

# TRIBUNE

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WITH COMPLIMENTS

**C. V. BHATT**



# On UNCTAD and Devaluation

by SERENDIB

**I**N THE LAST FORTNIGHT the world has witnessed some of the most appalling accidents. In fact, this run of accidents started a little earlier when coal and other mines caved in Rhodesia and in the USA trapping a very large number of people. Only a few could be rescued. Then came the tragedy at Lydda Airport where nearly one hundred people were shot down by three Japanese suicide squad terrorists who had been hired by the

Pa'estinian guerrills. Then came the airplane crashes. The Japanese Airlines plane which crashed near Delhi killed all its passengers who numbered over 80. Then a BEA Trident crashed near London killing over 118 people. There was an equally terrible crash near Saigon. In addition, the hijackings continued and the International Pilots Association staged a token strike on June 19, but even before the strike the Security Council had decided that it was essential to take steps to meet this menace. A train crash in France caused over a hundred deaths.

These are the unusual tragedies, but the tragedy of Vietnam continues, with US bombing of North Vietnam being maintained at a high level. Violence and uncertainty are growing all over the world. Even in economic matters, instability has become the order of the day. Gold prices have been soaring, far above the official rate fixed by the US for gold in relation to the US dollar. The poor and the developing countries are still at the receiving end of the stick. UNCTAD III has turned out to be a flop. It has already joined its predecessors in that limbo to which unsuccessful international conferences are assigned. But it must be mentioned that the fai-

lure of UNCTAD III at Santiago was total and complete and it would therefore be easier to draw the appropriate lessons from it.

The most important lesson from UNCTAD III is that the third world cannot depend on the advanced industrialised countries to help them with their economic development. It has become clear that the mixture of self-interest and humanitarianism which had prompted most of the aid programmes so far has lost its validity. Donor countries are now enveloped in what is called "aid fatigue". Santiago showed very clearly how far the process of disengagement had gone. UNCTAD III was a nuisance to the richer countries—a nuisance which had to be tolerated with resignation. Their one objective was to get through the five-week session without making fresh commitments — so that they could be free to deal with the problems stemming from the breakdown of the postwar monetary system and the enlargement of the European Economic Community.

THE CONFERENCE was badly timed. The delegates from the rich countries took a high and mighty attitude and did not even bother to treat UNCTAD III as an exercise in public relations. Some European delegations endeavoured to sugar coat the pill, but the Americans pushed frankness to the point where delegates from developing countries found them openly aggressive. And while

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their example was not generally followed by other Western delegates, only few tried to conceal their impatience with what they felt to be the exaggerated and unrealistic demands of the Group of 77.

Many developing countries had known in advance that the industrialised countries would react negatively to their demands, but nevertheless they wanted to press their claims at UNCTAD 111 in order to establish guidelines which might be valid for the coming four years. Last November, a ministerial session of the Group of 77 had drawn up what is known as the Lima Charter, and the Group's representatives in Geneva translated the charter, into resolutions for UNCTAD 111. The 35 - odd resolutions they drafted were comprehensive, but they were also contradictory. The resolutions contained the strategy which the Group of 77 had planned to implement at Santiago. It was known that the industrialised countries would resist the demands of the 77 by stating that even the problems of the third world are best dealt with by GATT and the IMF.

However, developing countries have bitter experiences about the IMF and GATT. Third world countries do not count for much in these two institutions. They are regarded as essentially pro-western (which they are) institutions. The only international organisation which developing countries of the third world regard as their own is UNCTAD, hence the

importance they attached to the Conference at Santiago. The industrialised nations suggested that the Group of 77 should participate in the negotiations set in motion by GATT and the IMF for monetary reforms and trade adjustments, and to make this effective, proposed the creation of institutional links between UNCTAD GATT and IMF. The nature of these links were, deliberately of course, left vague, and it is clear that the industrialised nations still want to use GATT and the IMF to resolve the problems of the developing countries and leave UNCTAD to play a secondary and unimportant role.

CEYLON went in some strength to Santiago, but Sri Lanka, like other developing countries has got nothing from it. The IMF is today on the doorsteps of our Ministry of Finance pressing for action on measures it had recommended last year and the year before — before it could agree to give any more standby credit. For a long time the IMF had wanted this Government to devalue the Rupee. The UNP had devalued the rupee and had also brought in a 55 percent FEECs on imports.

Ceylon's productive capacity in relation to its consumption levels had deteriorated so much that the value of the rupee had reached unrealistic levels. The debate about devaluation has been going on for ever 18 months now. The Minister of Finance and the Government had come into power on a pledge

that they would not devalue the Rupee. But towards the first quarter of this year, the pressure on the economy was so great that the Minister of Finance, it was reported, was inclined to devalue—as the least of the evils.

The *Sun* of May 24, under the heading, RUPEE TO BE DEVALUED IN JUNE—CABINET WILL DECIDE ON EXTENT NEXT WEEK, stated as follows: "The rupee will be devalued in June and the Cabinet is expected to decide on the extent of the devaluation at its meeting, next week. Although the Minister of Finance, Dr. N. M. Perera, has been officially opposed to a devaluation, both Planning Ministry and Finance Ministry officials state that he is now forced to adopt this measure as the only way out of the present economic situation.

"While all sections concerned with the monetary policy i.e. Central Bank, Planning Ministry and Finance Ministry are agreed on the need for a sharp reduction in the value of the rupee, there is a considerable difference of opinion about the extent of such a reduction.

"Some of the State's economic advisers have recommended a devaluation by 55 or 60 per cent, while another section is understood to be advocating a rate much higher. It is the view of this section that the value of the rupee should be reduced by as much as 75 per cent if the exercise is to be a success. But the Government



is most likely to decide on 55 or 60 per cent and completely do away with the FEEC Scheme.

"A decision on this will await the return to Sri Lanka of our team to the Aid-Consortium meeting in Paris. This team headed by Prof. H. A. de S. Gunasekara, Permanent Secretary to the Ministry of Planning and Employment, is due back on May 28. They will report to the Cabinet of the conditions put forward by the countries pledging aid.

"The inclusion of Dr. W. M. Tillekaratne Senior Deputy Governor of the Central Bank, in the team to Paris, is considered significant in view of the World Bank's demands for a devaluation. According to informed sources he had been included to enable the team to tackle questions concerning a devaluation of the rupee.

BUT WHILE the *Sun* and certain capitalist vested interests were convinced that the Government had no alternative but to devalue, leftwing circles close to the Minister of Finance and the Government were totally opposed to devaluation. The *Nation* of June 2 made the position quite clear and also took the opportunity to launch an attack on the *Sun-Dawasa* group under the heading MUDALALIS DEM-AND DEVALUATION. This is what it said: "Whether Government has been successful or not in teaching the Lake House newspapers a lesson in political behaviour, it is clear that the capitalist newspaper world

as such has learned little or nothing. The experience of the last two years indicates that there is, at least, one newspaper mudalali who regards the misfortunes of Lake House only as a God-sent opportunity for his own newspaper enterprise. Apparently, if one newspaper group ceases to play the role of king-maker in our political life, it only means that a rival group has the chance of its life to step into the vacancy. King-making is, of course, a flattering occupation. One is immediately elevated into the highest social circles, regardless of whether one is able to make the appropriate noises at appropriate moments of exhilaration. But it is doubtful whether newspaper mudalalis really place so much value on this kind of intercourse. It is much more probable that king making is prized for its meaning in immediate hard cash. The mudalali is enabled not only to multiply his bank balances from his own particular business, but to collect the entire gang of mudalalis of all descriptions round the standard of his newspapers for a determined break-through to permanent and limitless prosperity for all of them.

"For several months now it has been clear that the *Sun-Dawasa* group of capitalist newspapers has been engaged in a strenuous effort to assume the role in contemporary Ceylon of maker and breaker of political leaders and chief determiner of economic and social policies. It was an odd

role for both the owners of the *Sun-Dawasa* newspaper business and the editors and columnists and news reporters that they engaged, in the light of their kind of outlook and cultural equipment and even the resources at their command, but the mudalali in Ceylon, like the merchant upstart in other countries, distinguished most of all by his brashness and ignorance of his limitations. His ambition is

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limitless and his contempt for the lessons of history only comparable with his naive belief in the infallibility of his horoscope. He cannot, therefore, be lightly convinced of the improbability that the House of M. D. Gunaseña would be able to repeat the rôle of the House of D. R. Wijewardene in the political history of Ceylon.

"It is not our business, however, to restore to the families of newspaper proprietors the balanced view on the development of events in the country which, if they ever had, they now appear to have lost. Our task is to challenge the presumption with which they intrude into the affairs of Government and seek to manipulate public opinion by the falsification and misrepresentation of news. There have been several instances of such falsification and misrepresentation of news in the recent past. We will limit our reference to the most recent example, viz. What amounts to a campaign of the *Sun-Dawasa* newspaper group for further devaluation of the Rupee.

"It would not, of course, be entirely correct to state that the *Sun-Dawasa* newspapers have openly and candidly declared that the Government should devalue the Rupee as the best approach to the solution of the country's current economic difficulties. Such outspokenness is not the *modus operandi* of this particular newspaper company. When it wishes to see a policy changed

or a course of action adopted the *Sun-Dawasa* newspapers' accustomed habit is to report immediately that Government is considering the policy change or the desired course of action. This report is then repeated, with variations to relieve its monotony, for several weeks. In the meantime, an influential lobby is collected round the desired policy or programme. The campaign is launched with no holds barred until the object is attained or finally defeated.

"What beats our comprehension in the case of the campaign for Devaluation of the Rupee is not merely that Government has never contemplated so suicidal a step, but the reason why the *Sun-Dawasa* mudalali should be so keen about it. In case any one needs to be reminded, the United Front has often repeated its rejection of the thesis that the exchange-value of the Rupee should be the plaything of the bosses of the I.M.F. or any other international agency. The Finance Minister of the United Front Government, Dr. N. M. Perera, has publicly rejected the policy of further devaluation of the Rupee. In fact, the first IMF team that visited Ceylon after the setting up of the United Front Government was curtly asked if they really believed that they knew what was good for Ceylon's own elected Government.

"Why then does the *Sun-Dawasa* mudalali want Devaluation of the Rupee? This is not only a valid, but an important

question. After all, this man has complete control of a powerful group of newspapers and his opinion on important problems are certain to have an impact on considerable numbers of people in the country. In his own interests and in the interests of everybody else, let his newspapers speak for him and give us at least one cogent reason for Devaluing the Rupee. Let this reason—so much the better if there are other reasons too—be seriously and publicly canvassed and discussed. Such a discussion can only benefit everybody concerned, not excluding our newspaper mudalali. But hole and corner campaigning, disguised canvassing, building up opinion by falsehood and misrepresentation—such methods are impermissible. Failure to engage in frank public discussion of important national problems must imply that the mudalalis have much to hide. There is already considerable public talk about the hoards of consumer articles, motor spare-parts, industrial raw materials and various intermediate goods in the possession of mudalalis who boast of Government connections. It cannot be forgotten that any devaluation of the Rupee will double and treble their fortunes."

But the *Sun* was undeterred. The fact that the Aid Consortium meeting in Paris had agreed to give Ceylon the customary annual aid of Rs. 60 million made the *Sun* feel that the Government had agreed to the IMF's demand to devalue



the Rupee. The IMF team was due in Ceylon on June 6/7, and a few days before that the *Sun* under the heading DEVALUATION: EXPORT SECTOR ALREADY IN CHAOS stated:

"The impending move to devalue the rupee has already plunged the country's export sector into chaos. Several overseas buyers have cut down their forward purchases from Sri Lanka hoping to reap the benefits in the event of a devaluation. Several leading exporters said yesterday that their overseas buyers had become rather cautious, following reports of the proposed devaluation.

"There is also a rush in the blackmarket for sterling and dollar currencies as a result of people trying to convert their rupees into pounds and dollars in a bid to beat the devaluation. Hence the prices of a pound and a dollar in the blackmarket have shot up to nearly Rs. 39 and Rs. 17, respectively. There is also a demand for gold as some are trying to invest their rupees in it.

"According to present indications, the Government is expected to make a decision in regard to devaluation by next week. It is now awaiting a report from the Ministerial sub-Committee on Economic Affairs which has been entrusted with the task of recommending the lines on which the devaluation should be effected."

THIS WAS no doubt part of the *Sun* campaign to pressure the Government to agree readily to devalue the Rupee as suggested by the IMF. There are many who believe that what the IMF has prescribed was good for the country and the *Sun-Dawasa* group seems to fall into that category. However, there is no doubt that the self-interest of a certain class of capitalists in Ceylon would be shored up by devaluation and the *Sun-Dawasa* group reflected the viewpoint of this section of our community.

But the *Times of Ceylon* was in a much more cautious mood. In a report, on June 13, after the IMF team had come to Ceylon and had started their negotiations, it reported, under the heading IMF TALKS IN CRUCIAL STAGE, as follows: "THE International Monetary Fund team headed by Mr. D. S. Savkar, head of the Asian Division of the IMF, will this week meet the Prime Minister, and the Minister of Finance, Dr. N. M. Perera, to evolve a solution to the vexed balance - of - payments problem.

"The IMF talks which began on June 9 are scheduled to end on June 22.

"The IMF has been consistently advocating a devaluation of the rupee, but the Finance Minister holds the view that devaluation is no solution to the economic ills of the country. Among the alternative proposals to devalua-

tion that are being considered is a drastic reduction of the food subsidy, which Planning and Central Bank officials say would mean an increase in consumer prices. Ceylonese officials associated with the current talks said the discussions with the IMF were reaching a crucial stage and vital decisions were expected to be taken when the team met the Prime Minister and the Finance Minister"

BUT BEFORE the IMF team met the Minister of Finance, the *Daily Mirror* on June 15 reported on its front-page as follows under the banner headline which proclaimed that MINISTERS DISCUSS ECONOMY AND AGREE—NO DEVALUATION. The *Daily Mirror* report was as follows: "The consensus among the Ministers who discussed the economy yesterday was that devaluation was not a practical step just now. This decision followed a detailed discussion about the gap of Rs. 200 million between export earnings and import expenditure. Yesterday's discussion was a sequel to the Government being perturbed over the deepening of the foreign exchange crisis. The question now worrying the Government is how it could find Rs. 200 million in foreign exchange to bridge the gap between the country's actual export earnings and the foreign exchange required to finance basic consumption imports.

"There was virtual unanimity amongst the Ministers not to



proceed with the devaluation of the rupee as recommended by the International Monetary Fund. But for two or three Ministers the others endorsed the view of the Minister of Finance, Dr. N. M. Perera that devaluation was not the solution to the country's present economic crisis. The *Daily Mirror* learns that whether the revision of FEECs rates was necessary was also discussed.

"Meanwhile, Foreign Exchange Budget Committee in a report submitted to the Government has pointed out that the foreign exchange situation was likely to aggravate further in view of the shooting up of the prices of essential commodities in the world market and the steep decline in the prices of our exports. The Committee earlier recommended that due to the prevailing foreign exchange shortage, it was necessary to delay the licencing of certain imports."

THE *DAILY NEWS* had followed a careful and cautious policy on this question. On June 16 it spread its frontpage with a striking headline reading: IMF TEAM HEAD TO MEET NM TODAY. TERMS OF Rs 150 M STANDBY LIKELY TO CONSTITUTE THE MOST DELICATE PART OF THE NEGOTIATIONS. It was a fairly lengthy report, but it was objectively worded. It read as follows: "The head of the IMF team now in Ceylon, Mr. D. S. Savkar, meets Ceylon's Finance

Minister, Dr. N. M. Perera, this morning. Mr. Savkar will continue his discussions with the Prime Minister on Monday. After talks with the Finance Minister and Prime Minister, detailed discussions will follow between the IMF defegation and a team led by the Governor of the Central Bank, Mr. H. E. Tennekoon. This team will include the Secretary of the Treasury Mr. C. A. Coorey, and Mr. M. Rajendra, both members of the Monetary Board and Dr. W. M. Tillekeraatne Senior Deputy Governor of the Central Bank.

"Two issues that will come up for discussion in these talks are the methods of financing the deficit in the budget and the possibility of Ceylon drawing on another stand-by of Rs.150 million. The non-financed deficit in the current budget is in the region of Rs. 400 million, and this is a cause of anxiety to both the Minister of Finance and the IMF. The financing of the deficit became a problem after the Government Parliamentary Group introduced modifications into the proposals originally accepted by the Cabinet—e.g. restoration of the flour price to 33 cents a pound when the budget increased the price by 15 cents a pound.

"Ceylon needs another stand by. In fact owing to deterioration in the terms of trade since 1966, Ceylon has been increasingly dependant on stand-by credit. Ceylon's present exchange position has not shown any improvement and a stand-

by facility of Rs. 150 million will be needed to support both the Foreign Exchange budget as well as the Five Year Plan. The final instalment of the last stand by was taken in August last year.

"The IMF is doing a lot now to change its dogmatic image now that the developing countries are demanding to be heard on issues of international monetary reform. Previous IMF teams have insisted on a devaluation as the only solution to Ceylon's problems but this can be ruled out both in view of the thinking of the Minister of Finance and the fact that he told Mr. Schweitzer, Managing Director of the IMF, that another devaluation will have explosive consequences in Sri Lanka. The Minister has much evidence to buttress his argument. The last 1967 devaluation coinciding with a devaluation of the pound sterling did absolutely nothing to improve Ceylon's export earnings particularly from a commodity like tea which is exported mainly to sterling areas.

"The conditions that the IMF will impose for the granting of a stand by will constitute the most delicate part of the present negotiations because the conditions to which Ceylon will have to agree have to be examined in the light of their political implications.

"The seriousness of the foreign exchange position in Ceylon is emphasised in the last World Bank Team report. This report said that Ceylon was



able to avoid an acute exchange crisis in 1971 owing to the granting of a convertible foreign exchange loan by China."

The *Sun* of June 16 reported the same meeting in a slightly different way. The heading read: IMF DELEGATION CHIEF TO MEET NM TODAY. The report read as follows: "The leader of the visiting International Monetary Fund team, Mr. D. S. Savkar, is due to meet the Minister of Finance, Dr. N. M. Perera, today. This meeting will be the prelude to a final round of negotiations between the I. M. F. and the Central Bank on Sri Lanka's application, for standby arrangement of 150 million dollars. It is believed that the Finance Minister would discuss the various proposals now being considered to effect changes in the fiscal policy of the Government. The consultations which the I.M.F. has had with Central Bank and various Ministry officials are also expected to be reviewed at this meeting.

"Sri Lanka's strategy to engender exports and reduce the budget deficit will figure prominently at the discussion. The I. M. F. earlier insisted that a devaluation of the rupee was a necessary step in this direction. But the Finance Minister argued against devaluation and suggested an alternative course of action to correct the situation. It is understood that the Cabinet has given the green light to Dr. Perera to sound the I.M.F. on his alternative proposals.

"It is also understood that the I.M.F. team has been impressed by the development strategy set out in the Five-Year Plan. The Central Bank team led by Dr. W. Rasaputram Director of Economic Affairs of the Bank, has been able to convince the I.M.F. delegates that this country could achieve a 3 per cent growth in the gross national product this year. The Finance Minister's meeting with Mr. Savkar will, it is learnt, lay the foundation for the negotiations between the Government and the I.M.F. for the standby arrangement."

ON THE NEXT day, June 17, the *Sun* gave front page coverage (as did the other newspapers) on why Dr. N. M. Perera did not want to devalue the Rupee. The *Sun* headline read: N.M. ON WHY GOVT. OPPOSES DEVALUATION. After its own report, the *Sun* published the official communique on the subject. "The Finance Minister, Dr. N. M. Perera yesterday explained to the leader of the visiting I.M.F. team, Mr. D. S. Savkar, as to why the Government is not in favour of the I.M.F. proposal for a devaluation of the rupee at present. The meeting between Mr. Savkar and the Finance Minister was held at the Finance Ministry offices. Mr. Savkar, it is learnt, apprised the Finance Minister of the I.M.F.'s position in regard to the deteriorating foreign exchange situation of the country.

"Dr. Perera outlined the proposals made by the Planning

Ministry to correct this situation and emphasised that the Government had completely ruled out devaluation. However, the final decision is to be made at a conference between the Prime Minister, Mrs. Sirimavo Bandaranaike, the Finance Minister and Mr. Savkar, to be held on June 20. At yesterday's meeting with the Finance Minister, it is learnt, Mr. Savkar had expressed his concern over the deficit balance of payments and the consequent deterioration of the foreign exchange situation.

"At the conclusion of this meeting the Finance Ministry issued the following communique:—'There was an exchange of views when the leader of the International Monetary Fund team Mr. D. S. Savkar met the Minister of Finance, Dr. N.M. Perera, this morning at the Ministry of Finance. Mr. Savkar drew the Minister's attention to the budget gap that exists at the moment. The Minister told him that the Cabinet was considering certain proposals put forward by the Ministry of Planning and Employment. These would be amplified when Mr. Savkar meets the Prime Minister, Mrs. Sirimavo Bandaranaike and the Minister of Finance on Tuesday.

"Dr. Perera made it clear to the leader of the IMF team that the government was not in favour of any devaluation of the Ceylon rupee. There was a review of the foreign exchange situation and certain considerations were mooted with regard to the foreign exchange situation



These proposals will also be further discussed at Tuesday's meeting. The negotiations on Sri Lanka's application for an I.M.F. stand-by arrangement of \$150 million will be carried out between the I.M.F. team and a team from the Central Bank led by Mr. H. E. Tennakoon, Governor of the Central Bank. These negotiations are expected to be concluded on Monday. The outcome of these negotiations will be discussed by Mr. Savkar with the Prime Minister and the Finance Minister at the June 20 meeting—"

THEREAFTER, there was intense speculation as to what would happen. The IMF chiefs met the Prime Minister and the Finance Minister at a joint conference on Tuesday, June 20. On the next day, 21. 6. 72, the *Daily Mirror* had a front page headline: **LEVY ON FREE RICE AND HIGHER FEECs RATE LIKELY: SELECTIVE DEVALUATION.** The report read as follows: "A FURTHER increase in the FEECs rate and a token levy on the free measure of rice seem to be the possibilities the Government is considering to solve the foreign exchange crisis. In economic parlance, a rise in the FEECs rate would mean a "selective devaluation of the rupee." At a one and half hour discussion between the Prime Minister, Mrs. Sirimavo Bandaranaike and the IMF team led by Dr. D. S. Savkar, these possibilities along with others were analysed in detail.

"But no firm decisions in regard to the steps that should be finally taken to improve the foreign exchange position were taken at yesterday's conference. The Prime Minister was assisted by the Finance Minister, Dr. N. M. Perera, the Governor of the Central Bank, Mr. Herbert Tennakoon and Dr. H. A. de S. Genasekara, Secretary to the Ministry of Planning and Employment. The high level talks were preceded by a day long conference between the IMF team led by Dr. Savkar and the Governor of the Central Bank.

"A clue to government thinking is likely to be available when the Prime Minister outlines the government's industrial policy in her government's policy statement in the State National Assembly tomorrow. A rise in the FEECs rate along with the assurances given in the White Paper to private investors are intended to create a climate conducive to foreign investments in the Island. It would also attract foreign tourists. Imports, except government food items, will cost more. There will also be a rise in the cost of imported raw material for industries. The nett result will, however, be a disincentive on imports and an incentive for the manufacture of goods using local raw material."

The *Daily News*, 21-6-72 reported the same meeting in a cautious non-committal sort of way. The heading was. **IMF TEAM CHIEF MEETS**

**PREMIER** and the report read as follows: "The leader of the I.M.F. delegation Mr. D. S. Savkar called on the Prime Minister Mrs. Sirimavo Bandaranaike yesterday. Associated with the Prime Minister at the talks was the Minister of Finance Dr. N. M. Perera. There was a general review of the economy at these talks which lasted for about half an hour.

"The Governor of the Central Bank, the Secretary to the Ministry of Planning and Employment, the Secretary to the Treasury and the senior Deputy Governor of the Central Bank were also present at the talks. Government sources described the visit as a courtesy visit by the leader of the IMF team. The team has been here for consultations under the Articles of Agreement of the IMF and will report to the IMF board on their findings and discussions with the government."

THOUGH the *Sun* reported this meeting on a low key (as compared to the *Daily Mirror*), it sought to give its own slant by selective emphasis. The heading itself was not so "neutral" as that of the *Daily News*. The *Sun* heading was **PM-SAVKAR TALKS SATISFACTORY** and the report read as follows: "Government sources yesterday described as satisfactory the talks held between the head of the visiting IMF delegation, Mr. D.S. Savkar and the Prime Minister, Mrs. Sirimavo Bandaranaike. Among the topics discussed



yesterday, according to these sources, were the increase in the rate of FEECs and the imposition of a levy on the free measure of rice. These conditions, it is learnt, are likely to be accepted by the International Monetary Fund for the grant of a standby loan of Rs. 150 million for Sri Lanka. At yesterday's talks the Minister of Finance, Dr. N. M. Perera is understood to have re-iterated his position that it would be unwise to effect a devaluation of the rupee at this juncture. Hence the Government suggested a number of alternative measures including the enhancement of the FEECs rate and the levy on the free measure of rice."

These press reports indicate the tortuous way in which the negotiations have proceeded until the very eve of the opening session of the new National Assembly where the Prime Minister will make the opening address and set out the policy of the Government for the coming sessions.

These notes are being written a day before she makes her historic statement and it is still difficult to say what she will say. It must be remembered that shortly after making her statement she will leave for China on a goodwill mission where she is expected to obtain a massive interest-free hard currency loan.

The amount of standby Ceylon gets from the IMF will probably to a large extent determine the extent of the loan from China—at least that is

FROM THE EDITOR'S DESK

★ PM's Visit to China

★ Sri Lanka's Non-Alignment

ON THE COVER this week we have a picture of the Great Wall of China northwest of Peking. Ceylon's Prime Minister, Mrs. Srimavo Bandaranaike who left Colombo on June 24 for China on an official visit was received in Shanghai with the highest honours en route to Peking where she arrived on Sunday June 25th. The reception accorded to her, according to all reports, was unprecedented. It is said that she was given a "reception" far greater than any other leader from any other country who had visited China in recent times. Three and a half million people are said to have lined the route from the airport to the city when she was taken in an open car on a state drive—again something never done before. Until June 30, Ceylon's PM would be in Peking and one of the sights she would see will be the Great Wall.

what many people expect.

Will Ceylon get the Rs. 150 m. standby from the IMF? And what will she get from China?

Rising and falling with the ridges of the Pataling Mountains northwest of Peking, a gigantic rampart stretches off to the east and west like an immense dragon moving among the mountains. This is the Great Wall—one of the world-famous projects of ancient China. It runs from Shanhai-kuan on the shores of Pohai Sea in the east to Chiayukuan in Kansu province in the west, traversing along the way the provinces of Liaoning and Hepei, the Peking capital district, Shansi province, the Inner Mongolia Autonomous Region, Shansi province, the Ningsia Hui Autonomous Region and Kansu province. Extending for more than 10,000 li (over 6,000 kilometers), it therefore is known as the Ten Thousand Li Long Wall. This huge rampart stands five to ten metres high, with an average width of 5.4 metres.

Construction of the wall began in the period of the Warring States (4th century B.C.). The feudal states in north of China, including the kingdoms of Yen, Chao, Chin and others forced the labouring people to leave their homes and work all year round as conscript labour to build walls along the



Yinshan Mountain Range. In the third century B. C. when China was unified under the State of Chin, these separate walls were connected and extended to form the Great Wall. Later feudal dynasties maintained the wall or reconstructed parts of it. Most large-scale work was done in the Ming dynasty (1368-1644).

Along some sections of the Great Wall there are branch walls which form an inner and an outer wall. The main wall stands five to ten meters high and measures from five to eight meters across. Some sections are built entirely of earth, while others are faced with brick or stone. The strongest part is that northwest of Peking, faced with huge bricks and stone blocks. Battlements rise above the top of the Wall on one side and plain parapets on the other, with a road-way between them. Watchtowers stand at intervals of 120 meters. The highest point on the wall as it winds among the mountains stands 1,000 meters above sea level. The bricks and stones used in it are enough to construct a dyke two and a half meters high and one meter wide which would encircle the globe.

The Great Wall has been listed by the Chinese Government as one of the country's major sites of historical interests which deserve special protection. It was also a place for sightseeing. The gate at Nankou was destroyed long ago but the one at Chuyungkuan built in the early Ming dynasty

(1368-1644 A.D.) still stands. Ten kilometers north of Chuyungkuan is Pataling, a thousand meters above sea level. Visitors have a good command of the view from the high ridge of Pataling. Repairs were made after Liberation in 1949 in the Pataling Hills, Shanhaikuan and other places so as to restore the original grandeur of the Great Wall. Rest rooms, tea houses and photographic studios have been set up for the convenience of the visitors.

The construction of the Great Wall began more than 2,200 years ago. During the Warring States (475-221 B.C.) the feudal states of Chao, Yen, Wei and Chin built defence walls along the Yinshan Mountain Range around their territory. The separate walls of these old northern states were joined together by the State of Chin in 221 B.C. and so the Great Wall was formed. Winding continuously for 6000 kilometres, the wall was repaired and extended by some of the successive dynasties. The Great Wall as it stands today dates from the Ming dynasty which during its rule of over 270 years, made extensive repairs and extensions on 18 occasions.

The original rammed earth was faced with bricks and stone. There are two-storey fortresses at regular intervals. The outer face of the wall has crenellated battlements and the inner face plain parapets. Five or six horses can gallop abreast along the passage in between. Fourteen thousand fortresses as well as moats extending 3,200

kilometres were built in 1502 during the Ming dynasty.

The Great Wall was an engineering feat. According to a rough estimate, its construction involved 180,000,000 cubic metres of rammed earth and 60,000,000 cubic metres of bricks and stone. Preparation and transportation of so much earth, bricks and stone and the actual construction called for colossal work and hard labour. The historical records of North Chi (550-557 A.D.) show an imperial edict issued in 556 A.D. to conscript 1,800,000 people to build the walls extending some 450 kilometres from Hsiakou north of Yuchou (i. e. Chuyungkuan) westward to Hengchou (i. e. Tatung of Shansi Province).

The above is a description from contemporary *Hsinhua* handouts, and these reports always conclude with a Maoist touch; "This shows that the Great Wall was built by the sweat and blood of the ancient Chinese labouring people."

THE GREAT WALL, or no Great Wall, the Bamboo Curtain, or no Bamboo Curtain, there is no doubt that Mrs. Bandaranaike received a welcome in Peking on the highest ceremonial level. President Nixon was a more important visitor, but the welcome accorded to him had certain ostensibly visible and discreetly invisible reservations. But Mrs. Bandaranaike and Sri Lanka were among the greatest "friends" of China and received a welcome unsurpassed, it is said, to this day. The original CBC broadcast from Colombo



stated that 3½ million people were expected to line up the roadway from the airport to Peking city but the later *Reuter* reports placed the number at 200,000. Whatever be the truth, there is not the slightest doubt that the Chinese Government could have easily brought out a crowd of even 5 million to greet the PM—if it so desired. Discipline and not spontaneity is the keynote of life in Maoist China, and the welcome accorded to Ceylon's PM is only a reflection of the Chinese Government's intentions.

Even the most enthusiastic devotees of Sri Lanka will admit that the welcome extended to Mrs. Bandaranaike was on a plane and dimension much higher and greater than what a small island like Ceylon and its PM would otherwise get. But, the circumstances are special as between Sri Lanka and China today. It is not only that Ceylon had signed a Rice and Rubber Agreement with China in 1952, i.e. nearly 20 years ago, but that in the intervening period, except where the UNP had dominated the government (1952-56 and 1965-70), China had also developed excellent relations with the leaders of the SLFP and the Coalition governments. Furthermore, at the present juncture with the Indo-Soviet Treaty and the aftermath of the Indo-Pak war, Ceylon has a special significance for the geopolitical calculations of China.

There is nothing akin to "pure love" in international politics. There is nothing like the "blood ties" which determine relations between brother and brother, or a father and a son. In international affairs, there is no self-interest. And it was self-interest, (although it was not demonstratively apparent), which had prompted China to give Ceylon the Rs. 150 million cash loan in convertible currency in May 1971. It will be self-interest which will prompt China to give a further cash loan this year. It is in Ceylon's immediate and short-term self-interest to get such loans. They are better than the loans from the IMF and the other sources. Why China gives such loans to countries like Ceylon, Malta, Tanzania, Chile and the like puzzle many people. It is something new in international relations. No Country, in historical times, has given away such loans on such terms.

There are a great many other things about China which puzzles many people. The Americans, many of whom now seem to have gone crazy about China after the Nixon visit, have begun to think aloud in their papers about China, its leaders and its politics. Though China continues to denounce the super-powers and decry their ambitions, US commentators have noted that what China wants is big power status whilst being acknowledged as the Champion of the underdog third world. It has been repeatedly stated that in

the course of his talks with President Nixon, Premier Chou En-lai had stressed that although China was economically behind the USA and the USSR by reason of the numerical magnitude of its population it was entitled to pursue a global policy and enter the club of the great powers. At the same time, Chou is said to have emphasised that China being an Asian power, she in reality belonged to the third world and had to take her proper place in the world as a member of that community. The Chinese, it is said, seemed to think that Peking had the right to become a kind of "third Rome" for the down-trodden peoples of Africa, Asia and Latin America.

But together with this anxiety to occupy what China considered her "rightful" place in global politics, Americans have also noted the readiness with which the Chinese leaders were willing to disavow some of their former slogans such as "sharp point against sharp point", "peaceful co-existence is an illusion", etc. etc., and were extremely anxious to talk about the Bandung principles and the five principles of co-existence. The Americans welcomed this, quite rightly, as a further example of the obvious pragmatism of current Chinese diplomacy. Whilst welcoming such a pragmatic approach on the part of the Chinese, (without it the present *detente* between the USA and China would not have been possible), the Americans seemed to be a little chary about regarding China



as a firm or reliable ally. Even though this pragmatism is to the advantage of the USA, the Americans cannot ignore the manner in which China broke away from Russia (though the Americans say that the USSR contributed greatly to the break—and the Americans want to draw the correct lessons from it so that they do not repeat the Russian mistakes). Washington feels that it should tread carefully where even angels should fear to go. China no longer supports Cuba fully, and she did not render real assistance to Pakistan at a time of need. All these make the Americans cautious, though Kissinger with his Metternichian subtlety seems to think that the current phase of Chinese pragmatism would help China (and the USA) to manoeuvre among the countries of the third world as against the Soviet Union.

In this context, Kissinger and other Washington strategists feel that China was not likely to concretely oppose (verbal blasts mean nothing) the re-activation of organisations like SEATO and CENTO as long as they were not "anti-Chinese" and did not promote (directly or indirectly) the ambitions and interests of those who wanted to surround China in "hostile encirclement". The Americans also naturally welcomed moves by China to undermine the Afro-Asian People's Solidarity Organisation because, as the Chinese stated, the Organisation was an instrument of the "coun-

tries hostile to China", meaning the Soviet Union and countries co-operating with it. Peking has made it clear that very soon there would be a new organisation to replace the Afro-Asian Solidarity Organisation which would cover the "three continents". Some American columnists have stated that Kissinger was surprised that the Chinese did not speak too much about NATO assistance to Portugal in the war in Angola and Mozambique, though the Americans were prepared for a broadside on this question. What the Chinese stress at any point of time, or put into cold storage in diplomatic wrangling, is a big puzzle for the Americans. And the discussions about Vietnam have not made matters any clearer. At one stage, nearly all knowledgeable columnists and commentators in the USA were agreed that China and the "USA had come to a gentlemen's understanding" about Vietnam, (the Chou-Nixon Shanghai communique, it was quipped, was like the tip of an iceberg the bulk of which was submerged), and that all that was needed for a settlement was the persuading of the respective allies of China and the USA that a negotiated settlement in Vietnam was good for everybody.

In Paris, it was reported that American Ambassador Watson had told the Chinese Ambassador the highlights of Green's mission covering a number of Asian countries, whilst the Chinese Ambassador on his

part is believed to have told his US counterpart (no doubt to be conveyed to Nixon) what Chou had told the Hanoi leaders. What this gentleman's agreement about Vietnam was, nobody seemed to be certain, but it was to be some kind of conference of the Geneva type where China and the USA would play decisive roles. A solution, it would seem, has been worked out to resolve the Taiwan problem, and it seemed generally agreed that the USA had to prepare the ground to convince US allies in Asia and the rest of the world that it was unrealistic for the US to continue support for Taiwan and the Chiang nationalists. Kissinger, for his part, seems to be thoroughly satisfied that President Nixon and he had successfully persuaded the Chinese to acknowledge that the US had still an important political role to play in Asia and in Indochina. The customary Peking catch phrase about China being "Vietnam's solid rear" did not occur in important Sino-US communiqués—and Kissingerian sources had stressed that it was not because of any insistence on the part of the USA. Washington strategists interpret this as meaning that China would be less inclined to aid North Vietnam than before in the months and years to come.

JUST AS many in America are trying to puzzle just what they should make of current Chinese diplomatic manoeuvring



many observers in Ceylon are even more puzzled about over-abundant generosity of China towards Ceylon.

The *Sun-Dawasa* group of papers have for some time now reflected the views of what might be regarded as the pro-China lobby in Ceylon. The *Sun* of June 2, 1972, in a front-page story entitled MAJOR FOREIGN POLICY STAND-NO TRUCKS WITH PACTS AIMED AGAINST CHINA, stated: "Sri Lanka will not subscribe to any pact or treaty aimed against China by any country under whatever guise. The Government will also place added emphasis on the importance of our relations with China in all aspects. These decisions have been taken after a full and complete analysis of the existing relations between the two countries and China's attitude towards Sri Lanka.

"According to Foreign Ministry circles, our cordial relations with China have survived the changes of government here and have been strengthened since the United Front came to power in May 1970. The Foreign Ministry holds the view that China has never interfered in any way in the implementation of our foreign policy. Neither has she expressed any adverse opinion on our decisions nor placed impediments or obstacles in our way. This, the Ministry attributes to the Chinese policy of non-interference in the affairs of other countries, and also to the strictly non-aligned foreign policy followed by Sri Lanka.

*"With regard to the insurgent activities of April, last year, the government is fully convinced that China had no connection whatsoever, although the suspicions against some other powers have yet to be cleared.*

*The Government has no doubt that the so-called Asian Security pacts are in fact aimed against China as a result of the deep enmity their originators had towards that country. Sri Lanka will, therefore, have no truck with them whatsoever.*

"The Government is also extremely pleased with the working of its trade pacts with China unlike those entered into with some of the other socialist bloc countries which have benefited at Sri Lanka's expense. In fact, the Sino-Sri Lanka pact has been hailed as a model agreement with equal benefits to both countries.

"A government source said, Sri Lanka was held in very high esteem by China and the latter's appreciation of the policies adopted by us has been acknowledged by the massive aid we have received from her. In addition to an interest free loan of Rs. 150 million in convertible currency, China has also given us five gun-boats and arms and equipment worth several million rupees as out-right gifts. We have also entered into a shipping agreement, and a fisheries pact is in the offing. The visit of the Prime Minister, Mrs.

Sirimavo Bandaranaike, to China later this year, is expected to make way for further economic co-operation between the two countries."

On June 3, the *Sun* followed this up with another frontpage story under the heading PREMIER LEAVES FOR PEKING SHORTLY: ARMY COMMANDER MAY ACCOMPANY HER and stated: "The Prime Minister, Mrs. Sirimavo Bandaranaike, is expected to leave for the Peoples Republic of China shortly. Her two-week State visit to China was earlier scheduled for August or September this year. It has been advanced for this month at the specific request of Sri Lanka's Ambassador in Peking Mr. R. L. A. I. Karanagoda. The Chinese Embassy in Ceylon, in consultation with the Ministry of Defence and Foreign Affairs, is now working out an elaborate programme for Mrs. Bandaranaike and her entourage. Besides talks with Premier Chou En-lai, arrangements are being made for her to call on Chairman Mao Tsetung and to visit Shanghai Hanchow, the Great Wall, of China, several agricultural projects worked on a collective basis and other places of interest.

Well-informed sources said yesterday that the main theme of Mrs. Bandaranaike's talks will be economic assistance, particularly for her Five Year Development Plan. Matters of mutual interest, International issues and the proposal to



make the Indian Ocean a zone of peace will be among the other subjects on the Agenda. Mrs. Bandaranaike is expected to extend an invitation to Premier Chou En-lai to visit Sri Lanka to declare open the Bandaranaike Memorial International Conference Hall, next year.

"The composition of Mrs. Bandaranaike's entourage is yet to be finalised. It is expected to be small and is likely to include Dr. Mackie Ratwatte, her private Secretary, an official of the Ministry of Defence and Foreign Affairs and a security officer. The Army Commander, Major General Sepala Attygalle, is also likely to accompany Mrs. Bandaranaike. In the event of his not being able to join the team a senior officer of the Services is expected to take his place. This is to facilitate any discussions on further military assistance from China.

"China has already given Sri Lanka an enormous quantum of military aid. Besides the five gun-boats, it recently donated a large quantity of rifles, ammunition and other military equipment. They were airlifted to Colombo from Peking in special charter flights."

TO MAKE the lobbying more melodramatic the *Sun's* weekly Sunday paper the *Weekend*, on 4/6/72, had a sensational headline: MORE CHINESE GUNBOATS IN JULY: SECRET SUBS PROWL OUR WATERS, stated as follows: "Three more

high-powered Chinese Gun Boats are expected to arrive in the Island in early July this year to re-inforce the fleet of the Navy. This brings the total of gun boats gifted by the Chinese Government to five.

"All these vessels will be used for coastal surveillance and the Navy plans on strengthening the watch on the territorial waters, especially in the stretch of sea in the South and East quarters of the Island.

"A Naval source said yesterday that the possibility of alien submarines entering our waters and indulging in subversive activity and spying has not been ruled out. According to this source, a submarine could approach our shores to within one hundred yards of the beach without being detected. This would enable the crew of the submarine to observe a vast extent of land through a periscope without disclosing the location of the vessel to local authorities. Wherever there is no reef to bar the way, submarines could even venture to waters deeper inland.

"In the opinion of these sources, gun running activity could also take place and consignments of arms and ammunition could be transferred from the submarines to fishing boats with the collaboration of anti-national elements in the island. Though the Navy expects more boats to add to their fleet, senior officers are sceptical that the vessels that would comprise the entire fleet of the Navy are sufficient to conduct an intensified patrol-

ing system around the Island. It is their belief that no less than nine patrol boats of the Chinese gun boat variety are needed if the coastal watch is to be properly maintained."

On June 13, an official announcement was made about the PM's visit to China and the *Sun*, 14/6/72 recorded this under the headline: PM'S VISIT TO CHINA: PURELY GOODWILL MISSION. The report read: "The Prime Minister, Mrs. Sirimavo Bandaranaike's State visit to the People's Republic of China is purely a goodwill visit designed primarily to strengthen the friendly relations between the two countries. The Director-General of Foreign Relations, Ministry of Defence and Foreign Affairs, Mr. Vernon Mendis, underscored this at a Press briefing on the Premier's China visit yesterday.

"Mr. Mendis said that Mrs. Bandaranaike was undertaking this trip in response to a long-standing invitation from Premier Chou En-lai to visit China. The invitation was actually extended to her in 1970, shortly after Mrs. Bandaranaike led the United Front to victory at the last general election. The visit could not be undertaken earlier due to various factors such as the April insurrection. It has now been agreed that the visit should take place now as it is the most convenient time for the two countries. The visit would also be a reciprocal gesture for the generous assistance China that given Sri Lanka in the recent



past. In addition to the interest-free loan of Rs. 150 million in convertible currency, China has gifted five fast gunboats and offered two ships for the China-Sri Lanka liner service. China has also gifted the fully furnished Bandaranaike Memorial International Conference Hall, which is nearing completion.

"Because of all these assistance and Chinese friendliness towards the people of Sri Lanka, Mrs. Bandaranaike was anxious to visit China in order to express her appreciation to the Chinese leaders personally, Mr. Mendis said. He also underscored the fact that this would be Mrs. Bandaranaike's first State visit to China. True, she went to China in January, 1963. But on that occasion, the Premier went as the representative of the Colombo Powers for the specific purpose of conveying the peace proposals worked out to settle the Sino-Indian border flare up. Besides, Mrs. Bandaranaike went with two other leaders delegated by the Colombo Powers. Therefore, that trip did not really constitute a State visit by the Ceylonese Prime Minister.

"Although the Press briefing was short on details as regards the Premier's itinerary and the scope of discussions in China (the programme has not been finalised yet), Mr. Mendis confirmed that the visit would come off later this month. Mrs. Bandaranaike would leave sometime between June 23 and 25 and would return home in

the first week of July. She would be in China for a week or a maximum of ten days. It was also said that she had no plans to visit any other country from China although invitations for State visits have been received from the Soviet Union, Yugoslavia, India, Pakistan and several East European countries.

"Mrs. Bandaranaike's delegation has also not been finalised. It is, however, expected that Dr. H. A. de S. Gunasekera, Secretary, Ministry of Planning and Employment, would accompany the Premier with officials of the Ministry of Defence and Foreign Affairs. The inclusion of Dr. Gunasekera in the delegation indicates that Mrs. Bandaranaike's talks with Mr. Chou En-lai would centre on economic assistance and expansion of trade, although Mr. Mendis emphasised that it was not an aid-seeking mission that the Premier was undertaking.

"Mr. Mendis also discounted speculation that a Service Commander was being included in the delegation. The two Prime Ministers are expected to discuss the world political situation. In this context it is likely that Mrs. Bandaranaike's own proposal for a nuclear-free zone in the Indian Ocean would figure prominently in the talks."

Whilst this build up about the visit was going on, the discussions with the IMF team was going on in Colombo regarding a standby loan Ceylon urgently needed. It was

expected that some decisions would be made when the IMF team met the PM on June 20—devaluation or no devaluation, etc., etc., etc.—and though press reports hinted, with obvious inspiration, that instead of devaluation the FEERCS rate would be increased, that a levy would be made on the first measure of rice, etc. etc, nothing positive was said. Furthermore, there was general expectation that some of the vital decisions would be conveyed in the PM's policy statement in the National Assembly on June 23, but everybody was doomed to disappointment on this matter. Even the *Sun* which had confidently expected that the Cabinet would make firm decisions on these matters before the PM left for China, later hinted that these matters would be finally decided only after she returned from China. What she got in China would be probably the determining factor in these decisions,

IT IS SIGNIFICANT that no voice of protest or dissent has been raised within the UF or the Government ranks about the pro-China orientation of the Government, but a lone voice dissenter found expression in a report about a Rotary Club meeting in the *Daily Mirror* of June 16. SIR SENNERAT HITS OUT AT OUR FOREIGN POLICY, the headline stated and the report read: Sir Sennerat Gunewardene, Ceylon's former permanent envoy in the United Nations lashed out yesterday at Ceylon's



foreign policy as inconsistent and lacking foresight. It would soon isolate us and leave us friendless, he added. Sir Senerat who was addressing a luncheon meeting of the Rotary Club of Colombo at the Hotel Taprobane expressed fears that the present opportunistic foreign policy of the government would only result in losing the goodwill of all Sri Lanka's friends and gaining their ill will because the government was switching its political axis all the time. He was of opinion that Ceylon's foreign policy makers were keener on gaining the favours of their political superiors rather than advising the Prime Minister on the realistic course the country should follow in its pursuit of peace and prosperity.

*"The Government seemed to think, he said that Ceylon was an indispensable nation and even bigger than the Big Powers with the result that it aligned itself with various power at various times, although it preached the gospel of non-alignment all the time."*

"Time was, Sir Senerat added, when Ceylon was in virtual wedlock with Britain and certain Western powers. It then switched to America and other western powers. Later it was India and Burma. Then to Russia and the Arab countries and to Peking and the Pakistani axis.

*"This proved that it was dropping friends and making friends as if the future of those friends depended on Ceylon*

*and not Ceylon on those friends.*

"He then proceeded to trace the history of Ceylon's policy of non-alignment which he said was first started by the first Prime Minister of Ceylon Mr. D. S. Senanayake when he propounded the middle way policy at the first conference of Commonwealth Prime Ministers in London. It was only later, that the late Mr. SWRD Bandaranaike gave it life.

"Sir Senerat said that it was also a fact of history that Ceylon recognised China immediately after its independence and established friendly links although it did not set up an embassy there due to financial straits. It was also true that it did not recognise Russia as the Soviet Union continuously vetoed Ceylon's entry into the United Nations. 'No nation with dignity could establish friendly links with a nation that thought that the other was not fit enough to join the United Nations organisation,' he said. 'That was why Ceylon had not recognised the Soviet Union then,' he said.

"The ex-diplomat reminded his audience that during the Suez crisis, Ceylon supported the UAR stand against Britain but did not get involved in the conflict. But after the six Day War Ceylon became more Arab than the Arabs and later not only broke off diplomatic relations with Israel, but even ordered the closure of the Israel mission in Colombo.

"Sir Senerat criticised Ceylon's attitude towards India

by using the bogey of Indian expansionism. 'If India wanted to take us over, they could have done it a hundred times over during the last 2,500 years and not a single nation would have lifted a finger to save us. But we have chosen to be hostile to our closest neighbour. This is the logic of current foreign policy.

"Sir Senerat reminded his audience about Czechoslovakia and Hungary. Tanzania and more recently even Bangladesh, which were all over-run while the big nations looked on extending only verbal sympathy. He warned that Ceylon was too small and too insignificant a country in world politics to play the role of the mighty atom imagining that it could intimidate big powers and thus obtain aid."

Not everybody will agree with everything Sir Senerat has said, but there is much food for thought in what he has so frankly set out. It is unfortunate that inside the country there is very little discussion about the foreign policy trends of the UF Government.

A columnist in *Tribune* (vide article entitled *Agonising Re-Appraisal* by *Pertinax* in our issue of May 20th) had pointed out that the foreign policy attitudes of Ceylon today stemmed from a fear of what is termed the Delhi-Moscow axis; and that under the smokescreen of non-alignment, Ceylon was invisibly aligning herself with the Peking-Islamabad axis—and like the ostrich



Ceylon believed that nobody else would spot this because Ceylon's head was firmly (ostrichlike) buried in the sands of non-alignment. It is difficult to accept everything that *Pertinax* has said, but current events tend to show that *Pertinax* is not very far from the truth.

Neither the Communist Party nor the Lanka Sama Samaja Party are likely to say anything about this trend. Even the disciplinary action taken against Dr. S. A. Wickremasinghe by the Government Parliamentary Party is not likely to make the CP change its postures while the LSSP is willing to swim with the tide as long as its own position within the UF continues to stabilize itself. Britain has deliberately set the pound sterling to float until it finds its correct level.

But Ceylon's foreign policy seems to be floating for ever, willy-nilly, and nobody seems certain when it will find its level. Though Ceylon's currency has fixed official moorings, in the open market it is floating in the most bizarre, eccentric and uncertain manner—much to Ceylon's disadvantage. In a world of flux and change, the floating dollar, the floating pound and the floating mark are inevitable phenomena, but very little can be said for a floating Ceylon rupee. And likewise for a floating Ceylon foreign policy.

As Sir Senerat has pointed out, the present Government and the ruling *elite* in Ceylon

## FOR THE RECORD

### PM's Policy Statement - I

*This is the first instalment of the Prime Minister's policy statement tabled in the National Assembly on June 23, 1972. The concluding part will appear in our next issue.*

**D**URING the last two years the Government had to devote a considerable amount of time for the drafting of a new Constitution and the setting up of the Republic whereby a firm basis has now been established for the Government to take far reaching measures to fulfil the aspirations of the people which were given

like to believe that Sri Lanka, though small in size, is the *mighty atom* itself. Too many of us have unfortunately worked ourselves into the frenzied belief that Sri Lanka has become (or will soon become) a model for all the world to follow—in Constitution making, in Economic Development, in Religion, in Foreign Affairs, in short, in everything. This kind of self-delusion has become the opiate of the Government as well as the people of this country and detached observers of the Ceylon (Sri Lanka) scene have much reason to be apprehensive about the country's future.

concrete expression at the elections of May 1970. In this first policy statement, I shall review some of the principal achievements of the past two years and indicate the lines of the policy that my Government will follow in the future.

The policy of *non-alignment*, as laid down by the late Mr. S. W. R. D. Bandaranaike, consistently followed by my Government has earned the respect and understanding of all countries. I saw this very clearly at the Lusaka Conference, at the Conference of Prime Ministers of Commonwealth Countries at Singapore and on my visits to the United Nations, to the USA and Canada. During the *insurgency* in April 1971, the help and assistance received by my Government from the U.S.A., China, U.S.S.R., India, Pakistan, Britain, U.A.R., Yugoslavia, German Democratic Republic, the Federal Republic of Germany and other countries bear striking testimony to the correctness of the policy we have followed. In 1973, I hope that Sri Lanka may be able to host a *Summit Conference* of non-aligned states after the inauguration of the Bandaranaike Memorial Hall now being built with assistance from the People's Republic of China, to



which I shall shortly be making a state visit.

At last year's General Assembly Session, at the United Nations, the basic idea of declaring the *Indian Ocean* as a Peace Zone proposed by me since the Cairo Conference of 1964 was adopted and I shall persevere in my efforts in this regard,

IN APRIL 1971 a grave threat to our national security was posed by an *armed insurrection* aimed at overthrowing the democratically elected Government. The Armed Services and the police with the co-operation of the people succeeded in meeting and defeating this danger. In the coming year, the Government with the assistance of these Services will continue to maintain law and order firmly and impartially in the interests of the people, and will re-deploy the now substantially expanded Armed Services for the purpose of civilian duties of national importance, particularly in the fields of economic development. Steps are being taken to improve the conditions of service of personnel in the *Police and the Armed Forces*. An amendment to the Police special Compensation Act has already widened the scope of compensation payable to those injured in the course of duty and new salary scales benefiting mainly the lower ranks have been approved.

A *rehabilitation scheme* has been introduced for the re-education of persons involved in

the 1971 Insurrection. Thirteen Rehabilitation Centres were set up in various parts of the Island. Inmates of these Rehabilitation Camps and Centres are given training in various trades and special amenities have been provided for the welfare of inmates. Due to the rehabilitation efforts of the Government it has been possible to release as much as 7,703 insurgents during the last few months from these camps.

The *repatriation* of persons of Indian origin in Ceylon under the Sirima-Shastri Pact, which had practically come to a stop, has been accelerated with the repatriation of nearly 39,000 persons during the last two years. The necessary registers are being compiled for the full implementation of that Pact and the process of issuing identity cards under the Registration of Persons Act, is now in progress.

I PRESENTED to the former House of Representatives in November 1971 a detailed *Five Year Plan* which set out the economic strategy of My Government over the next five years. This Plan, as you know set out a pattern of investment aimed at providing 800,000 new job opportunities for the young people of this country during the period 1970 to 1976. An important feature of the Plan was that a significant part of the investment in the rural areas was to be made through specially constituted *Divisional Development Councils*, with local

participation in project formulation and implementation. So far, 517 such project proposals have been approved and funds allocated for them, and nearly 10,000 jobs have been created in these projects. A special Graduate Training Scheme has also provided employment opportunities for 4,000 graduates who were unemployed at the time My Government assumed office. Practically all the graduates unemployed when we assumed office have now been provided gainful employment.

Next year I propose to place special emphasis on the *export promotion of non-traditional products*, and with the assistance of an Expert Promotion Advisory Council with private sector participation I shall establish a special Exports Secretariat to increase Ceylon's foreign exchange earnings on non-traditional exports.

The Government's *Five-Year Plan* envisages the participation of the *private sector* on a large scale in the economic development of the country and I have recently taken steps to remove some of the doubts that existed and to harness the co-operation of the private sector to achieve the targets laid down in the *Five-Year-Plan*. A team of experts led by Professor Dudley Sears was in the Island last year at the request of the Ministry of Planning and Employment to study and prepare recommendations for an employment-oriented development strategy under the auspices of the World Employment Programme of



the ILO. Their Report which was published is now being studied. During the last two years the Government has provided employment to nearly 120,000 persons.

My Government will introduce a *Land Reform Bill* and an *Agricultural Productivity Bill* which will result in spectacular and far-reaching changes in the pattern of agriculture in Ceylon. These laws will bring about a more equitable distribution of the country's land resources and see to it that available land is used for the maximum benefit of the large majority of the people.

WITHIN the next year or two My Government expects substantial increases in the production of paddy by the use of better materials and scientific techniques which have now permeated down to the vast mass of cultivators. New institutional arrangements, particularly the Paddy Marketing Board, will help to improve milling and marketing and enable the farmer to receive a better return for his labour. Banning the importation of chillies, onions and other subsidiary foodstuffs has provided a strong impetus to the cultivators of these crops. All assistance will be given for expanding the production of these crops. A new *Livestock Development Board* will shortly be established to improve the animal husbandry programme in order to make the country self-sufficient in milk and meat thereby saving considerable

foreign exchange.

A *Coconut Development Board Authority* has been set up to improve the standard of coconut cultivation in the country and to offer better marketing and processing facilities for coconut products. Legislation will be introduced shortly to establish a *Tea Board* in an attempt to regulate the tea industry in all its activities — production, manufacture, marketing research and promotion. My Government will continue its efforts to negotiate a long-term International Tea Agreement to ensure more stable tea prices. The Sri Lanka State (Tea) Trading Corporation will participate in the *Tea Auctions* in order to support prices. A comprehensive *Rubber Processing Development Scheme* aimed at introducing modern processing methods in the rubber industry is ready for implementation. A *special Department* for the development of minor export crops will be responsible for the supply of planting material and for all extension and research activities in respect of mulberry, cinnamon, cloves, cardamom, cocoa, oil palm and citronella, all of which have excellent prospects in export markets.

THE MINISTRY OF FINANCE will pursue fiscal and monetary policies which will provide the resources required to finance the Five-Year Plan. It will be our special concern in Ceylon to contain the inflationary tendencies which are

manifest throughout the world. I do not propose to dwell at length on the taxation and fiscal policies of the Government, since these will be dealt with by the Finance Minister in his Budget Speech.

The Five-Year Plan envisages a 60 per cent increase in fish-production with increased inputs of mechanised boats for coastal fisheries and of larger boats for off-shore and deep-sea fishing. An expansion contemplated in the field of inland fisheries would result in import substitution for dry fish. As against 37 three-and-a-half ton boats issued to Co-operative Societies up to May, 1970, 260 three-and-a-half-ton mechanised boats have been issued to co-operatives during the past two years. Annual loans to Co-operative Societies have been trebled.

In the field of industry, the *State Graphite Corporation* established in July, 1971, has undertaken mining, processing and export of graphite. State institutions have been established for the import of pharmaceuticals and the import and distribution of raw materials for textile production. The *Beedi Industry* has been reorganised. The Petroleum Corporation has taken over the bunkering trade and aviation refuelling. A *Research Development Centre* will be established for studies in regard to local fabrication of machinery and equipment for industries to save foreign exchange. A new *integrated textile factory* is under construction with aid



from the Government of the People's Republic of China, and it is intended to set up two more textile factories in the future. A new papers board mill of 12,000 tons capacity has already been installed at Valaichenai and a second Paper Factory will be established at Embilipitiya soon. The second stage of the Puttalam Cement Factory is nearing completion. Fifty new powerloom centres will be in full production by the end of this year. Handloom production will be encouraged, particularly for promotion of sales abroad.

A *Mines and Minerals Act* vesting mineral resources in the State and an Act to establish Sectoral Development Corporations intended to co-ordinate the work within different sectors of industry will shortly be introduced.

DURING the last two years the Government has introduced far reaching changes in the country's trade policy. These include the establishment of a number of *State Trading Corporations* and increasing the Government's share in the country's imports and exports. Of these, the most important is the Sri Lanka (General) State Trading Corporation. In its operations during the first year, this Corporation handled approximately Rs. 45 million worth of imports and had a turn-over of nearly Rs. 110 million.

It succeeded in checking foreign exchange abuses and has

helped to hold price levels. In keeping with Government policy a major part of the imports have been channelled through Co-operatives. A radical re-organisation of the *Co-operative Movement* in keeping with the United Front Manifesto has been effected. 5,818 Multi-purpose Co-operative Societies have been re-organised into 379 large societies which are now viable and economic units capable of undertaking a wider range of responsibilities. A Co-operative Employees Commission has been established to regulate the terms and conditions of service of Co-operative employees and to ensure that persons recruited for service in Co-operatives are of a standard sufficient to provide efficient management for Co-operative Societies. A Co-operative Management Service Centre will be introduced.

A *Co-operative Bill* revising the provisions of the existing Co-operative Ordinance and providing for stricter control of the management of Co-operative Societies by the Commissioner of Co-operative Development is shortly to be introduced in the National State Assembly.

The functions of price control have hitherto been shared by the Food Commissioner and the Director of Commerce. These functions are now exercised by a newly-established Department which is generally entrusted with problems relating to the internal distribution of goods.

The *Insurance Corporation* has expanded its portfolio of policies by framing two new policies particularly suited to meet the needs of the small farmer and the industrial worker.

It is intended to establish a *Fruit Board* to handle the marketing and export of fruit juices and fruit products. Already, during the last year, exports of canned pineapples and canned passion fruit juice earned Rs. 600,000 in foreign exchange.

To be concluded

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## AGRICULTURE

# A Window on the World: Water: Tubewells: Cashew

*TRIBUNE* will in future pay increased attention to agriculture and all its allied fields like animal husbandry, agro-industries and the like. We have invited a number of readers who are knowledgeable about matters agricultural to contribute to our pages, but it will be sometime before their contribution reaches us and they can be made ready for publication. In the meantime, we will every week publish articles about developments in agriculture in different parts of the world, more particularly in India, which has conditions similar to us in many matters.

**T**HIS week we publish a piece from Israel about irrigation in arid zones. Even the driest parts of Ceylon has more rainfall than the wettest parts of Israel, but our agriculture suffers from the lack of proper conservation and utilisation of water. Some parts of Ceylon are "arid" compared to other parts which have over 100-200 inches of rain. In the so-called Dry Zone of Ceylon, which is the traditional granary of this country, water is still a major problem. It is now realised that big irrigation schemes cannot by themselves solve the problems of agricultural development in these areas. The small tanks have to be developed. But more important wells—surface wells as well as tubewells—have to be sunk and utilised.

In addition to the general article about water utilisation

in arid zones, we have two small pieces about tube-wells, one about a government scheme to sink them in Madhya Pradesh in India and the other about using bamboo as the construction material for the tubewells—in order to reduce costs. We also have an article about cashew nut growing in Tamil Nadu.

## WATER UTILISATION

### Farming Problems in Arid Zones

**T**WO THIRDS of the world's population are struggling to eke out a living in the world's arid zones. Vegetation in these areas needs more water for growth than in other areas. Rainfall also is comparatively

nil in most of the arid zones. Moreover, the agricultural plants in these areas transmit hundreds of times more units of water than they really need for growth. Agriculture in arid zones can be done only by intensive irrigation and water conservation. It is the ability of the soil to act as a reservoir for the water and the nutrients dissolved in it, which bridge the gap between plant requirements and the supply of water. The soil is usually a leaky reservoir, it is more so in the case of arid zones, hence the hazards of agricultural operations in these areas.

*The easy solution to the problems facing the arid zones is to make water available by introducing giant irrigation schemes. But it is also not always feasible. Equally vital is to use whatever water is available with the maximum efficiency, since a unit of water saved is equal to a unit produced. Farmers usually do not know to measure the water requirements or water use. Nor do they have any clear idea of what happens to the water they use in the fields. The farmer needs to know both the level of evaporation that is inevitable, and the extent to which it can be prevented without harming the crops he is growing.*

One of the most promising means for checking evapotranspiration which Prof. Daniel Hillel, Associate Professor of Soil Physics at the Faculty of Agriculture and founding member of Kibbutz Sede h



Boker in Israel's arid Negev, points to, is the possibility of enclosing the entire field system under a canopy or plastic dome which would permit the farmer to control the humidity of the air and thus minimise the plant's demand for water. This imaginative solution is now becoming feasible.

BUT THE work of soil physicists is even further reaching than this. They must have before them always the possibility that in the long run such immediate solutions may do more harm than good. Thus, while many perhaps wish to stop water seepage through the soil in order to preserve it for the plant's use, one must also know the amount of deep percolation which is nevertheless necessary in order to prevent salinization of the soil. This is vital knowledge, for plants absorb the water and leave the salts in it behind, and in arid regions these salts accumulate steadily, often to a point where the soil becomes sterile and toxic to plants. Prof. Hillel even speculates that it is such salinization, and not war, which may have been responsible for removing from the scene of history those civilizations of the past which were based on irrigation.

*Dr. Hillel points out that irrigation in excess of the optimum required is quite as dangerous as too little water. To these difficulties facing the farmer must be added yet another—plants, unlike some other living organisms, respire*

all over their surface and are incapable of transferring oxygen from one part of their structure to another. Thus the soil in which their roots grow must also be well-aerated. All these physical requirements for agriculture have been known for some time in qualitative terms, but the answers to the questions they pose have, as indicated, been guessed at only in the most approximate manner.

THE DEVELOPMENT of physical theories and of measurement techniques of a highly sensitive nature based on modern chemistry and electronics now offer the possibility of more intensive study and hence greater control. Today, computers aid in theoretical calculations and science has developed instrumentation to measure, record and log data simultaneously for all parts of the plant environment system. Teamwork of an interdisciplinary and international nature unites plant physiologists, microclimatologists and hydrologists in attacking problems whose importance has at last been universally realised.

Yet another line of research preoccupying the Soil Physics Department is concerned with recovering and utilising the rain water of the desert which has no use at present. In Prof. Hillel's opinion, barren hillsides can be coated with water-proofing materials resulting in the recovery of some 90 per cent of this presently squandered resources.

## IRRIGATION

## Tubewell Project of Madhya Pradesh

by M. V. KHER

A BIG scheme of tubewell construction is under way in Madhya Pradesh. The project had been under the consideration of the State government for two years. Some surveys had also been made but the main problem was finance. The project needed Rs. 17.5 crores besides another two crores for the survey of areas where water could be tapped. The project is now made possible with contributions by the State Government and loans to farmers by the Land Development Banks or the nationalised banks. The money is given to the Tubewell Organisation on the account of the cultivators concerned. Usually a cultivator having 12 to 15 acres of land is selected for the programme but petty cultivators having small holdings can also join the project by forming their groups.

Each tube well under the programme costs fifteen thousand to twenty thousand rupees. A cultivator is required to apply for a tube well with a deposit of Rs. 1,000. The survey is made by the special staff of the State government. The location of a tube well is decided only if the spot has adequate water for three crops in a year,



even if there continuous drought for three years. The Tubewell Organisation set up by the State government has provided the staff and builds tube well. After testing it, the organisation hands it over to the cultivator or a group of cultivators. In case of failure of a well the cultivator concerned has to bear only one fourth of the total cost of excavation which is deducted from his deposit while the remaining charges are borne by the State government.

**THE CULTIVATOR** who is advanced loan by the banks is not required to pay anything in the first year while he is to pay only interest in the second year. Afterwards he should repay the loan in eight instalments. The potential of each well is 20 to 50 acres in normal soil and 10 to 20 acres in rocky soil. The location of a well is decided after detailed examination of the soil and availability of water. Each tubewell will give at least sixty to hundred tonnes of additional food-grains. Of the 7,000 tubewells to be dug between five thousand and six thousand are expected to succeed. The programme is spread over a period of five years and when this is completed the State will produce three to four lakh tonnes of additional grain.

The present financial year has a target of 1,250 tubewells; work on which in different districts of the State has already started. This will give the State to the tune of sixty thousand

to eighty thousand tonnes of food additionally. *Kharif*, *rabi* and summer crops will benefit. The programme will also help production of vegetables, cash crops, fruits, etc.

Training camps are held regularly in which 15 to 20 selected persons are trained for a fortnight in the technique of the tubewells. Those selected for training include assistant irrigation engineers, hydrologists, geologists etc. Already fifty people have been trained. Training in the latest drilling machines is also to be arranged shortly. Five modern machines have been imported for the tubewell programme, apart from 12 indigenous drilling machines and other equipment. The response to the tubewell programme is encouraging. The number of applicants exceeds the units available.

## LOW COST

### Bamboo Tubewells

by S. NEZAMUDDIN

**M**ANY people may not believe in the possibility of constructing a tubewell out of bamboo, that can discharge the same quantity of water as the standard iron tubewell of 4 inches diameter. Such bamboo tubewells have been installed in Saharsa district, Bihar, and are popular due to their low

cost, ranging between Rs. 100 to Rs. 125.

The bamboo tubewell consists of bamboos, about 15 Kg. *Narial* (coconut) string, some tin plates, old gunny bags and coal tar. This is all what is required and these will be available even in villages.

Three bamboos are first split into long pieces of 25 feet in length, and about 1½ inches in breadth. The bamboo strips are then stretched lengthwise and made into a circular form with the help of the tin plate ring fixed at intervals throughout the 25 feet length of the bamboo strips. While making the ring care is taken that the diameter of the bamboo pipe is maintained at 4 inches all along. Soon after, the bamboo strip pipe is wrapped all round with coconut string tightly. While doing so care should be taken to see that the string is not easily loosened. This bamboo pipe of 25 feet, wrapped with the string works as a strainer.

**ANOTHER BAMBOO** pipe, having 25 feet length and 4 inches diameter is wrapped with old gunny bags and tied with a string so that the gunny bags are properly wrapped round the bamboo pipe. Just after this, the gunny bag wrapped on bamboo boring is smeared with coal tar as a safeguard against white ants, etc. This serves as a boring pipe. After the materials are ready, the boring is done with the help of boring pipe of 1½ inches diameter with a socket of 5 inches fixed at the bottom. The boring is



done to a depth of 50 feet and then the 50 feet bamboo tubewell in two pieces (namely 25 feet strainer and 25 feet boring pipe) is joined together with the help of iron wire and lowered into the bored soil. This is all that is to be done, and the bamboo tubewell is ready to discharge water as soon as pumping set is fixed by its side and the suction pipe is introduced into the bamboo boring pipe to a depth of about 10 feet.

The whole operation hardly takes 4 to 5 hours and the bamboo tubewell is ready to discharge water to the same capacity as that of 4-inch tubewell of iron pipe. These bamboo tubewells are popular since they can be prepared with the materials already available with the cultivators at a very cheap cost.

The prerequisites of bamboo tubewell are the water strata which should be quite high, say about 10 to 12 feet and the soil strata which should be sandy, especially at the level of 40 to 50 feet so that there may not be any difficulty in installation. There was an apprehension that these bamboo tubewells cannot last long but it has been found that they safely work for 3 to 4 years and as such profitable. Efforts are being made to make it semi-permanent and new structures are being designed so that it may last for about 8 to 10 years.

## CASHEW

### A New Venture In Tamilnadu

INDIA meets 84 per cent of the world demand for cashew-nuts. Though the cashew tree is native to north-eastern Brazil, India has become the main supplier of cashewnuts. The tree was introduced to India by the Portuguese in the 16th century. Now it is grown in more than 2.6 lakh hectares. Kerala, Tamil Nadu and Mysore are the important cashew producing States of India.

In spite of India's near-monopolistic position in the world cashew market, she has to import raw cashew from East African countries in order to meet the growing demand. We produce only one lakh tonnes of raw cashewnuts, and imports over 30 lakh tonnes of raw cashewnuts to feed our cashew factories.

Since 1959 the Government of Tamil Nadu has launched a cashew development programme and the area under cashewnut crop has gone upto 1,77,000 acres from 27,000 acres. This expansion programme was made possible by offering loan assistance and supply of quality seednuts, pesticides and fungicides to the growers. The Government of Tamil Nadu is also taking necessary steps to raise fresh cashew plantation in 26,000 acres during the Fourth Plan period.

AT PRESENT the loan assistance is at Rs. 150 per acre (Rs. 100 first instalment and Rs. 50 second instalment) subject to a maximum of Rs. 3,000 per individual, recoverable in

five instalments commencing from the sixth year of planting. These loan facilities have been made available for panchayats, co-operatives and temples also. Under cashew and coconut development in Tirunelveli district, the loan assistance is at present Rs. 370 per acre subject to a maximum of Rs. 3,500 for both cashew and coconut crops per individual.

Quality seednuts are supplied by the agriculture department at reasonable rates. Pesticides and fungicides are supplied to the cashew growers at 15 per cent subsidised rates by the department. Sprayers and dusters are supplied to the cashew growers at subsidised rates through the panchayat unions. Sprayers and dusters are given in hire to the farmers at nominal rates.

In the case of ryots who have laid demonstration plots, sprayers are supplied for spraying operations free of cost. A subsidy of Rs. 300 per demonstration plot is being given to ryots. But the subsidy will be in kind i.e., fertilisers and plant protection chemicals. A subsidy of Rs. 25 (in kind) per acre towards the cost of plant protection chemicals for two rounds of spraying is being given to cashew growers.

The Government of Tamil Nadu has also started a research station at Vriddhachalam in South Arcot district to tackle the problems of cashew cultivation. Cashew has been brought under the purview of the regulated markets.

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