

TRIBUNE

CEYLON NEWS REVIEW

50 Cts.

AUGUST 20, 1972

VOL. 17, NO. 38



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CEYLON'S ECONOMY

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ASSEMBLY

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India — Twentyfifth Anniversary

ON the cover this week we have a picture symbolic of the Green Revolution India has been able to effect during the last five or six years. On August 15, India celebrated the twenty-fifth anniversary of her Independence. On that occasion the Prime Minister Indira Gandhi stated: "This month we celebrate the 25th year of India's tryst with freedom. It has been a quarter century packed with trial and challenge, by overcoming which the nation has emerged stronger, more cohesive and more determined to reach its goals. Democracy has come to stay and has proved itself. But the economic freedom in the shape of economic self-reliance of the nation and also improvement in the daily lives of our common people has yet to be achieved. Fight against poverty and inequality demands united endeavour of all our people. It was the faith and deep involvement of the masses of our people which won us political freedom. Our objective is clear and unambiguous. But since no country has undertaken a task of such vast magnitude in such complex conditions, we have to chart our course as we go along and have to face known and unkn-

own obstacles. Let self-confidence and courage be our companions on this journey towards a new creative society which ensures justice and equality of opportunity to all, where every citizen is able to grow to his full height, where all men and women are involved in democratic functioning and are equally conscious of their fellow human beings."

President Giri in his speech at midnight on August 14, 1972, in the Central Hall of Parliament in New Delhi, stated that "Twenty five years ago this day, almost at this hour, the Constituent Assembly met in this hall to herald India's freedom. That was an event which was unique in world history and which had no parallel in the political annals of any country, ancient or modern. A mighty empire had bowed down to the indomitable will of an unarmed nation whose sole strength lay in the abiding faith of her people, in the power of the spirit and of peaceful persuasion ... We can claim, in all humility, that despite periods of extreme stress and strain, we have emerged today as a stable, well-knit and self-reliant nation"

If India has not achieved anything else she can be proud that she has been able to bring all peoples living the vast country into a united and integrated union. At one time, it was thought that the different linguistic groups and racial communities—each large enough to be separate nations and countries—would tend to break

away from each other. Separatism was a real danger to the new Indian Union, but the democratic and healthy policies by the ruling party and the Government has helped to defeat the fissiparous tendencies and bring a new union of peoples into being in this vast sub-continent. Even Tamil yearnings for a separate Tamilstar, or a greater Dravidistan, have faded away in the face of policies which were directed towards making every citizen of India feel that he or she *belonged—belonged* in every sense of the word in every part of the sub-continent. There are no first class or second class citizens in the Indian Union. All citizens are equal—equally restricted. Racial chauvinism, language jingoism and religious extremism has been curbed with a firm hand and even the smallest minorities have been made to feel that they too *belong—* as much as the biggest communities.

This is something of which the present rulers of Sri Lanka must take very serious note. Our's is a small island, with a small population, and with only three or four racial groups, but after 24 years of freedom we are still a long way from racial unity. Certain minorities, with good reason, feel that they are only second or third class citizens and that they do not have equality of opportunity and many of the other freedoms certain sections of the population enjoy.

More about Ceylon's Economy

by PERTINAX

ACCORDING to a press report in the *Daily Mirror*, of July 15, 1972, with the headline **PM FLAYS FOREIGN HELP, REVEALS THAT CHINESE AGAINST AID, FREE RICE, SUBSIDIES**, Mrs. Sirimavo Bandaranaike at a public meeting on July 14 organised by the SLFP trade unions to felicitate her as the first Prime Minister of the Republic of Sri Lanka was reported to have stated that: "*I really felt ashamed when the*

Chinese Premier Mr. Chou En-lai told me during my recent visit to China that our country has been receiving foreign aid and we have been eating it up, using it for consumption. Giving free rice, free health services and education as we are doing, was not socialism, the Chinese Premier told me quite categorically."

"Mrs. Bandaranaike said as an independent nation it was shameful for Sri Lanka to go on seeking aid from foreign countries. The Prime Minister said that China was prepared to aid Sri Lanka in the task of nation building. China was not prepared to give us aid for projects that would turn out to be white elephants. One could not say that China was a developed country. It was a developing country and everybody in China was making sacrifices to develop the country. She said there were no subsidies in China. The Chinese got much more rice than Ceylonese on a coupon system but they had to pay for it. It was the same with textiles and other essential goods, she said.

"The Prime Minister said that China was making progress without any foreign aid. The Chinese were making sacrifices for a better tomorrow.

"While all Chinese received an equal amount on ration, China was exporting in order to obtain foreign exchange to build its economy.

"With the inauguration of the Republican Constitution, there would be no excuses about obstacles being placed in the path of progress. The Cabinet and Parliamentarians could not speak of such obstacles in the future. She had one fear—whether the Government would be able to deliver the goods and fulfil the promises held out to the masses after the inauguration of the new Constitution. With the attainment of complete political freedom, she was now determined to achieve economic freedom.

"The country could not be geared to nation-building and economic independence with an eye to the vote. "It does not matter even if we are turned out of power after we have succeeded in developing the country", she declared amidst applause.

"The Prime Minister said she had noted the statement issued by Mr. Dudley Senanayake, the UNP leader expressing the view that Ceylonese labour would be used for projects aided by China. The statement she said was obviously a reference to Chinese workmen constructing the Bandaranaike Memorial Hall. She was glad to state that the Chinese would be completing the Hall six months ahead of schedule. Could we claim that any of our projects had been completed ahead



TRIBUNE

Founded 1954

A Journal of Ceylon and
World Affairs

AUGUST 20, 1972

Vol. 17. No. 38

43, Dawson Street,
COLOMBO 2.

Telephone: 33172

of schedule, she asked and added that the Chinese workmen would be leaving the island after they completed their task.

"She announced that all land taken over under the projected Land Reforms Act would not be given to the people. Such lands would be developed under the co-operative system. It was only after development was achieved that there could be opportunities for jobs. The Prime Minister said that like the Chinese, all Ceylonese should be prepared to do any type of work in the interest of the rapid development of the country."

This was a forceful and forthright statement. Since her return from China this has been the general tenor of her speeches. Many of her colleagues have also begun to speak in the same strain. They have all begun to stress that Ceylonese should *save* (and not *consume*) in order to have money for investment in industry and agriculture and thus build up this country.

When "bourgeois" economists and the World Bank had said the same thing over the last two decades, there was usually a hue and cry from the left that this country should not succumb to blackmail and intimidation from agents of neo-colonialism intent on making poor nations still poorer.

WE HAVE in earlier articles referred to what the World Bank report had to say about uneconomic consumption levels which had been "normalised"

in Ceylon — thereby leaving little or no room for saving, however marginal. The IMF Report thereafter went on to examine the volume of investment which has been pumped into our industrial field. The IMF team was not satisfied with the data presented by Ceylon. It was misleading, the Report stated. Investment and replacement had been mixed up. This is what the World Bank report stated on this aspect of the matter: "Excessive consumption also means inadequate investment. Only a major structural change could have offset the backward pull of the export sector; and it would have required a large and well-directed investment program. In fact, however, not enough — indeed, very little was left over for investment. There again, the national accounting data are misleading. In this the rate appears to be an impressive 17 per cent. However, this figure relates to gross investment. By definition, therefore, it makes no provision for ageing, obsolescence or even physical retirement of equipment. The Ceylonese figures also include a high proportion of simple maintenance works, which add nothing to productive capacity. Much investment has also gone to semi-productive fields, such as residential construction and service."

This kind of "bourgeois" advice had been given over the years to nearly all governments in Sri Lanka since the dawn of political independence in 1948, but even "capitalist" govern-

ments like the UNP had chosen to ignore such advice because of the imperatives of vote-catching in adult franchise electorates.

The Left looked upon anything said by the experts from the World Bank as sinister individuals who were seeking to lead Ceylon into the by-paths of capitalist development (which they were undoubtedly endeavouring to do because they believed in private enterprise), but in this process they tended to ignore the very valid advice they tendered to ensure development which was also essential for a non-capitalist path of economic development.

Be it capitalism or socialism, what Sri Lanka needed was development, and what the IMF experts had wanted to impress upon this country was that the economy should be built on sound lines. Socialism too needed a sound economic base: The industrial base had to be built on a stable footing. And so also the agricultural. This is what the latest IMF Report had to say on this aspect of the matter: "Much was, it must also be admitted, misapplied or misused. This is probably true to the broad strategy and at the project levels. The neglect of the major export sectors — notably the inadequacy of replanting — contributed much to the decline in export values. It could perhaps be argued that export earnings from tea were limited by the inelasticity of foreign demand; but no such argument can reasonably be made for rubber or coconut. In industry,

too, investment was mostly for import-substitution catering to the demands geared to consumption levels and patterns which the economy could not support. These industries, in addition to tying up much of the available investment funds, also used up a large share of current foreign exchange resources, thus tying the employment prospects of significant segment of urban population to consumption-oriented imports, and effectively hindering the needed restructuring of the economy. Much public sector investment suffered from just plain mismanagement, at the conception or exploitation stage, or both."

What the Report said was that investment was misapplied. Instead of investing along correct lines in agriculture and in industry, whatever money was available was frittered away on "non-essential" enterprises. In industries, for instance, instead of building a stable industrial base for development, money was invested in import-substitution industries for luxury and semi-luxury consumption articles which this country could not afford. Ceylon permitted investment in a number of factories for transistors and refrigerators without concentrating in the first place on industries to make electrical components and parts necessary for the electrification of the countryside to promote more scientific and cheaper agriculture.

THE IMF drew attention to the misdirection in investment in industry. At one stage Ceylon had about half a dozen factories for making shaving blades, whereas half that number would have more than sufficed, but industries for manufacturing agricultural tools and implements were totally ignored. All the world's cosmetics were "made" in Ceylon, but it was only belatedly that water-pumps for agriculture were "assembled" in Ceylon to be sold at prices three times the price of imported water pumps.

The IMF Report also considered the nature of the investment made in agriculture and pointed out that the expenditure on "colonisation" was wasteful and did not even produce the results for which the Government had made the investment in the first instance. This is what the Report has to say on this: "In agriculture, there seem to have been two basic interrelated problems. One is the persistent excessive pre-occupation with 'colonisation' schemes, i. e., the reclamation, by means of major irrigation works, of the area in the dry zone which was the heartland of Singhalese civilisation, in its golden age, and the resettlement of these reclaimed areas by people brought over from the crowded wet zone. These are heavy capital-intensive operations. Large fixed investments are needed, and the colonisers are also given all the working capital they need, including housing and tools. The colonization

schemes also suffer from social problems; they were originally intended to create a group of smallholder-owner-operators, but it is widely reported that, after a few seasons, a large proportion of new owners merely rent out their land."

It is a notorious fact that investment in colonisation schemes such as the Gal Oya Valley Scheme has proved to be uneconomic. Over 850 million rupees had been invested in Gal Oya and the returns have

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Rs. 18 per 36 issues,
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been less than 0.1 per cent in terms of the investment. A few new electorates have no doubt been created for Sinhala politicians, but the impact made on agricultural production was minimal. Looked at from a different angle, it cost the government over Rs. 12,000 to Rs. 14,000 to bring an acre of land (reclaimed from jungle) under cultivation in this and other big irrigation *colonisation* schemes for peasants, but private individuals have done the same for less than Rs. 5000 an acre providing much greater investment for a mixed cropping and livestock.

Successive governments overwhelmingly obsessed with the idea of recreating the golden age of Parakrama Bahu and of establishing pocket electoral boroughs for individuals who were dispensing state funds so much so that they forgot basic principles of accounting and profitability. And the colonies they set up have now turned out to be socio-political problems without any redeeming features either on the basis of productivity or profitability.

WHAT THE latest IMF Report went on to say about our *colonisation* schemes has been said many times before over the years, not only by visiting "experts," but also by a large number of Ceylonese who know what they were talking about. In its humble way, *Tribune* has consistently pointed out exactly what these experts and the IMF Reports have stated, but *Tribune* had

also in addition drawn attention to the short-sighted political motivation behind these colonisation schemes. For less than half the money on these colonisation schemes, this country could have become self-sufficient in food and thereby prevented the major foreign exchange crisis which has this country and its economy in its vicious octopus-like grip. The money expended on *colonisation* schemes and the artificially high wages paid there have in turn pushed real wages and consumption to uneconomic and unrealistic levels. This is what the IMF Report has to say on this. "The pre-occupation with *colonization* schemes is related to the overall problem of real wage rates. More or less explicitly, the projects are justified by the consideration that because much labor is unemployed, its use is in some sense free. In fact, however, labor requires considerable inducement to come to the project area. At best, the economy's meager surplus was invested in ways which provided a meager livelihood to a few thousand people, or in some older schemes, a rather good one to a few hundreds; but generated no surplus for further investment. At worst as in the case of the massive Gal Oya scheme, even if capital were available to the economy absolutely free...the project would not have been paying.

"In effect, *colonization* schemes, and generally speaking, large scale irrigation works and new area development, are

remunerative only if efficient practices are assumed, notably as regards water management and labor use. These assumptions are reflected in the use of a low 'shadow' price of labor and a high 'shadow' price of water in the appraisal of the project. In fact, however, wage rates are high and no water charge is levied; so water is wasted, not enough labor is used, and the project is unproductive. Furthermore, if steps had been taken to improve water and labor use by changing their effective prices, (i.e., by imposing a water charge related to use, and reducing the real wage rate) this would have followed considerable increases in production on already irrigated land; minor improvements on such land would then have been seen to yield much better returns than investment in big *colonization* schemes."

Small and medium mixed farms based on the private enterprise of small and medium peasants, even if they be of middle class origin, would have proved more beneficial to the country than the large oversized state farms and the gigantic *colonization* schemes which have proved to be veritable white elephants.

HARKING back to the question of consumption, the latest IMF Report drew attention once again to the fact that the current foreign exchange crisis stemmed directly from the nureal consumption levels which had been allowed to prevail in this country. And to cater to

these consumption fads, governments, particularly the last UNP government, had resorted to short-term loans of a suicidal and crippling nature. On this aspect of the matter, the IMF comment was: "Another aspect of excessive consumption is a persisting foreign exchange shortage. In Ceylon, excessive consumption leads directly to imports; food accounts for almost half of total imports and much of the rest is consumption-oriented, including, as noted above, the import needs of industry. Hence, even if there were enough general resources for adequate investment, foreign exchange would still be lacking for capital goods imports. A truly drastic shortage of imports for the current needs of industry has been avoided only at the cost of an intolerable short-term debt burden."

What this amounts to is that the last UNP government, faced with foreign exchange shortage, and wanting to import raw materials as well as consumption luxuries and semi-luxuries, borrowed from all and sundry at high rates of interest thereby casting a burden on the economy which it could not sustain. The present UF government has to bear the brunt of this policy and the austerities and shortages forced upon the economy have been unnecessarily great. What is particularly unfortunate is that, apart from consumer articles not being imported, even the import of industrial raw materials have been stopped.

Consumers being deprived of these goods is bearable, but without raw materials even the import substitution light industries and other industries will grind to a halt causing unemployment.

"There is now widespread agreement with this analysis of the basic political ills of the Ceylonese economy. The ILO's Employment Mission led by Professor Dudley Seers and the just-published Five Year Plan, have produced basically the same diagnosis." With this comment, the IMF Report stressed that many people had made the same diagnosis about the malady which afflicts this country. In a discreet sort of way the IMF report characterises the problem as being "the basic political ill of the Ceylonese economy." Undoubtedly all the mistakes made stemmed from wrong political motivation. The legislators wanted to bribe the voters with state funds to ensure support and hence all expenditure was motivated and orientated from uneconomic and unrealistic angles. They wanted to recreate the golden age of the glorious Sinhala past within the lifetime of each Parliament and money was squandered in a truly raskish manner of a profligate squanderer.

NEXT, the latest IMF Report went back to history of the last ten or twelve years. There was a marked decline in export prices, it said, from 1960. And the Government, it emphasised should have taken

appropriate measures. Although export prices declined from 1960 in a marked manner, statistics reveal that the downward trend had started from the early fifties. The so-called Korean boom was only a flash in the pan. But from 1960, the downward curve in export prices took a disastrously dangerous turn. There were minor attempts to curb the imports of luxuries, bought by "capitalists" and other "parasites", but no serious attempt was made to tackle the twin evils of unrealistically high wages and the consequently high consumption levels. And the state sector did not prove to be as profitable as they were expected to be and instead of providing funds for the Government many of the state enterprises became a drain on the revenue.

The latest IMF Report neatly sums up the situation in this way: "The steady downward drift of the economy was primarily and directly caused by the fall of the prices of Ceylon's exports. Given the very heavy weight of the export sector, which accounted for two-thirds of commodity production, the growth of real income was therefore bound to be slow at best. Once the situation was understood, only one way was truly open to Ceylon. With *hindsight*, it is clear that Ceylon should have used revenue measures to drastically cut per capita consumption and personal income levels as soon as the export price trends became pronounced, say at the latest by 1960. If, as is likely

that had been achieved without reducing nominal wages, the revenue measures should have been accompanied by a large devaluation which could have cut real costs throughout the economy in relation to foreign costs, thus stimulating import substitution and exports. All this would also have pushed towards more labor intensive forms of production. Combined—as they should have been—with a drastic reform of the price system, these measures would have improved the orientation of investment. Of course, all that means is that costly 'successes' would have been easier to avoid. Costly failures caused by sheer management, like sugar factories built at the cost of Rs. 90 million and operating at 20 per cent capacity, could still have occurred. To reduce the incidence of these, the overall management and performance evaluation patterns of the public sector would need to have revised—and even with *hindsight*, there is no easy recipe for that."

THE IMF REPORT repeatedly used the word "*hindsight*"—very appropriate in the circumstances—and in a genteel way "rubbed it in," in the hope no doubt that Ceylonese politicians would wake up to realities. But Ceylonese politicians do not bother to read IMF reports even if made available to them. They claim to have *foresight*—looking forward to the second age of Parakrama Bahu where everything would be hunky-dory with milk and

honey in plenty—and did not take the warnings of the IMF experts seriously.

Now that Prime Minister Chou En-lai has echoed all that the IMF experts had stated in the language and idiom of Maoism, Ceylon's political pundits might be persuaded to pay a little more attention to what bourgeois economists have had to say—ultimately what they have to say about economic development *per se* is not very different from what marxist economists say.

"What if all this had been done? Consumption of coconut products would have been smaller, because of the smaller personal incomes, and also because shifting the tax burden to consumption would have alleviated the burden of export taxes, and thus raised the price to domestic consumers and producers alike. For the same reason, production of export goods would have been higher. In the case of rubber and coconut, this would have meant much larger export earnings; for tea the situation is less clear but at worst a higher volume of exports would have led to a slight or no increase in value; at best, it could have led to a market sharing, price-stabilizing arrangement with other exporters. Price shifts would also have boosted other exporters and import-substituting agricultural production for the domestic market. All in all, in 1970 overall commodity production and the foreign exchange position might have been between

Rs. 600 to Rs. 1,000 million better; say, higher by about 15 percent than their actual real level in 1970. The higher growth rate would have created more employment, so that a smaller share of all commodities would have been available to the previously employed population. Better investment practices, largely a direct result of more correct price policies, and consequently, improved factor allocation, would also have improved the economy's performance—say by another 10 percent over the decade. If so, thanks to these economic policies, shaped by correct *hindsight* and carried out by a people convinced of the need for immediate short-run sacrifices, real wage rates and the real incomes of the employed population would have risen, by 1970, to about the level at which they actually stood in 1970. Of course, unemployment would be considerably smaller; overall consumption, correspondingly larger, would have been growing throughout the decade, after the initial cut; above all, the future would now be infinitely brighter."

The Report then went on to set out the perspectives that would have come into being if the correct policies had been followed. The language used is jargon common to economic pundits of the day, and even laymen interested in the subject will not have any difficulty in understanding what the IMF team want to say. If realistic and appropriate policies

had been followed at least from 1960, the situation today would have been better in terms of real wages and consumption (and not in terms of nominal wages and scarcities) and the future would have been brighter. Instead, the future is bleak, and unless draconian measures are adopted immediately the future would be even bleaker.

The relevant paragraph in the Report makes interesting reading: "In 1960, *hindsight* was of no use for shaping policy. Nobody, either in Ceylon or outside, foresaw for how long and how far, tea and rubber would fall. However, even if full and certain *foresight* had been available, the sacrifices involved in the path we outlined might not have been acceptable. In fact, successive Governments chose to greatly limit the extent of sacrifice demanded from the employed population; and hoped that production, particularly import substitution, could be brought up fast enough to produce the foreign exchange and financial resources needed to raise investment. Unfortunately, not enough resources were produced. Furthermore, because consumption remained high, and therefore relatively sophisticated and import-oriented, and because it was protected by price and exchange control policies which kept the cost of intermediate imports low, investment in turn took consumption-oriented, import-intensive forms. Perhaps most importantly, it also took less labor-intensive, and therefore

less efficient, forms than would have otherwise been the case. At the same time, the high level of real wages received by the employed and expected by the unemployed also caused the overall application of labor to be less than it would have otherwise been."

IN THE LAST ISSUE, this column referred to the "floating" of the pound sterling and the compelling reasons why Britain resorted to this form of oblique devaluation. Further with the dock strike in the UK, and with all its imports and exports frozen at the ports, the economic situation in Britain is not very encouraging. The Ceylon rupee has also been re-linked to the pound sterling and this has naturally brought a new devaluation of the rupee — though minimal and small at the present moment. But one does not know how long the pound sterling will continue to float.

In the meantime, the dock strike has had a deadening effect on the tea market in Ceylon. Britain is still one of the principal buyers of Ceylon teas and ever since the dock strike began, British buyers have been extremely cautious about buying. In fact most of them did not bid at the last two Colombo auctions — because they did not know when they could possibly hope to ship the tea so purchased.

All this adds to the difficulties facing the government of Sri Lanka. In addition to all other headaches the floating

pound sterling will add to its problems. And there is no certainty when the floating will end. Periods of "temporary floating" have become so frequent for so many major currencies that it is stretching the meaning of words to treat them as temporary exceptions to a regime of fixed rates. In the past, the prevailing attitude was to cling to fixed parities. But even when the Bretton Woods Agreement was drawn up provision was made for countries to change fixed rates if it became clear that the rates were unrealistic. Today there is an even more flexible attitude to parity. The British Chancellor, Mr. Barber, very forcefully explained that his Government could not be frustrated in its desire to secure economic expansion just to defend an unrealistic rate of exchange.

The floating of the pound was preferable to a straightforward devaluation so far as Britain was concerned. Devaluation meant another fixed parity and this is what nobody could decide upon. Floating the pound was the only external action available to the British Government at this stage. And it also took the opportunity to abolish all distinctions between what was known as the "sterling area" and the rest of the world. Those countries in the so-called "sterling area" which kept huge reserves in sterling will suffer most. Countries like Singapore and Malaya which by agreement and otherwise had big sterling

CEYLON: MARGINAL NOTES

reserves have been caught at the wrong end of the stick, but there is very little they can do. The dollar is not as strong as it was. Last year it floated for many months and even now it has not acquired the stability expected of one of the two convertible currencies under the Bretton Woods scheme of monetary organisation.

It is clear that the international monetary system (of the capitalist world) is in a flux. It is going through one the major changes that descend upon the affairs of men and countries. The currencies of the socialist bloc of countries are sheltered behind strict controls and an isolated existence. They are still not part of the international currency system which regulate economic affairs in our part of the world. What will come out of the present turmoil in the international monetary system is difficult, almost impossible, to predict. And little Sri Lanka is also caught up in this vortex of uncertainty.

- ★ Sri Lanka
- ★ National Assembly
- ★ Economic Difficulties

by SERENDIB

THIS COLUMNIST has not appeared in print in *Tribune* for some weeks now. The Editor has neither fired me nor laid me off, and absenteeism is no crime in Sri Lanka (even Prof. Dudley Seers has discovered this!), and I resume my writing without one word of apology. The time for apologies will probably come later—when the proposed Press Council has been set up. Even today, all writing is inhibited by the Emergency Regulations on Publications decreeing that five topics were forbidden territory. Admittedly they are sensitive matters after the insurrection of 1971. But with the insurrection fading into the background and the culprits being brought to trial, the Government should consider relaxations to enable a free press to flourish. Without the freedom to write, within the limits of the normal common law of the land, democracy will become a farce and a mockery. At the moment it is not easy

to comment on all aspects of life and living in Sri Lanka with five major matters circumscribed by the Emergency Regulations.

However it must be said to the credit of the Government that there has been no attempt to use the five banned topics as an excuse to suppress press freedom. The five matters may be summarised thus: news and comments relating to—(1) the activities of proscribed organisations; (2) investigations into acts of terrorism and the insurrectionary movement; (3) the movements and disposition of troops and security forces; (4) matters relating to the defence and security of the state; (5) matters which are likely to promote communalism and incite communal tensions.

These five topics cover a great deal of ground, and any government so inclined can suppress press freedom particularly under the fifth item. Even when precensorship was enforced, a great deal of latitude was allowed for comment. Without

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pre-censorship, as of today, and with the terrorist movement brought under control, even greater latitude has been allowed in these matters. What Government seems to want, and correctly no doubt, is to prevent exaggerated and false reports either to glorify the terrorist movement (and assist it by referring to movements of the police and security forces) or to denigrate the government through inciting communal tensions. What the Government seems to be after is to check yellow journalism and also prevent the publication of newspapers and bulletins of the terrorist movement itself.

The Government's position is understandable on this question, but for a serious commentator on contemporary Ceylon of the seventies a great deal revolves around the terrorist and insurgent movement. If one seeks to examine the causes that led to the insurgency, there is room for some bureaucrat to misunderstand what is written as constituting either a glorification of the insurgent movement or an unfair criticism of the government and the Establishment. The fear that an over-zealous bureaucrat or an unimaginative politician would pounce on some innocuous comment on the insurgency movement as being subversive matter hangs like the sword of Damocles over writers who wish to say something positive and revealing about the political history of Sri Lanka in the seventies.

But the Press Council Bill is another kettle of fish. Only a draft has been "leaked" to certain sections of the press. Knowledgeable sources assert that this draft has not yet been considered by the Cabinet. However, even if the draft has still not received Cabinet approval, there is no doubt that such a draft is in circulation. Britain and India have Press Councils, and Sri Lanka will be only emulating countries, where press freedom prevails, in seeking to set up a Press Council of her own. But what has horrified many people is that the Ceylon draft envisages powers being vested in the Press Council to impose censorship at any time it thinks fit. Censorship during an Emergency is understandable, but to enact a law which gives the right to a statutory body to impose censorship as and when it thinks it necessary is make a joke of press freedom. But even more alarming is the clause in the draft bill which seeks to compel newspapers to obtain prior approval before the publication of all "government news" and coupled with it the obligation on the part of journalists and newspapers to disclose the source of any information in regard to government news. Prior approval for "government news" will reduce newspapers to becoming news bulletins to print "approved" government news, but the insistence that a journalist should disclose the source of his information violates one of the sacred principles of journalistic

ethics. The *Daily News* and the *Daily Mirror*, amongst others, have written strong and forthright editorials on this matter, and any right-thinking person will fully endorse what they have said. There are undoubtedly many laudable objectives in the draft Press Council Bill, but some of them are so phrased as to pave the way for insisting that a journalist should disclose the source of his information.

It is to be hoped that when this draft bill goes before the Cabinet these clauses which strike at the very root of press freedom are eliminated. The draft bill speaks about the need to draw up a code of ethics for journalists. One of the main bulwarks of any such code is the rule that no journalist should disclose the source of his information. A charter of rights for working journalists and a code of ethics for all who want to indulge in journalistic writing are essential, but these should not be used by legislators as an excuse or a smokescreen to violate the basic essentials of press freedom. The Constitution of Sri Lanka guarantees the fundamental right of free expression and it would be a disaster of the highest magnitude if the Press Council Bill or any other law circumscribes this right in a way that it is made meaningless.

WE ARE NOW in the era of Sri Lanka, and there is an unfortunate tendency to shun

the name CEYLON because, it is said, that it was a name by which this island was known in the colonial era—from the beginning of the sixteenth century right into the middle of the twentieth for a continuous period of about 450 years. The colonial era is a historical fact and the mere change of name will not wipe out historical realities. But if those who control the destinies of the island, at this time, feel that a change of name was essential for a multiplicity of reasons, it is all for the good. However, they still officially cling to the name *Ceylon* in the English version. This, we are told is, to ensure that the world buys our tea which, for better or for worse, is known as *Ceylon tea*. It is well to remember that Lanka was also one of the names used for the island from the ages past, but but what is new is the prefix *Sri*. One meaning of the term *Sri* is "blessed", and it is the wish and hope of everybody that this land under the benign influence of the new Republican Constitution will soon become a truly *blessed* island.

While paying due heed and respect to the fact that this island is now officially *Sri Lanka*, this writer must be forgiven if he uses the term *Ceylon*, or just plain *Lanka* (or *Taprobane* or *Serendib* for that matter) when referring to this Island. There are some who prefer to use the term *Sinhala Dipa*, whilst others

feel happy when we call it *Illangai*, or *Eelam*. What is there in a name? asked Shakespeare, but Shakespeare too will soon be a forgotten legend of the colonial era. *Ravana* is a name of the pre-Vijaya era and official historians now insist on dating the history of this island from the time Vijaya landed on its shores. At one time in the recent past it was the colonial history of this country which was glorified, but today the emphasis has sifted to the epoch of the Mahavamsa and the Culavamsa. For how long this euphoria will go on it is difficult to say, but for the moment it is *the Republic of Sri Lanka* all the way. When some future generation chooses to change the present Constitution—and history moves at a rapid pace nowadays—the then rulers may go back to a more ancient name like *Taprobane*, or they may revert back to the simple name *Ceylon* once again. We live in a world of flux, change and uncertainty, and there is no knowing what our children and our children's children will want to do. They may not like any of these names—*Lanka*, *Sri Lanka*, *Ceylon*, *Taprobane*, *Serendib* and the rest, and they may coin an entirely new name. They may want to break with the past entirely, and nobody who knows the realities of today will blame them for wanting to do this.

For the moment, we must rest content with the name *Sri Lanka*. Lapsing into the name *Ceylon* is no crime because it

is still official in the English version of the Constitution. And it must be also noted that we have passed on from the era of a Parliament to the era of the National State Assembly. We should no longer speak of MPs but should refer to our legislators as MNSAs. And furthermore, they are no longer mere legislators. In them vest all powers—legislative, executive and judicial—as the elected representatives of the people. The constitutional principle of the "separation of powers", balancing the three arms of government and administration, has been consigned to the dust heap as savouring of colonialism intent on circumscribing, circumventing and denigrating the "power of the masses". It is the supreme belief of the earners and makers of the present Republican Constitution that the "masses" of this island will be able with this constitution to translate their power into concrete action to make this island a happy and blessed one and to enable its citizens to be rich and prosperous.

IT IS in this context that one must view men and matters in Sri Lanka today. One of the first proposals of the Government was to pay each MNSA an additional payment of Rs 50 per sitting they attended. This was no doubt a kind of attendance bonus. In a country where absenteeism was the rule rather than the exception an inducement like this was unavoidable, but as in every land dissenting voices were heard complaining that this the

payment of additional Rs. 50 was a burdensome levy on the "masses" writhing under many hardships. UNP's Premadasa proclaimed that he would not take this additional payment. He would forgo that he said. Shortly after this, it was announced that the Ministers of the government would also forgo this extra bonanza of Rs 50 per sitting. While this drama, or melodrama, about the Rs 50 went on, the talk about a Cabinet reshuffle once again reared its head.

For over 18 months now, this talk about a Cabinet reshuffle has persisted. The insurrection of April 1971 was said to have caused a postponement. It was then expected with the last Budget in October 1971. Then it was confidently asserted that it would come with the new Constitution when it was hoped that it would be promulgated on Ceylon's National Day on February 4, 1972. The Constitution was however delayed, and everybody said that the reshuffle would take place later — the latest being with the ushering in of the new Republican Constitution.

The state of Sri Lanka was brought into being at the auspicious moment of 12.52 pm on May 22, 1972, but the reshuffle did not take place even then. (In February, 1972, the Minister of Justice, Jayamanna had been called upon to resign, and his functions had been handed over to another Minister—and no reshuffle had even then taken place.) Thereafter

it was said that there would be a reshuffle after the PM returned from her state visit to China. And now it is over a month since her return, and the reshuffle is still very much in the air, but nothing has happened.

In the meantime, the *Sun*, which does a great deal of kite-flying, had its front page story on July 26, 1972, with the heading MAJOR RESHUFFLE OF DEPARTMENTS LIKELY, and stated that:

"A MAJOR SHAKE-UP TO REDESIGN THE FUNCTIONS OF A NUMBER OF MINISTERS IS NOW VERY MUCH ON THE CARDS. The shake-up, the "SUN" reliably understands, will not amount to a reshuffle of the Cabinet, but a re-allocation of departments and subjects now assigned to about six ministers. The ministries expected to be affected in this shake-up are Fisheries, Shipping and Tourism, Communications, Industries and Scientific Affairs, Foreign and Internal Trade and Cultural Affairs.

"It is understood that the Prime Minister Mrs. Sirmavo Bandaranaike, has already had several rounds of discussions with her senior Cabinet colleagues on the question of re-assigning the work of the respective ministers. No final decisions have been taken yet. But it is expected that the re-allocation would be effected next month. With this re-allocation, certain changes in regard to secretaries to ministr-

ies, and department and corporation heads are also expected.

"Informed sources believe that under this reshuffle, the Department of Aviation would be brought under Mr. P. B. G. Kalugalle who will be the Minister of Aviation and Tourism. This will be one of the important changes because the local travel trade has made representations to the Government, time and again urging the appointment of a single minister in charge of the two subjects in order to tailor the country's aviation policy to the requirements of the tourist industry. Another important change expected is the allocation of Shipping and the subject of Ports which are now under Mr. Kalugalle to the Minister of Fisheries, Mr. George Rajapakse."

It is a far cry from a complete reshuffle of the Cabinet to a re-allocation of departments among the existing Ministers. It had been suggested at different times that the Left was being pushed out of the key ministries, that particular ministers were *persona non grata*, and so on and so forth, but none of these things have happened. Even the threatened split within the UF, with CP either quitting the Government or being thrown out, has not happened. Instead, oil seems to have been poured over the troubled waters particularly by certain non-left SLFP Ministers anxious to have a counterbalance for the LSSP within the Cabinet—and trouble is

likely to be settled a summit before the CP meets in Congress on August 20.

BUT IN SPITE of the change of name to Sri Lanka, there has been no change for the better in the economic situation in the country. The name Sri Lanka has not proved a miracle-making magic name in the same way that the words *open sesame* enabled Ali Baba to enter the cave of fortune and prosperity. It was after Ceylon became Sri Lanka that the PM went to China, and though she got a massive Rs 307 million in aid, it was project aid. What she wanted most was convertible hard currency, but this is what Sri Lanka did not get in China, although there is a vague promise about a convertible currency loan of US \$ 10. It was also after Ceylon became Sri Lanka that Minister Subasinghe went to the East European socialist bloc of countries and though he signed agreements for project aid for Rs 250 million, immediate hard currency to meet foreign exchange liquidity was not available. The IMF and the World Bank have been postponing the date of the next meeting of Aid Club—waiting for the day when Sri Lanka will take meaningful steps to translate IMF recommendations into practice. All this has brought hardship. Imports have been cut down to the bone.

One dismal repercussion of the lack of foreign exchange is that the ports in Ceylon are idle. All daily newspapers have

published reports from official memoranda about the fact that Colombo, Galle and Trincomalee ports are virtually at a standstill. Imports are few and the exports are likewise limited. Dockworkers nevertheless, earn their daily wage even if there is no work at all, but they are grumbling because they do not earn overtime and their monthly take-home packet has come down more than half. But they do not dare to strike. In fact, the nationalised Port Cargo Corporation always had an excess work force—for political reasons. There is a work force of over 17,000 men in the Colombo Port, whereas even at the busiest of times a third of this force was redundant and they were kept occupied only because of work norms being forced down to uneconomic levels—thus making the port charges the highest in the world in terms of units of productivity.

THE THREE PORTS, Colombo, Galle and Trinco, have already become white elephants imposing a heavy burden on the revenue of the island. Being public sector workers the government dare not retrench them, though some bright bureaucrats have been toying with the idea of terminating employment of a portion of this workforce by paying attractive gratuities. It has been estimated that to keep the ports working smoothly and profitably (charging fantastically high wages in terms of Ceylon's GNP), a total annual

cargo level of 3.5 million tons was the barest imperative. In 1971 the amount of cargo handled at the three ports had dropped to well under 3 million tons. This year, the turnover will be even less. With this reduced volume of work (it is getting less day by day). The port authorities are faced with the problem of a massive labour force without work.

BUT PRO-GOVERNMENT propaganda does not see any dark clouds on the economic horizon. The scattered silver lining on the dark clouds are hailed as the turning point in the economic picture. The *Nation*, 4/8, painted a wonderful picture of the aid Minister Subasinghe had obtained from the socialist countries. The heading was Rs. 500 M INDUSTRIAL PROGRAMME — MINISTER ARRANGES FOREIGN EXCHANGE NEEDS. It would be useful to cite the *Nation* report to enable readers to see just how the Government visualised the project aid received, and the confidence the paper displayed that the aid would be utilised much better than such aid has been utilised in the past. This is what *Nation* said: "The Minister of Industries, Mr. T. B. Subasinghe, returned to Ceylon last week from a tour of nearly three weeks that took him to the USSR, the German Democratic Republic, Poland, Hungary and Czechoslovakia in connection with his plans for the development of industry in Sri Lanka. He had spent nearly two years since his assumption

of office in the United Front Government, straightening out the mess in the State Corporations left behind by the UNP Government and bringing the private sector of industry into line with the new Government's industrial policy. Side by side Ministry officials were put to work on the selection and preparation of plans for some 40 industries which should be accorded priority in the Government's industrial programme. This list was then made the subject of negotiation with interested international financial institutions and foreign Governments to overcome the grave handicap of the country's chronic shortage of foreign exchange.

"Some of these industrial projects are still being negotiated with institutions like the Asian Development Bank and the West German Bank, KfW. Others are in the process of being finalised with the capital participation of well-known foreign firms, as in the case of new export-oriented ceramics factory to be set up in collaboration with the Japanese firm, Noritake. The bulk of the projects evoked interest, however, only from the Socialist countries, with whose representatives in Sri Lanka there have taken place detailed negotiations over many months. It was with the intention of bringing these negotiations to a conclusion in the case of at least some of these projects that the Minister of Industries eventually decided to accept

the invitation to visit these Socialist countries.

"The Minister told a press conference in his Minister on Tuesday that he had negotiated approximately Rs. 250 million in assistance from these countries. This would cover the foreign exchange cost of 15 major industrial projects in the public sector, including the cost of plant, technology, specialised services and training of local personnel. This assistance would be in the form of long-term loans of between ten and fifteen years, carrying rates of interest of between 2 and 3 per cent. It will be paralleled by equal amount of rupee investment, which Government must now provide.

"Aware that managerial resources are as scarce as capital in Sri Lanka for both public and private sector industrial enterprises, the Minister has made arrangements to meet this situation. He has decided on a bold policy of picking younger men from the middle-management strata in our public enterprises on the basis of their performance in their present positions, their aptitudes and skills. Those selected young people will be sent to the Socialist countries for the necessary experience and training. In this way, it is hoped, they will acquire the confidence and ability to take charge of the highest responsibilities.

"The projects that have been negotiated are:—USSR: Stage 2 of the Steel Factory project at Oruwela; Tyre Fac-

tory expansion at Kelaniya; Petroleum prospecting project; Flour Mill expansion; modernisation and expansion of Graphite production. Poland: Fine-count Spinning Mill; manufacture of Hard-board from wood-waste; manufacture of Strawboard; Tractor Assembly proposal. G.D.R.: Course-count Spinning Mill and Nylon Yarn Mill. Czechoslovakia: Chipboard Factory for Gintota Plywood complex; manufacture of Refraction material for Foundries; Leather Factory expansion. Hungary: Aluminium Rolling Mill and plant for Sterile Preparations for medical use.

"The Minister observed that both foreign exchange and rupee components in these 15 projects would make an investment of nearly Rs. 500 million. This would constitute roughly half of the projected investment in the State sector under the Five Year Plan. His task would now be to press ahead with the remaining projects on his Ministry's list, many of which had already been the subject of discussion with interested parties and Governments. If administrative and other delays, which had now become the inevitable accompaniment of existing procedures, could be cut down, Mr. Subasinghe was confident that the Plan targets could be achieved well within the Plan period."

All this sounds very promising and hopeful. Middle management levels are to be pushed up and sent for special

training to socialist countries, but it is yet to be seen how this experiment will work. It is a notorious fact that in recent times, with each change of government, middle management cadres in the public and administrative sectors have assumed opportunistic political loyalties and leap-frogged over the top manager levels. From 1947, this has happened with unfailing regularity, and after 1970 it assumed fantastic proportions, when a virtual witch-hunt raptically decimated the top cadres as "reactionaries". This brought the middle levels of management, who professed to be socialist, to the top, but this has not improved matters. Bureaucratic red tape is as bad as before, inefficiency has increased and corruption has grown by leaps and bounds.

It is not clear what the Hon. Minister means by the middle levels of management. Is it the middle as at present? For this would mean that the middle levels of 1970 are on the top and the very lowest of 1970 and the new recruits would be present "middle". Will this section be any better than those who had been sent to socialist countries for training from the 1960s? What many do not realise is that selection for political loyalty is not the best way of selection for management trainees.

There are so many methods of selecting personnel and the least desirable is to base selections primarily on political loyalties. Such loyalties can be

PROs & CONs

Of Chinese Aid

Compiled by SCRUTATOR

Introduction Note

IN the last issue of *Tribune*, the Editor had raised some very interesting questions about Chinese Aid. But he did not

feigned. There are so many other criteria—suitability, competence, qualifications, merit, etc. etc.—which are even more important.

It will be asserted by government circles that the best for a socialist regime are being selected on the basis of "aptitude" performance and skills". The majority of selections made in the last two years however do not inspire confidence. Selectors have, in actual fact, been "compelled" or "pressurised" to confine their selections to Ministerial secret lists, MPs lists and other lists from VIPs in the Establishment.

It will be difficult to overcome economic difficulties, or any other difficulties for that matter, if the best available talent is not harnessed for the purpose. Sri Lanka will not be able to rise to the full glory of its Republican status if the best and most talented are brushed aside by secret lists of Ministers and other politicians.

cover the whole range of questions which stem from this question of aid from China to Sri Lanka. There are so many angles and so many facets to the problem that it would be difficult to deal with all of them in one big volume. Furthermore there are so many points of view about this matter that unless all the finer nuances are examined, it would be difficult to get anywhere near the truth.

It is not immediately possible to compile an encyclopaedic array of views on this question. In this article, extracts have been drawn from three sources to throw light on the problem: first from official statements of the major dramatis personae, secondly from the writings of Pekingwinger N. Shanmugathasan on the April Insurrection in the Australian paper *Vanguard*, and the third from a French journal published in Africa called *Afrique Nouvelle*. Whilst Shanmugathasan presents a strongly pro-China view of the aid China has extended to Sri Lanka, the African paper takes a contrary position.

Shanmugathasan's articles in the *Vanguard*, which is said to

"Uphold Marxism, Leninism-Mao Tse-tung Thought For a Socialist Australia—Workers of all Lands Unite," are in three parts and appeared in the issues of the *Vanguard* of June 8, 15 and 22. The article in *Afrique Nouvelle* appeared in its issue of June 15 and a translation of this article under the heading WHO BENEFITS FROM CHINESE AID? has been sent to us from Paris by a contributor who writes for *Tribune* fairly regularly.

It will not be possible to publish the entirety of Shamugathasan's article on the April insurrection because much of what he says would transgress the law as it stands as formulated by the Emergency Regulations on Publications. But whatever can be published without offence to the law on the question of Chinese Aid from Shamugathasan's articles have been extracted. From the article from *Afrique Nouvelle* we have left out certain statements which relate more to the insurrection than aid. But the extracts we publish are adequate to present the points of view they seek to present.

—Scrutator

I-Mrs. Bandaranaike on Aid from China

Being an extract from her speech in Peking on June 25, 1972 at the banquet given by Premier Chou Er-lai

“ONE of the highlights of our history as an independent state has been the very friendly and cordial relations which we have maintained with the People's Republic of China and the friendship extended to us by her. Our relations, in fact, go back to historical times when there was considerable cultural exchange between our two countries, marked by visits of distinguished scholars. After independence, our relations have been unique in that Sri Lanka was one of the first countries to extend diplomatic recognition and establish trade relations with your country. The rubber rice agreement which was concluded is in force to this day and has been in fact, one of the corner-stones of our foreign trade policy.

“In recent times, these ties have been greatly strengthened and enlarged and Sri Lanka has been the recipient of a large and generous volume of economic assistance given on

the most liberal terms which are outstanding in the annals of aid to developing countries. In this respect, the Government of China has been faithful to the eight principles which it has enunciated as the basis for the grant of aid to foreign countries. Your aid programme has taken the form of credits, outright gifts, participation in joint services and technical assistance. One of its highlights is the construction of the Bandaranaike Memorial International Conference Hall by which you Mr. Prime Minister intended to honour the memory of my late husband. It is an embodiment of his abiding faith in internationalism and the brotherhood of man, as well as a relationsation of a wish which was dear to his heart that Sri Lanka could some day serve as a meeting ground for the nations of the world. For this gift, I am particularly and personally thankful to you, Your Excellency, for I remember your spontaneous offer to donate it on your visit to my country in 1964. I hope you will be able to come personally to Sri Lanka and see it when it is completed. The aid thus given to us by your country in so many ways and on such generous terms have been an invaluable contribution to our economy in the context of the difficult and stringent times which we have been experiencing. My government and people are, therefore, deeply grateful to you for your goodwill towards us and one of the main purposes of my

present mission is to express my thanks in person.

"Sri Lanka looks forward to continued co-operation with your country in fields in which it would be mutually beneficial and appropriate to us. We could, I am sure, benefit from the store-house of your own unrivalled experience acquired in the process of emerging from a state semi-feudal and colonial economy to that of a strong and self-reliant nation. This veritable economic miracle, which the country has achieved, is, indeed, a tribute to the dedicated and sincere leadership of your country under the inspiration of Chairman Mao Tse-tung and the intense patriotism and devotion to duty evinced by the great people of China. They have set an example of dedication and determination which is worthy of admiration."

Again in Mrs. Bandaranaike's speech on June 29, 1972, the banquet she gave in Peking, she said: "You will recall my saying in my earlier speech that the purpose of my visit was to thank you, the Government and people of China in person for their assistance to us. I wish tonight to reiterate this sentiment which comes from the bottom of our hearts and to express the wish that this happy state of relations will endure"

In his reply, Premier Chou En lai stated as follows: "Just now her Excellency the Prime Minister spoke of China's aid to Sri Lanka. We

consider it our bounden internationalist duty to support and assist Afro-Asian countries in developing their national economies. However, as China's economy is still comparatively backward, the material aid we provide is limited. Furthermore, we have consistently held that assistance is always mutual. We believe that along with the development of the friendly relations between our two countries, such mutual support and help will be steadily on the increase"



2-Pekingwing Shan's Views on Chinese Aid

THOUGH Mr. Shanmugathasan is now in trouble with a section of his colleagues in the Peking CP of Ceylon, who claim to have taken over the Party during Shan's protracted sojourn abroad and who also claim to have "sacked" him for ideological and other mistakes committed by him, many still regard Shan as the high priest of Maoism in Ceylon.

To understand what he says about Chinese Aid, it is essential to know what he felt about the insurrection of 1971

itself. He was under detention for about ten months and some of the leading colleagues of the Pekingwing CP are among the leading suspects now being investigated by the Criminal Justice Commission. Until after the Commission completes its work it will not be possible to publish all that Shan has written whilst abroad, about the insurrectionary movement—in the same way a lot of other material on the same subject cannot yet be published. Nevertheless, it is essential to know what Shan and the Maoists felt about the insurrection, and the first extract we publish below, sets out his attitude to the JVP very tersely and briefly. He has a supremely patronising attitude to the JVP. He is also bitterly critical and denunciatory about the UF government, in this context what he says about Chinese aid is most revealing.

The gist and essence of the three articles of Mr. Shanmugathasan in the *Vanguard* can be summed thus: he condemns the JVP as a "reactionary bloc" of misguided youth, motivated by half-baked left and pseudo-maoist slogans fed to them by scheming individuals who were tools of reactionaries. The JVP according to him was the very antithesis of Maoism.

But he is proud of the aid the Chinese had extended to Ceylon, and states that the convertible currency loan of 1971 prevented Sri Lanka from slipping completely into the camp of the imperialists. He is very

critical of the UF government led by Mrs. Bandaranaike, and at the same time praises China for the aid granted to Ceylon. However, he says that China had offered the convertible currency loan to Ceylon long before April, 1971, but that the Sri Lanka Cabinet had slept over it and released the news long after the insurrection. However, it is on record that the first offer of this loan reached the Ceylon PM in the third week of April 1971, and that it was officially released to the public in the third week of May. There are discrepancies in Mr. Shanmugathasan's record of history, but the extracts quoted below make interesting reading:

On Maoism and the JVP

".... There is little doubt that this movement was called into being to oppose the growing influence of Mao Tsetung Thought in Ceylon. Since the theories of Trotskyism and the revisionist theories of peaceful co-existence and peaceful transitions through parliament were getting increasingly discredited, reaction had to summon to its assistance the pseudo-revolutionary theory associated with the name of Che Guevara in order to distract the attention of the youth from the revolutionary truths of Mao Tsetung Thought. They used half-

quotations from Mao Tsetung to deceive their followers. But their philosophy was out and out anti-Marxist-Leninist.

"They popularised the theory of Che Guevara that a relatively small group of armed braves or guerillas could capture the state machine and thereafter attract the people to itself. This is the favourite theory of the petit-bourgeoisie, with its strong individualism and its distrust of the working class. It rules out mass participation and is the very anti-thesis of the theory of people's war as expounded by Comrade Mao Tsetung.....

"Comrade Mao taught us that 'The revolutionary war is a war of the masses; it can be waged only by mobilising the masses and relying on them.' The almost complete lack of mass support and a near complete isolation from the organised working class was one of the most noticeable characteristics of the so-called insurrection by the J.V.P.

"Wilfully exaggerating the extent of the danger involved to the government, not only were all the local reactionary armed forces let loose on the people, the foreign assistance of the Indian expansionists, the western imperialists and the Soviet social imperialists pressed into service. The Indian navy and helicopters, Russian MIG jets and Anglo-American arms and ammunition were used to hunt down and terrorize the people in an unprecedented manner. At one stage,

there was even talk of calling in the U.S. fleet.

"Anti-Korean and anti-Chinese provocations were resorted to. The staff on the North Korean Embassy were packed off despite the non-involvement of any foreign forces. The Chinese News Agency's Office as well as the Bandaranaike Memorial Hall site where the Chinese engineers and workers were putting up a Rs. 35 million project free was also raided by the police. Hundreds of books by Mao Tsetung and his pictures were confiscated and, in at least one case, the police made a bonfire of all Chinese literature.

"It was only the correct diplomatic behaviour of the Chinese and their generous aid (actually offered before the insurrection) that prevented the government sliding completely into the imperialist camp. But it was worthwhile to note that the Cabinet took one month to announce to the public the Chinese offer of a Rs. 50 million interest-free loan.

* * *

"Mrs. Bandaranaike has worked overtime to prove that the military aid she received from the imperialists, the social-imperialists and the Indian expansionists was the supreme justification of her government's policy of non-alignment. In actual fact, it was nothing but blatant interference in the internal affairs of another country. In particular, the prompt action of the Indian navy in throwing a "protective" ring round Ceylon sounded ominous

for the future and in the light of declared expansionists views in certain Indian quarters. If it is true that this government's survival was due to foreign military assistance, then it can no longer lay claim to the title of a people's government. . . ."



3—Extracts from the Article "Who Gains from the Chinese Aid?"

From the paper "Afrique Nouvelle" of June 15, 1972.

The translation sent to us reads as follows: (We have kept some of the quaint spelling intact)

WHEN a year ago China granted for the first time to Ceylon a 25 mln. dollars loan, interest-free and in convertible currency, many in Colombo thought that now aid comes not from the moon but from the 'Celestial Empire'. The more so since the loan was accompanied by a letter of Chou En-lai in which the Chinese Prime Minister wrote to

Mme. Bandaranaike, Prime Minister of Ceylon, that if the Cingalese ("Cingalais") needed more financial aid they have but to ask for it.

"Nevertheless at present when Ceylon experiences great economic and political difficulties those who would gladly accept Chou En-lai's offer prefer to keep silent. And it is not mere chance. The general feeling which prevailed in the Island last year was not that of relief but rather of evident dissatisfaction and of serious apprehensions with regard to the real nature of the notorious generosity of the Chinese.

"First of all Chou En-lai's generosity appears now in quite a different light as compared with the last year. At that time the Cingalese could not do away with the vestiges of the anti-government rebellion provoked by the extremists. Although the Chinese Premier mentioned in his message that he had nothing to do with those 'adventurers', there are reasons to believe that the rebels took arms against their government only because they were led to think that they had blessings from Peking.

"It must be remembered that it was no other than Chou En-lai who refused to supply Ceylon with war material although at the time of rebellion "quite accidentally", a certain number of Chinese boats loaded with arms and ammunition could be found near Colombo. Only after the Bandaranaike government managed to re-es-

tablish its control over the country with the help of friendly countries, including India, Chou En-lai decided to change his tactics in order to cover up the too obvious traces of the Chinese and displayed his spectacular generosity.

"An impression might prevail that this imprudent political double-facedness could soon be forgotten due to considerable economic aid rendered by Peking. By allotting 25 million dollars to the Cingalese in their hour of need China undoubtedly made it easier for them to clear off their foreign debt. This immediately moved Peking into first place among Colombo's foreign creditors.

"Albeit the Chinese loans are not stipulated by any terms, officials in charge of Colombo's finances admit that there exists a sort of a tacit agreement under which the Cingalese are obliged to encourage trade with China. This means that nowadays the great bulk of rubber, which is export item No. 1 constituting the basis of Ceylon's prosperity, goes to China. As against the beginning of the 50's China's share in the export of Cingalese rubber augmented from 2 to 55 per cent. In its day Great Britain monopolized the rubber market of Ceylon and the latter made every effort so as to put an end to this abnormal situation, achieve freedom of action in this field, and sell this indispensable raw material with the greatest possible gain

The fact that the former metropolis was replaced by Peking which proclaims itself a socialist country at one moment and a developing country at another, did not introduce any changes into the unilateral dependence of the Cingalese rubber market. This causes damage to Ceylon which is also a developing country, far less developed than China.

"The Chinese 'trade' resulted in the fact that Ceylon found itself deprived of an important source of foreign currency and, still worse, is obliged to spend it so as to cover the ever increasing deficit in its trade with China. According to the data provided by the Cingalese customs, at the beginning of the 60's the volume of China's exports to Ceylon was basically covered by the latter's imports. Later on, however, the situation changed radically. Throughout the period of 1966-1970 the total deficit of trade between China and Ceylon augmented by some 42.1 million dollars. Little wonder, therefore, that during this period Ceylon's foreign currency reserves dropped to one third. Now, let us proceed to calculations. The deficit amounts to 41.1 million dollars. In other words, Chou En-Lai only partly compensated the resources which had been extorted by the Chinese from this island. Thus, the Chinese premier can easily promise new credits, being firmly convinced that Colombo's recompensation will come in ever growing proportions.

FROM THE EDITOR'S DESK

On Land Reforms

MINISTER HECTOR KOBBEKADUWA and the United Front Government have undoubtedly made the first serious attempt to modify the system of land ownership in this country since the British effected a change from the old feudal system of land tenure which had prevailed earlier. It is not necessary to go into details of the land tenure system which had existed in ancient times. It was a kind of

If one is to judge by the final results of the Chinese aid to Ceylon it should be stated that notwithstanding Peking's old stories about its alleged disinterestedness and even sacrifices, it is exactly Ceylon which is compelled to help China and not vice versa. The Chinese are least of all pre-occupied by the fact that Asian sovereign states, such as Ceylon, find themselves in too tight a grip and are no longer able to stand on their own feet. In this respect the activities of the Chinese do not differ much from those of the neo-colonialists. The Japanese communists, who had come to know the particulars of the policy pursued by the Chinese leadership, qualify it as social-colonialism."

feudal system peculiar to this part of the world. The king or the monarch was the owner of all land, and chiefs, nobles, and other landowners held and utilised land as *owners-in-trust* for the monarch. For this, they owed various taxes and obligations to the King (in person and kind), and the monarch in turn had a responsibility to build and maintain tanks and ensure law and order. The landowners sustained a whole series (a lower hierarchy) of cultivators, serfs, retainers tenants and the like and these were called upon to do manual labour for the "benefits" they got from the "ownership" of land. The system was benevolent at its best, and tyrannical (and cruel) at its worst. The Portuguese and the Dutch conquerors made dents into the system, but did not change it qualitatively. What they did was to effect a re-distribution from old feudal owners to new feudal owners who were their loyalists and converts.

But the British compelled vast socio-political changes. Under the liberal sugar-coating of Benthamism, the British abolished serfdom and brought capitalist systems of land ownership through the plantation economy. But large tracts of land in the Kandyan areas were

left as feudal pockets in the form of *nindagama*- and *dewalagama* lands.

By enacting the Wastelands Ordinance, the British expropriated land belonging not only to feudal chieftains in the Kandyan areas but also a large number of middleclass peasants — on the specious plea that they did not own *title deeds* for the land. Under the old system, the land had been held by traditional rights at the pleasure of the monarch, and British capitalism found an easy way of acquiring land for the Crown of vast tracts of cultivated as well as jungle land. These were later alienated as freehold land to “capitalists” and entrepreneurs from Britain who were willing to open up plantations. Slowly the impact of this system was felt throughout the island, although sizable pockets of *nindagama* and *dewalagama* lands continued to flourish. Even feudal ownership flourished only with a capitalist flavour and motivation.

This “revolution” in land tenure brought about by the British created a growing class of landless peasants in the Kandyan and other areas; and because of the fact that the British imported labour from South India to work on the plantations, those dispossessed under the Wastelands Ordinance were crowded into tiny pockets to eke out miserable existence as farmers.

THE FIRST ATTEMPT to bring some relief to the landless came in the mid-twenties

of this century on the initiative of the brown compradore bourgeoisie created by the British. A land development Ordinance came into being under the inspiration of men like D. S. Senanayake in the political field and C.L. Wickremasinghe, CCS, in the Administration. Under this new dispensation, cultivable land which had gone into jungle was reclaimed by restoring ancient tanks and was parcelled out in small lots to landless peasants and indigent middle class persons — to settle them on land and to create a class of small owners who would support the establishment against dangerous anarchic and communist ideas. The history and record of these colonisation schemes is well known. However, they did not succeed in effecting a change in the system of ownership. In fact, such colonisation only extended the capitalist system created by the British to new sectors of small owners. But as productive units they were failures. The results they produced were not commensurate with the capital investment expended by the government. State farms and big co-operative agricultural undertakings also proved costly failures. They neither produced adequate food supplies nor provided employment for even a fraction coming into the labour market.

As a last resort, the UNP in its last lap in 1965-70, experimented with a new form of land alienation in order to promote agricultural production

— through *special leases* (said to be for 25 years) to big capitalist companies and groups. Conceived in haste and administered by a corrupt and inefficient bureaucratic machine, the special leases also turned out to be costly failures. A few of the big firms scored partial successes, but the majority of the special lease holders went into the scheme to make a quick buck. Some only exploited the timber and went no further. Others did not have enough agricultural expertise to make good. This reversion of policy in land alienation had evoked a major howl protest on the political front, and one of the first acts of the 1970 United Front government was to cancel all special leases which did not show even minimum of productive achievement.

But the new UF government did not have any concrete agricultural policy to start with. Its manifesto had vague generalisations about agriculture and land development — many of them based on doctrinaire clichés. All the time the focus was on the voter and the next elections however distant. There were also indignant demands for land reform which many felt were essential for any kind of impetus to agricultural production. There were also plans for large state farms in each electorate and even larger co-operative farms to provide work for all unemployed youth — coupled with slogans to take over estates, large farms and what not. Finally, the clamour

for land reform boiled down, in the first instance, to land ceilings in cultivated and developed land to eliminate the class of big and small plantation owners (tea, rubber, coconut, etc) who had come into being in the wake of British colonial rule and thereafter even during the Donoughmore and Soulbury parliamentary days. The elimination of this class of big landowners and plantation owners will break the backbone of the hard core which has supported parties like the UNP and even the right-wing of the SLFP. Four hundred to five hundred thousand acres of developed and cultivated land will be "excess" once the present land ceilings come into force.

IT IS SIGNIFICANT that the Government, following the credo of the Left Parties in the UF, which seems to believe that political action must precede economic reconstruction, has in the first instance adopted Land Reform proposals to place a ceiling on agricultural land, 25 acres of irrigated paddy land, or 50 acres of other agricultural land per family—but every adult member of the family (over 18 years) was entitled to his or her ceiling of land. After the bill becomes law all legitimate transfers, even within the family have to be approved by the permanent Land Commission which will be set up to implement the law. The Commission will decide what should be done with the excess land: it could be leased to the old owners, it could be leased to others, it could be

sold to landless persons. All land taken over as excess would be compensated for according to accepted standards of valuation. Payment would probably be in interest-carrying bonds.

But the Land Reform Bill exempts public companies from the ceiling. This, it was said, was necessary not to disrupt production in the big tea and rubber companies. It is also a notorious fact that many persons on the inside of the Establishment had turned their esconut and other properties into public companies before May 1971, which is the relevant date for the purpose. When the list of such companies floated after this Government came to power in May 1970 and before the relevant date in 1971 is made public there is bound to be a hue and cry. Knowing this "skeleton in the cupboard", the UNP parliamentary group attacked the Bill mainly for exempting the public companies, the majority of which are owned by British sterling companies and other large capitalist concerns, groups and families in this country. The UNP forgot that it represented the capitalists big and small and denounced the Kobbekaduwa Land Reform Bill for being "soft" on whisky drinking *suddas* (whites). It is significant that even the UNP conceded that there was need for land reform, and one such reform was the need to fix ceilings appropriate to the times and the level of economic development. Whilst a few dared

to suggest the ceilings should be increased, the pressure from the Left was that the ceilings were too high. This was understandable—the Left wanted the elimination of the landowning class particularly the *kulaks*, the bigger and middle landowners.

The Minister meeting the charges of the UNP stated the Government had plans to deal with the public and sterling companies. Legislation was to be introduced to enable government to take over at least 51% of the shares of these companies so that control would pass into government hands. This was a form of oblique nationalisation seeking to maintain the old infra-structure so that production might go on unimpeded. Whether this step will ensure productive efficiency, with control in a bureaucratic state machine, is yet to be seen.

THE CREDIT of the Minister and the Government it must be said that they seem to be conscious that productivity and utilisation are even more important than ownership, but the imperatives of the kind of politics to which the government is wedded, compelled them to bring the Land Ceilings bill first. The Minister has repeatedly stressed that his Bill is to ensure productivity, not only in the lands taken over as excess but also in the lands held under the ceilings would be placed before Parliament soon. One does not as yet know how the Government hopes to induce high productive

levels. Mere punitive and intimidatory action — such as are being talked about by prominent members of the government, will fail to produce results. Already the pretracted talk of land ceilings has caused a rot which it would take the Government long to overcome. In the last two years, ever since the talk of ceilings became part of our political atmosphere, owners have stopped fertilising their lands and have neglected agricultural work. By next year there will be a major drop in production particularly in coconut estates. It is not known what inducements the Government will be able to offer the new owners to adopt efficient agricultural methods of production. It is also uncertain whether the new owners of excess land will have the necessary capital (working capital especially) to promote productive effort.

Those who believe that economic reforms must precede political changes will advocate that laws to ensure higher productivity should have been adopted and implemented before reforms of a socio-political nature fixing ceilings were introduced. What is happening now is no different from putting the cart before the horse. According to those who believe in *economics first and politics second*, unless high productive levels were ensured, ceilings and similar changes would tend to bring about a major disruption in the economy.

We live in changing times and a new way of life is bound to emerge sooner or later. But in the process it would be good if disruption is minimised and production maintained. Many feel that with the priorities weighted in favour of restrictive ceilings, on land, on income, on consumption, etc., the economy will tend to sag into lower productive levels. How the government hopes to haul the nation and people to greater productive effort is not known, but the pundits and doctrinaires argue that once the ceilings have been imposed and implemented and the euphoria of a Republican Constitution made universal, the common people will develop a new enthusiasm for productive work. The millennium could then be ushered without any difficulty.

SUCH IS the belief of those who preach the theory that *politics first and economics second*. The last two budgets were based on this thesis and the second budget still remains unfinished with the gap still unbridged. The third budget is already upon us and impelled by the doctrine *politics first and economics second*, it is not clear what the new Budget will bring. The Prime Minister and a few others place all their hopes on the second Five Year Plan. From their statements and speeches it would seem that they have only vague notions about how the Plan can be implemented. They seem to operate on the basis that economics should come and then

politics, but they do not seem to have sufficient motivation to insist on these priorities.

However, it must be realised that the *Kobbekaduwa Land Reform Bill* does not change the basic content of land ownership in a qualitative manner. Private property continues to be the basis of ownership, but the ownership is being made more broadbased. Instead of few landowners, there will be a multitude of small landowners. This is neither socialism nor does it pave the way for socialism. In fact, it can under certain circumstances become a deterrent in the March towards socialism. A few landowners are more easily eliminated rather than a whole multitude of small landowners.

But the leftwing in the UF think that the political destruction of the big land and plantation owners will break the political force behind the UNP and the rightwing of the SLFP. They think that when this hardcore of "reactionaries" is eliminated, then measures to compel socialism would be easier. This may prove to be another illusory mirage—and the Left in Ceylon have been chasing many such mirages in recent years.

There are some who seem to think that the present Land Reform Bill is an automatic stepping stone to socialism. These are the confused individuals who think that the destruction of "reactionaries" and the big capitalists will immediately usher in socialism. They do not seem to realise that

socialism categorically implies the public and state ownership of all land and all other means of production. It was by taking over all land that Lenin began the socialist state in the Soviet Union. That is how China introduced socialism. That was what all other countries which claim to be socialist did.

Land ceilings will only broaden private property and the private ownership of land. Such broadbasing not only will not usher in socialism, but it is very likely to bring in a dangerous phase of deterioration in productivity levels. This has happened in many countries. Whether Kobbekaduwa's Land Productivity and other allied Bills will be able to arrest diminishing productivity is problematic.

Such are the perspective of the Land Reforms now being introduced by the Government.

IT
PAYS
TO
ADVERTISE
IN
TRIBUNE

★
IT
REACHES
THE
PEOPLE
WHO
MATTER

BURMA

★ Bureaucratic Bungling

★ Fear of China

by a SPECIAL CORRESPONDENT

Rangoon,

POLITICAL circles here were greatly interested in a news item from an agency report datelined, July 26 from Washington which had read as follows: "Remnants of Chiang Kai-shek's Kuomintang army are running a big-time southeast Asian opium smuggling racket, State department spokesman Charles Bray said yesterday. Mr Bray's statement was an unprecedented American admission that former Nationalist Chinese army elements turned guerilla are operating a drug pipeline through the jungles of Burma, Thailand, and Laos. Mr. Mao Tse-tung's forces routed the guerilla units from South China in 1949, and since then their activities in south-east Asia have been financed and mostly directly controlled by the CIA"

THE REPORT suggested that these Chiang forces were being sustained by the USA. This is contrary to the view which had been held here for sometime. There is a strong volume of opinion that mainland China had a great deal to do with them.

It is said that before he resigned and went away, the former Premier U Nu had sent emissaries from the rebel communist group known as Bo Le Ya group to Peking to get aid from Peking to fight the government of Gen. Ne Win in the northeastern provinces of Burma. It is also believed that U Nu had sent one of his closest associates U Lo Yen to the US for the same purpose. It has also been noted here that the Kuomintang Chinese in Rangoon city have now begun to flock to the Embassy of Communist China.

Whatever the preoccupation with the rebels in the border states, the economic situation in Burma is causing a great deal of concern and alarm. The newspapers here only publish official news. Criticism of any kind is unknown. When foreign journals come in they are read most avidly. In the July 29 issue of the *Far Eastern Economic Review*—a few copies of this magazine slip in occasionally—there was a report which set out very clearly the kind of bureaucratic bungling which has become chronic in this country. It stated: "An accumulation of

goods at state-run factories while the state-run shops remain empty... This oft-recurring malady of Burma's state-managed economy is harassing consumers once again. According to recent reports in the state-run press, as much as Kyats 30 million (US\$5.6 million) worth of textiles, soap and detergents, umbrellas, rubber shoes and other goods are lying at various factories here in the Burmese capital while the shops all over the country are running out of stock. In the past, public reaction to such a situation has been quietened by official promises of a better performance next time—through better co-ordination between the mills, the Trade Department (which handles distribution), and the stores (which retail the goods). But the promises of the past have often proved as empty as the shops. And probably for this reason, they have not been repeated this time. Instead, the official organisations involved chose to blame each other for the trouble.

"The mills accused the Trade Department of inaction, explaining that it was the department which had failed to take delivery of the goods despite repeated letters, phone messages, and even personal requests to do so. The Trade Department on the other hand excused itself by saying it was handicapped by transport and storage difficulties. "We can't get the necessary fleet of trucks from the Transport Corporation." Trade Department officials said. They added that if township Trade Department branch officials failed to organise the collection of goods there was nothing that could be done. The township Trade Department officials replied that they could not take their quotas of goods because their storage

godowns, already packed tight with slow selling lines, had no room for more. The unsold goods, they claimed, were shoddy products churned out by the factories just to meet production targets. Another reason why the goods did not sell was the very high prices fixed by the Trade Department, another official claimed. Senior Trade Department officials, naturally, also had a few words to say about this.

"And the Transport Corporation men also got a word in. They admitted they could not provide as many vehicles as the Trade Department might require, but explained that this was due to a vast increase in the overall volume of goods to be moved in the country. We always try to give priority to the Trade Department, Transport officials said, but Trade Department has been wasteful in its use of trucks. The Transport men gave an example. They said on one occasion the Trade Department had requested 100 trucks to move goods from a factory that could accommodate only 10 trucks at a time. Trade Department officials did not deny this charge, but pointed out that they could not speed up the loading and unloading of trucks at the factories as every item had to be laboriously counted. "If you want to avoid trouble, you must avoid counting" they said. One Trade Department official went as far as to suggest, however, that the trouble may not have been due to any of these reasons but simply to too much red tape. He may have been right, for the system here seems to be designed to hinder rather than promote the free flow of goods to consumers. The net result is a flourishing blackmarket—capitalist exploitation of the most flagrant kind."

THOUGH DOMESTIC economic problems worry the ordinary people, political circles pay a great deal of attention to developments in the major countries particularly those which are close to Burma viz. China, India and the USSR. One matter which has been talked about is that the *Atlas* which was supplied to the officials and correspondents who accompanied President Nixon to China showed "in white spots and areas", the territories which China still claimed from its neighbours. Though Burma has an agreement finally "solving" the problem of her borders with China, knowledgeable people cannot forget that after the creation of the People's Republic of China, Peking had repeatedly printed maps on which Burma, outer Mongolia and other countries were represented as part of China. The writings of leading Chinese have often stated that parts of Korea, Burma, Bhutan, Nepal and Annam "belonged" to China. There have also been suggestions that China should "secure for herself" strong positions in countries like South Vietnam, Thailand, Burma, Malaysia, Singapore and the Philippines.

One does not know whether the extreme nationalist attitudes would be minimised after the purge of the *ultras* like Lin Piao, but until Peking openly disclaims its claims to those territories, there is bound to be an element of suspicion in countries like Burma about the possible territorial ambitions of China.

Printed and Published by
P. Alagesan at Tribune Press
for Tribune Publications,
43 Dawson Street, Colombo-2

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