increase in public savings. The following were the most important budget proposals by which this was to be achieved: the price of the second measure of rice was to increase from Rs. 0.75 to Rs. 1; the price of flour was to rise from Rs. 0.33 to Rs. 0.48 per pound; and beyond a sugar ration of 2 pounds per month to be instituted, the price of sugar was to rise from Rs. 0.72 to Rs. 1.50 per pound. These measures were accompanied by declarations of intentions also to bear hard on wealthier sections of the population; though the actual implementation of these measures was to come into effect only later. The day following the presentation of the budget, the proposal concerning flour was withdrawn and the sugar ration was increased from 2 to 3 pounds per month. These changes reduced the budget's impact by about Rs. 243 million; the budget as it now stands yields an increase

in public savings of only Rs 91 million. This is not even enough to produce a tenable balance of payments position, let alone to provide resources for investment and employment programs. This is well recognised by the Government, which subsequently proclaimed its determination to replace the budget proposals that had to be withdrawn. In keeping with this policy the sugar ration was again reduced to 2 pounds per month on March 1, 1972. However, the impact of this on public savings in 1972 as estimated in November 1971 will be more than offset by the subsequent sharp rise in the price of imported sugar and the fact that several months of the budget year have passed."

THE QUESTION which worries the IMF and which has worried all thinking and knowledgeable persons in Ceylon is how the money to finance the Budget could be raised. And this is dealt with in the IMF Report and what is said should make many people sit up and think.

The real answer to Ceylon's economic malady is increased production through hard work, but we seem to be as far away from increased production and increased productivity as we are from the moon, and we should therefore pay due attention to what is said in the IMF Report. Under the heading **THE TAX BASE** this what the Report stated:

"Politically and socially, it is of course exceedingly difficult to produce the required Rs. 600 million additional resources. Ceylon's income and consumption patterns are already relatively equalitarian, and the needed resources could not be raised by reducing only the standard of living of the rich. This does not mean that the most under-privileged should also be affected; on the contrary, the incomes of the aged and the disabled, and possibly those of the genuinely unemployed, can and should be protected and even increased. Nor does this mean that the consumption or the capital holdings of the rich should not be touched; special income taxes, capital levies, and land reform would not bring in much in terms of immediate resources but they may well contribute to the political acceptability of the sacrifice demanded from the mass of the population.

It is politically difficult to raise the needed resources, but technically the task is quite feasible. The net cost of food subsidies, properly valued, now stands at about Rs. 800 million. Their elimination alone would provide more than what is needed, and do so without administrative costs or resource allocation drawbacks. Other indirect taxes would also be relatively easy to levy, in particular because of Ceylon's heavy reliance on imports. Expenditures on clothing, transportation and recreation toget-

her amounted to about Rs 2 billion in 1970. It would be technically quite easy to eliminate subsidies and impose taxes so as to levy the total resources needed on these consumptions. Actually, of course, it would be best to proceed through broad-based measures bearing on as many commodities as is possible.

Under the present adherence to rigid price stability, there is not much room for deficit financing. Even now, physical shortages even of rationed consumer goods are already frequent. However, if a major indirect tax effort is made (this includes the reduction of subsidies), it would raise prices and thus make room for additional deficit financing. Such deliberately provoked price increases should enable the economy to absorb an exceptional increase in the money supply of about Rs 100 million in addition to normal monetary expansion. Very roughly, a 1972 package of Rs. 500 million in reduced food subsidies and indirect taxes and Rs. 100 million in increased deficit financing seem appropriate. Of course it may well be that if Ceylon makes an effort even approaching these dimensions, additional foreign aid would become available, either to reduce somewhat the magnitude of the effort required or, preferably to amplify its impact and thus shorten the waiting period after which the growth of consumption can resume.

Contd. on p. 19

At the Cross - Roads

by URMILA PHADNIS

WITH a great deal of justification, historians have considered India to be both the curse and the salvation of Ceylon. For instance, the Trotskyites, who were the first organised party in the island to agitate on a mass basis for freedom, were convinced that the socialist revolution in Ceylon could not take place without a similar one in India and some of the Trotskyite leaders presently in government spent part of their political lives participating in the Indian nationalist movement.

More recently, it was immediate and effective Indian assistance which enabled Ceylon's Prime Minister, Sirimavo Bandaranaike, to survive the challenge to authority by the so-called "Che Guevarist" insurgency movement. By the same token, the Ceylon government feels itself compelled to be gratified by Indira Gandhi's recent assurances that India has no designs on Ceylon. This gratification reflects relief from a fear of India's emergence as a domineering unit in the South Asian power structure. More than that, the Ceylon government's anxieties stem from

the troubled internal situation in the island.

Perhaps at no time in the quarter century of Ceylon's independence has its democratic parliamentary system been confronted with so many simultaneous and cumulative crises as today. An influential segment of its million-strong Ceylon Tamil community in the north is threatening to rise in revolt against 'Sinhalese chauvinism' and there is much talk of an independent 'Yal Desh' (Country of Tamils) in the Jaffna peninsula. In the plantation sector (in central and southern Ceylon), which is the mainstay of the island's economy, a general strike for better wages and employment facilities by the estate labourers, most of whom are Tamils, seems to be imminent.

THE LAW and order situation is far from satisfactory. Tourists are still 'advised' to drop many sites from their itinerary. In the last few months, there has been a spurt in cases of robbery and arson. It is alleged that these are the doings of the young insurgents and there is fear in the atmosphere of a sudden outburst of armed activity by the People's Liberation Front (known in common parlance as the JVP or the Che Guevarists.)

The government's fears of renewed insurgent activity are evident from the army's movements. Security measures have been tightened, army leave cancelled, volunteers recruited last year called back to service St-

ategic points are heavily guarded and the houses of important political dignitaries are barricaded.

The attitudes of the various partners of the United Front (UF) government—the Sri Lanka Freedom Party (SLFP), the Trotskyite Lanka Sama Samaja Party (LSSP) and the Moscow-oriented Community Party (CP)—towards the insurgency and to the subsequent army actions, indicate that all is not well with Sirimavo Bandaranaike's government. To begin with, there is a viewpoint cutting across party lines which believes that the rightist segment of the army and the police is making use of some sporadic insurgent activity to further entrench itself in the power structure and to make the political leadership more and more subservient to it. They also maintain that if this is allowed to continue, it is bound to be at the cost of democratic values and norms.

ON THE ECONOMIC front, Ceylon continues to live a ship-to-mouth existence. Its foreign exchange gap rose to Rs. 1,433 million in the 1971-72 budget, with the grim prospect of lower foreign exchange earnings because of a fall in international prices of the commodities exported by Ceylon, increased debt repayment liabilities and a rising import bill necessitated partly by the abnormal security conditions and partly by shortfalls in the domestic availability of, and

growing demand for, some commodities.

The budget left a deficit of Rs. 1,925 million which was sought to be partly covered by reducing the subsidy on food. The government's commitment to provide subsidised rice costs the exchequer Rs. 430 million or roughly 10 per cent of recurrent revenue expenditure. In addition, the government subsidises the paddy producers which, together with the rice subsidy, adds up to Rs. 807 million.

These budgetary constraints compelled the government to dilute the welfare part of the budget which accounts for nearly 45 per cent of expenditure. As it happened, while cuts were proposed on welfare subsidies (these were ultimately restored under the pressure of coalition backbenchers), the government did not apply itself with equal vigour to its socialist objectives of a ceiling on ownership of land and houses, higher taxes on upper income groups and nationalism of key sectors of the economy.

The 1971-72 budget thus brought in higher prices of flour and sugar, but did not propose any specific measures on land and house ceilings. Further, the government fixed an upper limit for salaries, but exempted ministers' perquisites like entertainment allowance. In the explosive situation this stood out as far more iniquitous than it would have been under normal circumstances. Even worse for public morals was the

behaviour of the left political elites which continued to live in an affluent style while exhorting the public to live austere.

IT IS NOTEWORTHY that while the conspicuous consumption pattern of the Ceylonese elites is of a much lower order than, say, in India, where the consumption gap between the rich and the poor is phenomenal, the credibility gap between the masses and the left establishment in Ceylon is much wider. In Ceylon, the crisis of the left is not merely due to its limited success in translating policy into performance but also because of its tarnished image in a situation where its 'left' moorings were seriously and dramatically challenged by the insurgents.

The detention without trial of about 15,000 young, alleged insurgents in the 15 to 30 age group (including girls and Buddhist monks) during the past year is a continual reminder to most people that the government has yet to win the battle against the JVP. The JVP struggle's intensity may be gauged from the fact that every home or two lost a young man or has one under detention in 'Her Majesty's Boarding Houses', as the detention camps are grimly referred to. There is demonstrable evidence of widespread public sympathy for the detained insurrectionaries, *Trastavada* (Sinhala for insurrectionary) has become a common term. Children play

games, with *Trastavada* outwitting the police. Angry mothers call their children *Trastavada*.

In this situation, the comment of a Ceylonese left leader is very apt: "when a movement becomes unsuccessful, it is called, terrorism. When it succeeds, it becomes a liberation movement, a revolution." The only paper which has succeeded in pushing such statements through at times has been *Athitha* (Truth) published by the Communist Party, which is one of the constituent partners of the UF. The paper entitles itself 'the daily of the United Front' but manage to maintain more than a critical stance towards the UF government's performance. This has earned it the approval of the 'radicals' of the CP, while the 'power elite' of the party considers its views to be too 'far-fetched.'

The parliamentary vote on the occasion of the Criminal Justice Commissions Bill on April 6 (which gives sweeping powers to the Commission to try the detained insurgents), brought intra-CP differences into the open. Notwithstanding the directive of the central committee of the party asking its parliamentary group to vote against the Bill, B.Y. Tudawe, a junior minister for education, supported the Bill, while two other CP members abstained. Tudawe was promptly relieved of his membership of the central committee of the party and as things stand, a showdown within the party may lead to its breakup, with MPs like S. A.

Wickramasinghe, the founding father of the CP, and the youthful Sarath Muttetuwagama either walking out or being forced out of the UF.

IN SUCH A situation, a new pattern of alignment might emerge with the CP attempting of secure the leadership of the 'insurgent' elements. This new alignment might also evoke a favourable response from the unemployed, disgruntled and restive Tamil youth who seem to be losing faith in the ageing Tamil leadership.

In this context, a pertinent question may be asked. If there is an uprising again, with a section of the Communist Party (Soviet-wing) aspiring for its leadership, will Indira Gandhi come to Sirimavo Bandaranaike's aid once more? If such a situation does arise, it is bound to have international repercussions. With a Peking-Washington axis becoming more than obvious in the region and with India's close relationship with Moscow becoming more pronounced, any Indian decision concerning an 'insurrectional' or revolutionary situation in Ceylon will have to reckon with the regional realities as much as the fast changing patterns of global alignments. But in view of the necessity for 'stability' in the region and with the possibility of a section of the Moscow-oriented Communist Party remaining in the ruling Front, Indira Gandhi may not be averse to staging a 'rescue' operation in Ceylon once again.

INDIA

Moves to wean Indira from Radical Left

by A. RAGHAVAN

New Delhi,

THE CONGRESS Parliamentary Party these days is a big debating society. It bulks large with rival lobbies, and the inter-lobby feud has become quite acrimonious after the annual election to the C.P.P. executive. The hard-hitting speech the Prime Minister made

A more significant question, therefore, is whether Sirimavo Bandaranaike will seek Indian assistance in such an eventuality or will prefer to choose another power to come to her rescue? It needs to be recalled that during the crisis, last April, she sought diversified military assistance which worked like a model of 'collective security'. Following the same trend, she has currently had talks not only with the US Pacific Ocean Naval Commander, Admiral John McCain, but also with a Soviet Admiral, Nicolai Smirnov. Sirimavo Bandaranaike, it would thus seem, is averse to military dependence on Ceylon's colossus neighbour and would prefer assistance from diverse sources.

after the poll has spotlighted the divergent trends inside the party. Newspaper columnists and political forecasters are having a field-day. Nobody need be surprised at these upheavals. These have been in the offing and inherent in the very nature of things. The expulsion of the Syndicate from the Congress did not by any means rule out the zig-zig. After the massive mandate in the wake of the midpoll last year, almost the whole party pulled together in passing the 24th and 25th Constitution amendments. Nor was there any dissenting voice when the election manifesto for the State Assembly elections was adopted and popularised throughout the country.

After the Midpoll to Parliament the rising popular expectations were muted by the compulsion of the Bangladesh developments. The time has come only now to translate to the ground the historic constitutional changes and the pledges conveyed through the manifesto. This is certainly not as easy as the perorations on the floor of the legislative chambers. A

host of economic issues cry for solution. Three of them are of immediate importance. These are land ceiling, ceiling on urban property, and the industrial policy, especially the approach to the bigger industrial houses.

OF THE THREE fixation of the land ceiling is, admittedly, the apple of discord in the Congress Party because the Congress base is the rich peasant. But no Congress parliamentarian or legislator is in a position to attack frontally the 10 to 18 acres ceiling fixed in the election manifesto. They attack it from the flank, raising a controversy over the source of irrigation, for instance. The kulak lobby in the Union Ministry of Agriculture had passed on to them the necessary ammunition.

The issue of urban ceiling has not yet become a subject of raging controversy, because the leadership is still hazy about it and has not yet come out with any concrete proposals. The attitude towards industrial monopolies on the other hand, is a live issue in the Congress Parliamentary Party. Opinion on this is very sharply divided though it is only a minority that is demanding their nationalisation. A large number of MPs demand, however, tighter curbs on them than the Government is prepared to impose. Of these, the land ceiling controversy is understandably the most acrimonious, and it has, naturally, given birth

to the farm lobby. The doings of the farm lobby automatically invited counter-action by the Left in the Congress Parliamentary Party, which invoked the provisions of the election manifesto.

THE ATTACKS of the kulaks on the radicals led to certain other developments in the Congress Party in Parliament. All the quiescent anti-Indira groups, factions and lobbies, whether they are the harijan lobby, the thakur lobby, or big business lobby, rallied round the farm lobby irrespective of the merit of the issue at stake. That explains the defeat of some of the so-called official nominees in the election to the CPP Executive.

In tackling the basic problems of ceilings and industrial growth, the Prime Minister has had her own ideas. On the question of land ceiling, she pleaded for a consensus at the recent meeting of the Congress leaders by taking into account some of the difficulties the Chief Ministers had to face in their respective States. That was why the ceiling question was entrusted to a high-powered committee.

On industrial growth she has been toying with several ideas.

At the FICCI session, she put forward certain ideas which were associated with Haq, the Pakistani economist. Later, the newly formed Cabinet sub-committee on economic policy approved, in principle, a policy draft which is different from

that of Haq. At any rate, she appears to believe that large industrial houses have fully to be utilised at this stage of economic development of the country, and that nationalisation should be selective.

Obviously, the Prime Minister expected support from the Congress Left for this line of her thinking, but she was disappointed, and, worse, she was extremely annoyed at least with two developments. *First*, a section in the CPP executive hauled Zail Singh over the coals for his back-tracking on land ceiling. When the kulaks in the Punjab party counter-attacked, the Chairman of the Socialist Forum joined issue on behalf of some of its members in the executive. *Second* when Hiren Mukherjee's resolution in the Lok Sabha demanding nationalisation of monopoly houses was debated some Congress MPs went along and made more strident demands, though their stand did not conform to the party line.

THESE TWO episodes, among a host of other incidents, brought to the fore the role of the Left inside the CPP, particularly those who are associated with the Socialist Forum. To say the least, Mrs. Gandhi could hardly be pleased with their performance. Indeed, she seems to be under the impression that a section of the Left in her party has been engaged in denigrating her as a conservative whenever opportunities

arise.

Let us face the facts. The left inside the Congress, individually and collectively, is pressing Mrs. Gandhi hard for quick implementation of some of the poll pledges. The farm lobby is not that formidable as is made out. What is happening is that all those—the rejects and the disgruntled—who have one score or another to settle with Mrs. Gandhi have entered the fray. All have separate and sectional aims, but all are convinced that their first task is to liberate Mrs. Gandhi from the Left radicals.

Their calculation is that once the dedicated Left is broken from her, she would be gradually amenable to their way of thinking. That explains the concentrated attack on people like K. R. Ganesh, Nandini Satpathy, Raghunatha Reddy and others of their way of thinking. It was Nandhini Satpathy who was the target of a blistering attack by the jute press last year at the time of the election to the CPP executive. She was blasted supposedly for passing round the list of official candidates. This year, the butt is K. R. Ganesh.

There was some kind of an official list. This cannot be denied, but what is noteworthy is that the tycoon press and its lick-spittles know who were all connected with the list. Yet they would not name all. That would not serve their purpose. They must single out men like Ganesh.

It must be understood that

ISRAEL & AFRICA

Arabs Making Fresh Efforts To Win Africa

Cairo,

STRAINED RELATIONS between Israel and Uganda culminating in the closure of the Israeli Embassy in Kampala are seen by Arab observers as a setback for Israeli policies in Africa. Ugandan President Idi Amin ordered recently that the Israeli Embassy be closed down and its staff repatriated. He also dissolved Israeli military missions and ordered all Israelis in Uganda to leave the country. Gen. Amin accu-

the section of the press labouring hard to free Mrs. Gandhi from Left pollution are the same as sought to put her in a jug during her decisive battle against the discredited Syndicate. Decent Indians had to hang their heads in shame reading the vitriolic and vulgar stuff they wrote before and during the mid-term poll to Parliament.

This bunch of lepers cannot look more respectable now simply because the old Syndicate and the money-bags who used to prompt them from the green room have now been replaced by some in the ruling party itself.

sed the Israelis of committing subversive activities against his country's interests and of cheating Uganda by selling it planes which were found to be obsolete.

The Ugandan moves have been warmly welcomed by Arab public opinion. Arab commentators have expressed hope that the condemnation of Israel will open the eyes of other African countries to what they describe as Israeli neo-colonialism in Africa. Israeli Premier, Mrs. Golda Meir, said after Gen. Amin's decision that she did not consider it a turning point in Israeli-African relations. Mrs. Meir said there was no reason why other Africans should take the same path as Gen. Amin. She also said that Israeli aid to Africa had begun "virtually instinctively" as soon as Israel gained its independence. "We share a common fate with the Africans," she remarked.

A R A B NEWSPAPERS, however, were quick to urge Arab governments to cash in on Israel's difficulties and bring the Ugandan charges to the attention of other African states. They said such developments,

coming from a non-Arab African country which had maintained good relations with Israel for a number of years, would have an impact on other African governments.

Newly independent African countries have long been considered fertile ground by both Arabs and Israelis wanting to promote political and economic relations. The Arabs have been more concerned with the political side because of the large number of votes controlled by African states in the United Nations.

Many Arab African countries have joined the Organization of African Unity (OAU) and some have played a leading role in it. The Arabs have also given strong support to causes of special interest to Africa such as opposition to apartheid in South Africa and to the white regime in Rhodesia. The Arabs have also supported "liberation movements" in African countries still subjected to white rule.

ISRAEL has established strong economic links with African countries and offered financial, technical and military aid to some of them. After Gen. Amin's decision to oust the Israelis from his country, Egypt rushed a top foreign ministry official, Hassan Bolbol, to Kampala for talks. These were believed to have concerned promoting bilateral relations and offering Egyptian replacements for Israeli contractors and technicians expelled from Uganda.

AS CHINA SEES IT

Western Monetary Crisis Continues to Develop: Gold Rush in Western Europe.

Peking, June 8,

A STAMPEDE for gold broke out again in the capitalist world in the past few days with gold price rising to record high since world war two. On June 7, gold price went above 65 dollars an ounce in London, Zurich and other main capitalist world bullion markets, surpassing the official price of 38

For several years, Arab League recommendations to try harder to replace Israeli influence in Africa have been almost completely ignored. Apart from some Egyptian aid to friendly African countries, Saudi Arabia and some oil-rich Gulf states have offered aid to promote Islamic institutions. Lebanon, with communities in Africa about 70,000 strong, offers the equivalent of 60,000 sterling a year in technical and cultural aid to African host countries.

With an oil boom in Libya, Algeria and the Gulf states, Arab countries are in a better position to extend a needed helping hand to African countries.

dollars an ounce by 71 per cent. This reflects the continuous growth of the western monetary crisis centering round the dollar crisis.

Reporting this, a western news agency said that the normal daily price changes of gold in the West European bullion markets amount to only a few cents, but on June 5 alone, it exceeded 2.7 dollars. Pounded by the rush, the London bullion market from early morning on June 6 was at "near fever pitch as the price of the precious metal soared to new records almost minute by minute", but the soaring of gold price failed to deter the buyers. People "distrust paper money". On June 7, "the U. S. dollar was weakening on most-foreign exchanges". At the same time, there was a shortage of gold as gold hoarders were looking forward to a further rise of gold price.

The violence of the present hectic stampede for gold and the big rise in gold price were rarely seen in the past. Despite the agreement reached by the western "group of ten" in

Washington last December 18 which announced the devaluation of the dollar and the raising of the official price of gold from 35 to 38 dollars an ounce, the basic problems of the dollar crisis in particular and the monetary crisis of the capitalist world as a whole remained unsolved. Besides, since the devaluation of the dollar and the inconvertibility of the 50,000 million to 60,000 million U. S. dollars flowed to foreign countries, especially to West Europe, were announced by the U. S., the position and credibility of the dollar have declined drastically, and the U. S. financial and economic difficulties have further developed. Since this year, the United States has again run into big deficits both in its balance of international payments and in foreign trade. Paul A. Volcker, U. S. Under-Secretary of the Treasury, had to admit on May 30 that the initial effects of the dollar devaluation have been perverse, and that the imbalances in payments have been aggravated by the cyclical phasing of world economy. He also said that the U. S. is "no longer a colossus standing astride the world's economy".

The present circumstances are such that any trifle incident can bring about a storm in the Western monetary market. This is the main reason for the repeated stampede to sell dollars and buy gold in the western countries this year. Meanwhile, the U. S. government's obstinate pursuance of the policies

of aggression and war and war escalation in North Vietnam have also spurred the rise in gold price, because people are afraid that such acts will aggravate the U. S. financial and monetary crisis and bring a further drop in the value of the dollar.

The protracted monetary and financial crisis in the capitalist world has sharpened the contradictions between the United States and some other major capitalist countries. The U. S. has so far failed in its attempt to shift its crisis onto other countries by compelling them to make concessions in their trade. On the contrary, the "trade war" among various countries scrambling for markets has been intensified. The U. S. persists in refusing to resume the conversion of dollars into gold before improving its balance-of-payments position. This has resulted in unending quarrels between the U. S. and its "allies". Many western countries have taken various measures to deal with the catastrophic flooding of overseas dollars. West European Common Market countries have taken steps towards the establishment of the "European Monetary Union" to weaken the dollar's role in West Europe. The many consultations between the U. S. and its "allies" held in the last few months on the reform of the monetary system of the capitalist world have come to no results because every country seeks its own ends. At the

conference of the "organization economic co-operation and development" held in Paris in late May and attended by 23 countries, many West European countries once again united to resist the U. S., the latter was very isolated. The London Times pointed out that Western European countries led by France "were determined that nothing which the Americans wanted should be accepted".

So long as the American financial crisis and the Western financial and monetary crisis centering on the dollar crisis continue to develop, upheaval and chaos will break out in the Western financial markets again and again, the "monetary war" and "trade war" between the U. S. and its "allies" will become fiercer and fiercer.

Hsinhua

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Paris,

PRESIDENT Georges Pompidou of France gave a luncheon at the Elysee Palace on June 9 for Mr. Eyskens, the Belgian Prime Minister, who was in Paris for a 24-hour official visit. During the course of this luncheon the President made an important speech concerning next October's summit conference of the chiefs of state and government of the ten countries of the enlarged European Community which is to take place in Paris. He stressed that this conference would have to be meticulously prepared.

"A meeting of this importance, said President Pompidou, calls for meticulous preparation and I would like to call for a clarification of the question on the agenda which will be sufficient for a prior elimination of the main difficulties. As far as I am concerned, I shall not take the responsibility of inviting nine chiefs of government if their meeting only results in vague declaration of intentions agreements on minor points or even worse, badly disguised disagreements. This is why talks as those which we shall have, th-

ose which we have had or those which we are going to have with others, like the conference of the Foreign Ministers, are of the greatest importance."

THE FRENCH are the biggest meat-eaters in Europe, the Swedes own the most television sets and telephones, the Norwegians consume by far the most electricity, and the West Germans had the biggest growth in personal incomes in the world last year.

These are some of the highlights of the latest annual statistical analysis by the Organization for Economic Co-operation and Development (OECD) covering its 23 member states.

It shows, not unexpectedly, that the United States leads in almost every category beginning with annual average income per capita (\$4,790). But no fewer than 14 of the OECD countries showed bigger gains in per capita income in the last year than America.

The American average income was up only \$100 over 1970, while West Germany's leaped from \$2,520 to \$3,040 in the biggest gain. Per capita gains in excess of \$200 a year were reported by Austria, Bel-

gium, Canada, Denmark, Finland, France, Iceland, Italy, Luxembourg, the Netherlands, Norway, Sweden, Switzerland and Britain.

Turkey is the lowest of the OECD nations in personal incomes with the figure of only \$360 per year per person. At the same time, it has the highest rate of population increase—2.50 per thousand against, for example, 1.25 for the United States and a mere 0.4 per thousand for Finland at the bottom of the scale.

Here are some of the statistical highlights by categories:

Animal protein consumption: The French average 62 grams per person per day, which puts them well ahead in Europe, although Australia with a 69-gram consumption leads the world followed by the United States (68) and Canada (64).

After the French in Europe come the Danes with 61 grams and then the British, the Germans and the Swedes, all consuming 54 grams of meat per day per person.

Dwellings Completed: The Swedes again proved to be the most efficient home builders in the world, as they were in 1970. The latest figures show that they completed 13.7 dwellings per thousand inhabitants followed by Japan with 13.2. After that came Greece, Australia, Denmark, the Netherlands, Canada, Switzerland, Norway, Germany, Spain, Iceland and finally the United States in 12th place.

Higher Education: The United States has an overwhelming

lead over the rest of the world with 43.3 per cent of those in the 20-to-24 year age group enrolled in higher studies. Canada is in second place, and Sweden, France and Japan are virtually tied in third place with 18.8, 18.6 and 18.2 out of every 100 persons in colleges or universities.

After that come Australia, Belgium, Denmark, Norway and then Italy and Britain almost tied in 10th place with 13.6 and 13.4 respectively.

Passenger Cars: After the United States (427 cars per thousand inhabitants), Canada and Australia, the Swedes lead in Europe with 275 automobiles and little Luxembourg rolls in next with 251. Then come the motor-loving French with 238 cars per thousand, Denmark (209), Germany (208), Switzerland (206) and Britain (205).

Television Sets: Sweden leads the United States and the rest of the world with 401 sets per thousand. The American figure is 399, and after that comes Canada with 294 and Britain with 284, followed by Germany, Denmark, the Netherlands, Finland, Norway, Belgium and France (201 per thousand) in 11th place.

Telephones the Americans hold an overwhelming lead with 567 per thousand, more than one for every two people, followed by Sweden (515), Switzerland (577) and Canada (411).

BANGLADESH

"War Criminals" will be Tried

Dacca,

THE BANGLADESH Government plans to try 1,100 Pakistani military prisoners for war crimes and expects to begin the trials by the end of the year. Revealing details of the trial plans, the Government sources said that the highest-ranking Pakistani prisoners, Lieut. Gen. A.A.K. Niazi and Maj. Gen. Rao Farman Ali Khan, would be among those tried.

The Bangladesh sources said that some Pakistani military men might be tried *in absentia* such as Gen. Tikka Khan, Pakistan's army chief, who was the commander in East Pakistan during the first few months of the military repression there.

THE MILITARY crackdown began in 1971 March, in an attempt to crush the Bengali autonomy movement. According to conservative estimates, several hundred thousand Bengalis were killed.

Pakistan's new President, Zulfikar Ali Bhutto, who is facing mounting public pressure to get the Pakistani soldi-

ers home, has contended that the prisoners are solely an Indian responsibility and has branded as "eyewash" the idea that they surrendered to a joint command of the Indian Army and Bengali guerrilla forces.

Accusing India and Bangladesh of using the prisoners as blackmail to win concessions from Pakistan at eventual peace talks, Mr. Bhutto said recently that if Bangladesh put Pakistani soldiers on trial for war crimes, "then I am afraid we would be reaching the point of no return."

Bangladesh feels that war crimes trials are necessary to assuage the passion for revenge among the Bengalis. Some have already taken reprisals, killing many Biharis, an ethnic minority from which the Pakistan Army drew collaborators.

INDIA has agreed to turn over to Bangladesh any prisoners against whom the Bengali Government presents a strong case.

India and Bangladesh say they will not negotiate the repatriation of the Pakistani

prisoners until their country accords recognition to Bangladesh. President Bhutto has said he is "quite prepared" to recognize Bangladesh, but only after the prisoners are released. This stalemate could mean that formal peace talks on the subject will not begin for some time.

The Government sources said that according to present thinking there would be two types of war crimes tribunals. "Major war criminals," they said, would be tried by a group of leading Bengali and international jurists. The rest of the accused, the sources said, would be tried by an all-Bengali court. The Government is expected to seek the death penalty in a number of cases.

LATIN AMERICA

Brazil - The Most Powerful on the Continent

by EDUARDO GALEANO

Rio de Janeiro,

THE MOST significant development in Latin America over the last year has been the rise of Brazil to the position of the most powerful country on the continent. Shortly after the fall of General Torre's nationalist government in Bolivia, the Bank of Brazil started to hand out gift packets of matches to the Bolivian people. All the branches of the Bank of Brazil in La Paz and in Santa Cruz distributed thousands of boxes of matches on which by way of propaganda the Bank blazoned: "Bolivia, I love you!" Some loves are fatal but Banzer's coup, aided and abetted by Brazil, had been successful.

in Paraguay, Stroessner finally admitted that Brazil does have jurisdiction over the Paraguayan falls of Guaira. And there, sure enough, the Brazilian flag waves over the Parana river and by its side, the biggest hydro-electric power station in the world is being built. The Guyanan government has just granted Brazil a frontier port from which Brazil can launch its merchandise into the Central American market.

Trade figures between Argentina and Brazil show that in first six months of 1971 Argentina had a deficit equal to that of the whole of 1970. Argentina buys twice as much from Brazil as it sells, and what is worse—it buys steel and sells wheat.

No sooner were the first results of the elections in Uruguay known than Pacheco Arco's followers drove triumphantly through the streets in lorries which sported the Brazilian flag. In his first declarations to the press Pacheco Arco's heir, Juan Maria Bordaberry, publicized his ideological identification with the Brazilian dictatorship. Meanwhile

IN THE OLD geopolitical struggle for leadership in South America, Brazil's advantages over Argentina are indisputable. The "privileged satellite" of the U. S. is winning in a number of fields. In 1971 the Brazilian economy's rate of growth was four times that of the Argentine economy. While

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the military government in Brazil can throw its money around, the military in Argentina has to pinch and scrape.

On Oct. 11, 1971, the latest trade negotiations between Argentina and Brazil were concluded. The Argentines were furious, for they got absolutely nothing except the guarantee that Brazil would go on being a good customer for Argentina's wheat. It so happens that whenever Argentine harvests fail, Argentina is obliged to buy wheat for herself in some other country, so as not to lose her customers. The Brazilians showed themselves full of sympathy when the Argentines complained that the harvesters made in Buenos Aires which were sold to Brazil had been displaced by Polish harvesters. But a lot of sympathy did not promise or grant the Argentines anything.

In fact, the trade relations between Argentina and Brazil are getting to look more like the trade relations between Brazil and the U.S. Up to a short time ago, Argentina and Brazil interchanged their farm products. In 1970, a radical change came about: Brazilian goods flooded the Argentina market. For example, in two years the Aços Vilarés steelworks of Sao Paulo multiplied sevenfold its sales to Argentina with the aid of the preferential rates granted by LAFTA for regional trade. Towards the end of 1971 three-quarters of Brazil's exports to Argentina were industrial goods; while four-fifths of Argentina's exports to

Brazil were foodstuffs and raw materials. So in Buenos Aires one finds hammers and pliers made in Brazil.

THIS SITUATION has gone to such extremes that Argentina is now Brazil's second market for her manufactured goods. In 1970 Argentina absorbed more than a quarter of Brazil's total industrial exports. And one knows only too well what happens when one country sells wheat, while the other sells steel. According to the rules governing world commerce both are supposedly equal, except that the one that sells steel is "more equal than the other." The Brazilian export drive is so dynamic that it not only carries with it the neighboring markets traditionally contested by Argentina, but Buenos Aires itself has a permanent exhibition of Brazilian industrial products, and the balance sheet figures prove that it is a lucrative affair.

Of course, Brazilian industry does not really exist. It has been denationalized from top to bottom. And yet it is patently evident that Sao Paulo, which is the favourite springboard of the American corporations, is becoming the Detroit of South America. Sao Paulo's industry increased by 17 percent in the first six months of 1971. In fact it has become the great trampoline for the new invasion of Latin America. The dictatorship of Garrastazu Medici has controlled inflation. The economy is growing at an amazing rate. The unions have been eliminated or

bought out. The opposition was crushed in the torture chambers, the rebels ended in ditches, in jail, or in exile.

Contrary to the situation in Argentina, the Brazilian regime enjoys political stability. The country has become the great temple of capital for investments which permit mining projects and industrial development. Order now reigns in this gigantic concentration camp. There are 70 million "down-and-outs" in a population of 90 million. And yet it appears as though there is no real or immediate danger of situation exploding. Starvation exists alongside prosperity. The generals do well for themselves and the colonial authorities, and have no time to lose over "details."

THE GOVERNMENT has announced that by 1975 the whole of Brazil's economy will have doubled in magnitude. For the last ten years steel production has increased from two to five million tons; that of cement from four to eight, and paper production has doubled. Electric power, petroleum refining and building have also increased, as have transport and mine prospecting. Soon indeed, iron will replace as the "king product" in the country. The Trans-Amazonic highway, which cuts across Brazil, is opening up a new universe and the fabulous mineral deposits which were hidden away in the jungle are now within easy reach and going for next to nothing. Foreign companies voice the slogan:

"Brasil, eu confio em voce" (Brazil, I trust in you). The middle classes speculate on the stock exchange besides playing on the football pools. Shares are on the boom and there is a general spirit of euphoria and activity. The Bank of Brazil is the biggest in all the hemisphere. Within a short time Brazil's navy, which in 1966 was equal to Argentina's, will be as large as the whole of Latin America's put together.

The Brazilian "model" cannot be applied in Argentina, for the simple reason that in Argentina there is Peronism, and this means that there is a working class with a long fighting tradition, and with unions which are ready to hold out and take action, despite the corruption and opportunism of the leaders. Argentina is a country which can be paralysed by a strike from top to bottom at any moment. Moreover one mustn't forget that the "focos" — those blazing centers of dissent in the interior of the country — are continually fed by the armed groups which, contrary to what has happened in Brazil, are very much alive in Argentina. Didn't the "Cordobazo" (i.e., the political uprising in Cordoba) break out at the very moment when Ongania's dictatorship thought itself firmly planted?

BRAZIL exerts an ever-growing influence on neighboring countries. Lanusse is endeavor-

ing to reach the Pacific in order to make alliances with Chile and Peru. The "Left center" say that is the only way out for him. Meantime the right is "busy."

Argentina and Brazil fought over the decisive card to play in Bolivia. The Brazilians were quick to win the set. Brazilian diplomats and businessmen who took a considerable part in the coup against Torres found they had not speculated in vain from their stronghold in Santa Cruz de la Sierra. A few days after Banzer's triumph, Brazil gave it a credit of fifteen million dollars.

At first Lanusse thought that the coup might favour Argentina's interests, because after all the military who seized power had all come from the military school in Buenos Aires. Generals Banzer, Miranda and Ayroza had been given money by the General Staff of the Argentine army during their exile, and it was in Argentine territory that the coup was hatched. But in October, General Remberio Iriarte, commander in chief of the Bolivian army and an intimate friend of Lanusse, was obliged to resign and with his departure vanished the last traces of Argentine influence. Banzer feels he is the ideological brother of the Brazilian military.

The port of Ypora was a remote frontier village which hardly figured on Paraguayan maps. Now it belongs to Brazil and has changed its name

to Renato. The Brazilians have crossed the Parana, and have bought lands on the other side of the border, with the connivance of the heavily bribed Stroessner. They have also with a great deal of self-satisfaction got the Guaira waterfalls, where they propose to build a power station such as has never been seen in the history of the world.

AND WHAT about Uruguay in all this? The whole of the northern part of the country is lighted by a Brazilian power station. And one has to ask Brazil's permission if one needs an increase in electrical consumption, with the result that the entire northern frontier zone on the Uruguayan side could be cast into darkness by simply turning a handle on the Brazilian side.

The Inter-American Development Bank announced at the end of September that it has granted loans for nearly fifty million dollars so that Brazil can complete six roads leading towards the Uruguayan frontier. These roads are given "first priority" over all other public work projects, and will serve to transport goods, tourists, and — should the need arise — soldiers on an invasion mission.

Peruvian nationalism, Chilean socialism, the Argentine ambiguity and the explosive situation inside Uruguay all constitute dangerous menaces to the Brazilian regime. The magazine *Veja* is organizing an inquiry among the deputies

and senators of the congress, and over 80 percent of Brazilian legislators have affirmed that "Brazil must begin to replace U.S. leadership in Latin America." At the same time they are in favor of "an active policy of broadening the area of influence under national power."

The legislators echo the generals. That's what they are paid for. The man who invented Brazilian "sub-imperialism" in Latin America is General Golberry Do Couto e Silva, the patriarch of right-wing nationalism. Twenty years ago he wrote in a famous book of his: "We too can hope to attain destiny which is manifestly ours, inasmuch as it does not clash in the Caribbean with the destiny of our bigger brothers of the North . . ."

Would that destiny be to serve Brazil? Or to serve the "bigger brothers of the North"? Because it just so happens that General Golberry Do Couto e Silva is today the president of the Dow Chemical Company in Brazil.

Prensa Latina

Tribunalia from p. 6

Public savings are of course the difference between revenue and current expenditures. The Plan projects the latter as rising at about 5 per cent per annum, much more slowly than in the past decade. However feasible it is to raise resources from the purely technical point of view, it is socially and politically difficult to do so. Very great efforts must

FROM THE EDITOR'S DESK



Insurgents



Economic Headaches

THE FIRST SITTING of the Criminal Justice Commissions Bill took place on June 12. The Attorney General, in his opening address, set out the salient facts about the April 1971 insurrection. Then he called upon the Inspector General of Police, the Army Commander, the Air Force and the Navy to make statements (as *prima facie* evidence) on various aspects of the insurrection. Officers from the four branches of Ceylon's security services were called upon to tell

therefore be made to keep down the growth of nonproductive expenditures."

It is well to remember that the measures contemplated were to be in addition to revenue measures required merely to compensate for the rise of current expenditures. There are many aspects of our economic situation dealt with by the IMF team and it will be worthwhile to examine some of them before we venture to comment on them. In my piece next week will deal with the all important question of PRICES in a country where subsidies "criss-cross" the entire economy.

their stories detailing the facts on police stations, on persons and property and the attempt to overthrow the legally constituted government. Police and others placed on record the loss of life and property with their estimates in terms of rupees and cents.

Proceedings were all in Sinhala. Only the Air Force Chief made his statement in English and a translation was contemporaneously made in Sinhala. It was altogether an impressive show. All the facts which had been kept away from the public last year by the Government through the Emergency laws and the Competent Authority were presented before the public. The newspaper reports of the sitting were "condensations". The CBC also broadcast slightly longer condensations.

But if the Government expected the common man to be shocked and angry, it drew blank. The insurrection has gone into the limbo of history and other events have superseded it. The scarcity of onions and chillies have taken precedence over the insurgency. The climax and grand finale of the first sitting of the Commission (over two days) was the naming of 41 persons as the front

rank accused". Of these 41, 9 persons were still "underground", with no known addresses. The Commission has adjourned *sine die* to examine the evidence so far presented to see whether it could allow the General to frame the A.G. had wanted to frame charges against the 41 and proceed to the next stage of the investigations. But the Commission wanted time to examine the evidence before the charges were framed.

BUT EVEN WHILE the first sitting of the Criminal Justice Commissions Bill was due to meet, insurgent detainees staged some impressive escapes in three places. At Vidyalkara, some of them had dug an 86-ft tunnel from the kitchen, going down 26 ft, to cross the Kandy Road—and 20 odd of those detained had escaped. The style and manner was in the manner of the GREAT ESCAPE of the film which was shown in Colombo when POWS of the second world war had escaped from a German prison camp. The break from Anuradhapura prison was a little violent when 38 (?) of them—34 insurgents and 4 ordinary criminals—had overpowered some guards and gone off with the prison bus and a sizable quantity of arms and ammunition. There had been a similar break from the insurgent camp at Polonnaruwa. As the authorities suspected that some of the prison guards had been in "collusion" with the insurgents, there was

a major transfer of all guards. The Police and the Army (with helicopters and dogs) are still scouring the jungles for the escapees. A few are reported to have been captured, but the majority are still at large.

These stirring events, centred around last year's insurrection, are taking place against a grim backdrop of deteriorating economic conditions. To devalue or not to devalue the Ceylon Rupee is one of the major questions of the day, and the current trend in governmental circles seems to be in favour of "no devaluation". This will inevitably land us in more FEECs. What many do not seem to realise is that Devaluation and FEECs are twin evils—being two sides of the same (gold) coin. What the Government will finally decide is yet uncertain, but government cannot postpone a decision much longer with the IMF virtually sitting on its doorsteps to squeeze a decision out of an undecided Minister of Finance.

THE PRIVATE SECTOR had hoped for a great deal from the conference held on June 1 between leaders of the private sector and the PM. The *Sun-Dawasa* group had wishfully proclaimed through a series of hints that a new lease of life for the private capitalist would emerge from the conference with the PM. The *Nation* had however taken a different attitude and had more or less warned the PM and the Government not to backtrack before

the capitalists. In its issue of June 2, the *Nation* had a front page lead WHAT ARE THE TYCOONS AFTER—OLD GRUMBLES AT MEETING WITH PM. It said: "The private sector had its highly publicised meeting with the Prime Minister on Thursday afternoon. Perhaps the cream of this area of the Ceylon economy poured out on an occasion that apparently had been canvassed to settle what are constantly referred to as urgent and outstanding problems. The meeting lasted several hours, reflecting the determination of the Prime Minister to give the tycoons a most patient hearing. It is presumed that the gentlemen who were present went away satisfied that their highly ventilated grievances were fully laid before the highest of the land and, what is more, evoked the responses to which they were properly entitled.

"It was not quite clear at the end of the meeting what our local tycoons expected from it. The capitalist newspapers let themselves go with all manner of speculation about its results. Gossip in business circles and the cocktail circuit went even further than the capitalist press. The general 'line' that was put out made it appear that the Prime Minister was on the verge of throwing the carefully worked out economic policies of her Government overboard. The folly of this kind of propaganda or day-dreaming need not be emphasised. It is more per-

ment to enquire what is achieved by the business world itself by repeated building up of its own illusions.

"Available reports indicate that the tycoons concentrated on three main areas of their current discontent. First place was understandably given to the Business Undertakings Acquisition Act. Second place was equally understandably taken by the Capital Levy Tax and Income Ceiling. Third place was predictably occupied by the Land Ceilings Bill. What was new about all this? If at all, the country is a little sick with the constant complaints that the capitalist newspapers feature day in and day out from the business world about these policies of the United Front Government. Every newspaper reader should by now know all the arguments by heart. Was there even a single new argument that the tycoons could urge when they assembled in force around the Prime Minister's person? "What some one should ask the business world, or that part of it that is represented in Ceylon, is to stop beating about the bush and state frankly whether it is willing to subordinate its own selfish interests to the general needs of the country's economy. The Constitution of the Republic of Sri Lanka defines these needs as "progressiveness towards the establishment in Sri Lanka of a socialist democracy." How do the tycoons reconcile their constant clamour for tax holi-

days and tax rebates and various kinds of other concessions to their habits of self-indulgence with acceptance of the Constitution? It is time the business world did some explaining".

A FEW DAYS LATER, the Government issued its *White Paper* on the Private Sector and Foreign Investments. The document showed that the *Nation* was correct and that the *Sun-Dawasa* group was wrong. The PM and the Government gave nothing away either to the private sector or the foreign investor. It was invitation to them to put money into ventures in Ceylon and all that they were guaranteed (besides dividends, tax holidays, etc in the transition) was that they would get compensation if and when the ventures were taken over by the State and they would have the right to repatriate the capital they had brought in. To show that this document had "international approval", much publicity was given to a Jap offer to participate with the State of Sri Lanka in a joint ceramics venture. One swallow does not make a summer and it is not clear whether the foreign investor will now flock to this country on the basis of the latest White Paper.

The *Sun-Dawasa* group was no doubt disappointed with the White Paper, but it did not want to criticise it in a frontal assault. Editorially it recited the positive aspects in the Wh-

ite Paper and hoped that they would ensure that Government's hopes would be fulfilled. It cast mild and apologetic doubts about the worthwhileness of the White Paper. The *Daily Mirror* was however more forthright in reflecting the views of the private sector. Its editorial on June 13, the *Daily Mirror*, under the heading WHITE (OR RED) PAPER stated *inter alia*: "After groping in the dark for nearly two years, the private sector had its first official gleam of light about its future when the "*Daily Mirror*" exclusively published yesterday the White Paper on Private Sector investment. The contents of this publication would have helped businessmen temporarily wipe the sweat of uncertainty about their future from their furrowed brows, but would surely have touched off a further surge of sweat at the certainty of the now established uncertainty of their cloudy tomorrows.

"For, the White or—in the opinion of some, Red—Paper is virtually the same song that the UNP sang in its White Paper of 1966, but this time with more eerie notes of threat that establishes beyond doubt Dr. Colvin R. de Silva's prophesy that what finally the private sector would be left with is the production of tooth brushes, if hopefully, the citizens of this country by that time do not have all their teeth extracted by the public sector.

"Earlier, Government spoke in a babel of tongues about

the role of the private sector with some Ministers infusing hopes, others decreeing its doom. Resultantly the wheels of commerce rolled hesitantly, creating unemployment, stalling production and not producing the supply of commodities which there was demand. The Prime Minister's diatribe last week with the business world was interpreted as a blood transfusion to the dying private sector. This transfusion was further acclaimed when it was announced that a White Paper would be issued detailing Government's attitude towards the private sector."

After detailing the background, the *Daily Mirror* went to examine, in brief, the document. It said: "This White Paper though not the most realistic of solutions to date for solving the multitude of problems that beset the country has however helped bring to light the actual trends of Government thought on the question. What was put out as the White Paper and magnet for foreign investment and the rejuvenation of the private sector has in fact been but a reprieve of life. Grantedly tax holidays, exemptions from turnover tax and other incentives are contained in it as inducements for foreign investment.

"But as against these incentives, are the distinctly implied strictures and the reserved right to nationalise that are certain to cast doubts as to the wisdom of investing here. The paragraph on the security of

investment reads thus: "The foreign investor is assured of complete security of his investment. In the event of nationalisation of any property owned by a foreign investor, full and prompt compensation will be paid?"

The promise to make "full and prompt compensation" to any foreign investor whose property was taken over—was the biggest bait government offered? Will this prove attractive enough for the foreign investor. The *Daily Mirror* tried to answer this question and stated.

"It is not the socialist or moral aspirations of this country that is going to induce the foreign investor to plough capital into local industry but the hard and realistic business considerations of high profits and returns on investment. No entrepreneur local or foreign would like to see the labours of his spadework being hijacked. It is time Government cut out its theoretical cackle and replaced it with more down to earth thinking. After all what purpose would compensation or tax holidays serve if ownership is wrested just when an industry is earning profits.

"What the country looked forward to was a White Paper that would create the climate for heavy foreign and local private sector investment for that major heave of effort so necessary to yank us out of the crisis. What it got was a cold and reserved invitation that

could do with quite some reviewing.

Government is striving for a more equitable distribution of wealth but to distribute wealth, must not wealth be first acquired?."

And, in conclusion one can only add the words *Amen, Glory Hallelujah,* to the *Daily Mirror* editorial.

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CONTEMPORARY NOTEBOOK

★ On Waiting

★ Love in the Air

by AGASTYA

THE BIGGEST TRAGEDY which has befallen Ceylon is that most people *wait* for things to happen—and have forgotten the art of going out and getting things done. At the moment, we are *waiting* to see what the IMF team will do to help us out of our economic mess. But even with the IMF team we are not quite decided what we should do because we are now *waiting* for the PM to go to China. And we will then *wait* to see what she will bring from China. And in the meantime, Minister Subasinghe is expected to tour the socialist bloc of countries in eastern Europe and will *wait* to see whether the begging bowl he takes will be filled to the brim by the “friendly peoples” of the socialist lands.

On a different level most of our people are *waiting* for prosperity to be brought to them. They are *waiting* for the Government to do things. They want the Government to give them forest land, clear the jungle for them, provide water for them, give them free gifts of

tractors and water pumps, give them free seed—and they hope that by the simple process of *waiting* they will get everything they want. It was only necessary to praise the Government, extol the virtues of the Ministers in the same manner people for countless centuries praised the Lord God, for the manna he dropped from heaven.

The PM has recently stressed that we must work more and talk less. Excellent. But the Ministers must set the example. Every Minister talks and he fights for CBC radio time to tell everybody what he is proposing to do and what he has started doing. People are *waiting* to see what all this talk by the Ministers will bring.

And while we are *waiting* for others to bring rice to us, the world is moving fast, and unless we learn to do things for ourselves (*self-reliance* is a slogan preached by the UF but not acted upon as yet), we will soon be left far behind, in everything, *waiting* for good fortune.

But whilst we *wait* and even before we know how to crawl,

we want to win Olympic laurels. Take civil aviation. We have one miserable AVRO, two outdated Dakotas, one modern Trident—to call our own. We have now switched from the BOAC to the UTA for international flights. Before Air Ceylon got off the ground, the eyes are on the warpath. We want a closed service where promotions are concerned. And by the time this issue of *Tribune* appears Air Ceylon will probably be bogged down with a go-slow which is known as a work-to-rule strategy of trade union action. It simply means a partial strike. And Ceylon cannot afford strikes, go-slows, and the like.

But there is very little people like us can do about this. We can only contemplate in silence on the inscrutable ways of destiny. And, whenever an opportunity presents itself, make a few acidic comments in the pages of the *Tribune*. In the meantime, a great many things are happening in the world of aviation. The *Concorde*, now completing a demonstration flight in Asia and Australia, has cut down travel time by half. One can get to Tokyo from London in seven hours when it now takes fourteen hours by the fastest jet.

But what intrigues me is why people have to rush around faster than the speed of sound. Will it add to the sum total of human happiness? And what new tricks the hijackers will have to adopt to carry on their piratical trade?

EROTICA IN THE AIR. Hijacking is not the only kind of piracy in the air. While hijacking is associated with violence and force, there is another kind of piracy as between the airlines—the fight for passengers. The price war has been fought in a big way. The Lufthansa seems to have led the

A Price war on the lucrative North Atlantic run started after the West German airline Lufthansa slashed fares from February next year and other carriers prepared to compete. In Geneva the International Air Transport Association (IATA) announced almost simultaneously that airlines will be free to fix any prices they choose from February 1 next year to March 31, 1973.

In New York, Trans World Airlines (TWA) announced: "TWA will not be undersold." In a brief statement TWA said: "It is regrettable that the airlines have been unable to reach unanimous agreement on a uniform fare structure across the North Atlantic for next year. We are studying the latest development but, in any case, TWA will not be undersold." Lufthansa announced that all basic off-season excursion fare between Frankfurt and New York would be 215.10 dollars (about 87.30 sterling) for the round trip.

In Paris Air France said it would almost certainly slash excursion and group fares for passengers flying from Paris to

New York. In London British Overseas Airways Corporation. (BOAC) expressed disappointment that Lufthansa had announced reduced package fares ahead of other airlines. An earlier report from Geneva said the result, according to IATA's Director-General, Mr. Knut Hammarskjöld, will be: "there will be very happy times for passengers and very low fares." But he added that though he expected lower fares he did not expect and "all-out price war."

But the price war is only one from of the piratical war for passengers. The price war is a genteel and honourable war compared to other methods which have become popular. The BOAC recently caused a worldwide airline scandal by breaking the story of a young couple who insisted on copulating during one of their flights, but to several other airlines caught in a competitive struggle for survival, love-making has become part of regular salesmanship to secure more passengers.

The South West Airlines, based in Dallas, Texas, is cashing in "LOVE IN THE AIR" by selling "LOVE FLIGHTS" with sexy hostesses offering "LOVE PORTIONS" and "LOVE POTIONS." THE latter include a vodka cocktail known as "Ivan the Tolerable" which is claimed to be the strongest love potion made and the only one that could make Ivan "Tolerable."

Another is called "Pucker Potion." The Airline says this whisky sour was created by a very old man who was no longer strong enough to "pucker" his lips for a kiss."

The "love flights" have led to a boom in the declining airline business. South West Airlines President Richard Elliott has handpicked 50 girls who are among the highest paid hostesses in America. Each stewardess has to have beauty queen statistics and earns Rs. 3,000 a month or more. THE South West Airlines is content with offering hostesses in "hot pant" suits, but some of its internal rivals go much farther into what is called the "topless", "nude" and "all found" salesmanship. Here the stewardesses get over Rs. 5,000 and more per month for indulging the passengers to "sex orgies in flying brothe "

"Can Air Ceylon survive in this war without introducing "love" on its flights? Or, will a doze of Sri Lanka's ancient culture do the trick? Or, can we invoke the aid of our Sigi-riya ladies?"



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