



IMPORT BILL GOES UP AND UP

Ceylon's import bill reached an all time peak of Rs. 1,739,658 last year. Of this the largest slice was on food imports which exceeded half the import bill.

The Food Commissioner's imports in 1969 amounted to Rs. 646,077 million, while import of other foodstuffs totalled Rs. 215,627 million.

The next biggest allocation of foreign exchange was for import of Government depart-

ments (Rs. 217,434 m.) State Corporations not under the Ministry of Industries and Fisheries (Rs. 197,913 m.), fertilizers (Rs. 99,069 m.), and and petroleum products (Rs. 89,439 m.)

Raw materials for private sector industries last year amounted to Rs. 63,520 million while Corporations under the Ministry of Industries amounted to Rs. 40,056 million

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CEYLON'S TERMS OF TRADE KEEP TUMBLING

CEYLON'S TERMS OF TRADE HAVE DETE-RIORATED AND HIT AN ALL TIME LOW OF 50 AT THE END OF DECEMBER 1968 (BASE YEAR 1958 = 100), WHICH MEANS THAT PER UNIT OF EXPORTS CEYLON CAN FETCH ONLY 50 PER CENT OF THE IMPORTS THAT WERE OBTAINABLE IN THE BASE YEAR 1958.

The position at the end of 1969 is expected to be worse with the severe decline in prices of the country's primary export products, particularly tea.

FLASH

The Trade Indices have been revised by the Central Bank in its Annual Report for 1969. The base year has been changed from 1958 to 1967. With the new base year the terms of trade moved from 100 to 88 last year, and the 1958 figure is 145.

The Central Bank Bulletin for December 1969 shows the terms of trade with the base year 1958 = 100.

When the terms of trade of a country deteriorate the general trend is for exports to increase while imports decrease. But in Ceylon's case exports have fallen and imports have increased considerably contrary to normal trends and expectations; thus increasing the balance of payments problem. As a result Ceylon has to depend heavily on foreign aid and live beyond her means.

The chart reproduced here from the London Economist spells a rather distressing pic-

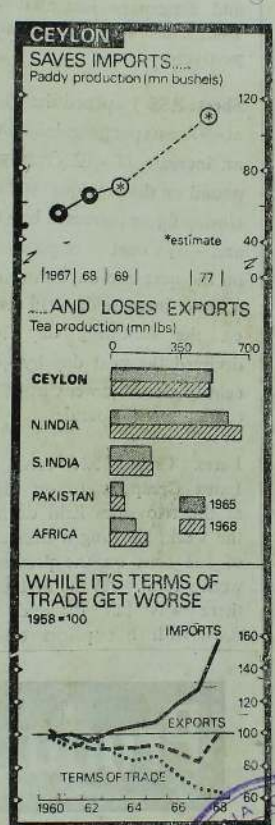
ture of the economy of Ceylon. It shows how the terms of trade have worsened.

While paddy production has increased steadily from 1967-69 and the estimated increase up to 1977 shows a steep upward trend, the country's exports continued to fall.

LESS PADDY BOUGHT UNDER G.P.S.

Government's purchases of paddy under the Guaranteed Price Scheme (G.P.S.), showed a marked drop last year.

While in 1968, as much as 14,917,580 bushels of paddy were bought under the G.P.S. Scheme, only 13,710,860 bushels of paddy were purchased last year.



Ceylon - Poland Trade Expands

The total value of trade between Ceylon and Poland almost doubled between 1967 and 1969.

While in 1967, the total value of trade was £ 2,128.9 in 1969 it had shot upto £ 4,061.1.

Ceylon's exports to Poland have also shown a steady rise during this period. 1969 exports rose from £ 687.9 in 1967 to £ 2,023.7 in 1969.

Imports on the other hand have also increased from £ 1,441.0 in 1967 to £ 2,037.4 in 1969. The value of Ceylon's imports in 1968, however, was only £ 887.0.

MAIN PRODUCTS.

Trade between Ceylon and Poland covers many commo-

dities and among our main exports are tea, coconut products and rubber.

Ceylon is the principal supplier of desiccated coconut and coconut fibre to Poland accounting for 100 per cent of her d.c. and coconut fibre requirements, while as much as 25 per cent of Poland's requirements of tea are met from Ceylon.

Ceylon's purchases from Poland such items as textiles, pharmaceutical products, and construction machinery.

AN INTRODUCTION

The Economic Times is the newest entry into the business world. This publication, as its name indicates, is directed primarily at those who are either actively engaged or interested in various economic activities. But though we are thus obliged to cater specifically to this category, we do not hope to lose sight of the layman and student who will necessarily be interested to know how his economic life is affected by the changes that are taking place in this dynamic world.

The student populace will find many matters of special interest to them both of academic and practical value.

A special effort has been made to provide export intelligence to the export and import trader, particularly in respect of non-traditional products. The trading and business community will find the world markets at their doorstep.

Our aim shall be to ensure that not only the sophisticated reader, viz., the Planner and Economist, the Banker and Financier, the Accountant and Manager, the Industrialist and Agriculturist, the Importer and Exporter, will want to take a regular look at this Journal, but also those who are alive to the day to day happenings in the economic sphere both at home and around the Globe.

Thus, we hope that everyone — not excluding the housewife — will find useful information on matters of general interest in this fortnightly publication.

MORE CONCESSIONS: BUT SHIRT PRICES STILL HIGH

While the shirt trade asks for more and more concessions shirt prices in the market continue to be high. So far only some of the larger manufacturers have brought their prices down in keeping with the Government decision that no shirt should be sold above Rs. 27.50.

Meanwhile the Ministry of Industries and Fisheries has now decided to raise the ceiling price of textiles for the manufacture of shirts from its present rate of Rs. 1.56 per yard c.i.f., to Rs. 2/- per yard.

This decision was taken as a result of agitation by shirt manufacturers for an increase in the ceiling price. Manufacturers say that now they will be in a position to turn out better quality shirts.

While welcoming this decision, the shirt trade has asked the Director, Regulations Division, to remove other discriminatory regulations that are now in force, such as selvedge stamping of textiles.

The "Economic Times", however, reliably understands that the Director of Regulations has refused to grant this concession, to prevent the sale of cloth originally imported for the manufacture of shirts in the open market at a higher price.

The shirt trade has also asked that they be allowed to import cloth exceeding a width of 36 inches. They argue that from time to time stocks of textiles become available abroad at prices much lower than the 36 inch variety, but the trade is unable to import this material owing to the prevailing regulations.

It is reliably learnt that this condition is now under consideration by the Ministry of Industries.

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MARKET PRICES

COLOMBO

CLOSING PRICES 17.3.70.

TEA (Rs. Cts. Per lb.)

	BOPS		B. O. P. Fs	
	low	high	low	high
High Grown	1-85	3-75	2-00	3-45
1 at 3-85	1 at 3-90		3 at 3-50	1 at 3-55
3 at 4-00	1 at 4-25		2 at 3-60	2 at 2-65
Medium Grown	1-40	2-20	1-45	2-25
Small leaf Low Grown	1-30	1-43	1-30	1-45
Leafy B.O.P.	1-28	1-37		
	F. B. O. Ps.		F. B. O. Ps.	
Tippy Teas	1-30	1-36	1-30	6-00
1 at 1-37	2 at 1-40		3 at 6-50	1 at 6-55
			1 at 6-75	1 at 8-00

PRICES FOR THE WEEK ENDED 27.3.70

RUBBER (Rs. cts.—per lb.)

The Commissioner of Commodity Purchase paid the following prices to shippers.

Colombo	High	Low
RSS No. 1	98 1/2	96
RSS No. 2	92	90
RSS No. 3	89 1/2	89

COPRA (Rs. per Candy)

Estate Copra	No. 1.	High	Low
		284/00	270/00

COCONUT OIL (Rs. per ton).

	High	Low
March.	1625 T.	1625 T.
April.	1625 T.	1625 T.

POONAC (Rs. per ton)

	High	Low
	460 T.	460 T.

DESICCATED COCONUT (Cents per lb.)

	High	low
March.	67 N.	65 N.
April.	67 T.	65 T.

PRICES FOR THE WEEK ENDING 21ST. MARCH 1970.

Produce Quotations	Per lb.	Per Cwt.
Papain White	13/50	14/50
Papain Brown	9/00	9/50
Cardamoms No. 1	—	—
Citronella Oil	—	—
Cinnamon Quills H2	4/20	—
Mace	4/75	5/00
Nut Meg (Shelled)	4/00	4/25
Cloves	17/50	18/00
White Pepper	—	—
Black Pepper	—	—
Desiccated Coconut	—	—
Coffee No.1	300/00	325/00
Croton Seeds	135/00	145/00
Kapok Clean	150/00	—
Cocoa No. 1.	—	—
Poonac	—	—
Kapok Unclean	150/00	—

RUBBER REPORT

We give below the Rubber Market Report for the Poya Week ending 21st March, 1970.

World Rubber Markets were steadier this week despite uncertainty as to outcome of discussions between producing countries and the U.S. Government regarding methods of disposal of stock-pile. The Singapore Market opened slightly lower but thereafter steadied on better offerings and good demand particularly for Rss 4. The London Market passed an idle week the undertone being uncertain with dealers looking for a discernable trend. Values steadied with reports of China buying early in the week and the Coup in Cambodia attracted some shortcovering interest but towards the close the market eased again as consumers were not willing to trade at these levels. On balance London and Singapore increased by 1/8d. and 3/4 dollar cent, respectively.

Sheet: RSS 1 opened the week at -97 cents per pound showing an increase of -02 cents per pound on the previous week's closing figure increased by -0 3/4 and -0 1/2 cent respectively on the next two days showing a further increase of -01 1/4 cents on the following day but declined the next day by -01 cent to close the week at -98 1/2 cents per pound.

Latex Crepe: 527 tons of Latex Crepe were on offer at the two sales held during the week, showing a decrease of 138 tons on the previous week's total. At the first sale there was fair demand to start with but prices eased

fractionally towards the latter stage and at the close 1Xs remained about unchanged. Duller sorts and off grades met with improved demand and were dearer by -01 to -02 cents per pound. At the subsequent sale there was good good demand and prices for 1Xs and No. 1 crepes improved by -01 cent and -01 1/2 to -02 cents per pound respectively. Offgrades too appreciated fractionally.

Scrap Crepe: There were 179 tons of Scrap Crepe on offer at the two sales held during the week showing a decrease of 44 tons on the previous week's total. Good demand for Scrap Crepes still continued with price advances and at the first sale the light browns improved by -01 cent per pound whilst darker sorts and Flat Bark were more or less unchanged. At the next sale Scrap Crepes were firm to dealer with a smaller quantity on offer and light browns gained by about -02 cents whilst darker sorts improved by about -04 cents per pound. Flat Bark gained by about -01 cent per pound.

TEA REPORT

COLOMBO.

QUALITY:- Western quality generally showed a fairly marked decline except for a few invoices. Uvas too were slightly inferior.

MARKET:- Nuwara Eliya Teas. The small selection on offer met poor demand and were difficult of sale with the exception of two useful invoices which sold at Rs. 2/50

per lb. The other teas sold ranged in price between Rs. 1/77 and Rs. 1/95 for the B.O.P.'s and 1/85 to Rs. 2/15 for the B.O.P. Fgs. Several lines were withdrawn. One line of useful Pekoe sold at Rs. 2/70 per lb. but others dropped substantially.

High Grown Teas met good demand. The few lines of select best were irregular with some brighter invoices slightly dearer. The majority however on offer which showed a marked falling off in quality were substantially lower. Light liquoring and poor leaf sorts were fairly heavily discounted. Uvas were lower and dropped on average by 10 cents per lb. Pekoes were fully firm with improved Westerns advancing substantially following quality. Orange Pekoes were slightly dearer, and improved Westerns advanced considerably following quality.

Medium Grown Teas. Best Mediums were fairly firm but below best and plaine shorts came to a lower market and dropped by 5 to 10 cents per lb. Leaf grades were firm with brighter sorts slightly dearer.

Low Grown Teas. Leafy F.B.O.P.'s and B.O.P.'s eased slightly but small leaf B.O.P.'s particularly brighter sorts were fully firm to slightly dearer. Pekoes were fully firm with B.O.P.'s slightly dearer.

B.O.P. Fannings. High Grown Western B.O.P. Fgs. followed the same trend as their respective broken and were generally substantially lower following the falling off in quality with the exception of a few select invoices. The best Uva and Medium B.O.P. Fgs. were dearer but below best were lower and dropped on average by 5 to 8 cents per lb. Low Grown B.O.P. Fgs. eased by about 2 to 5 cents per lb. Small leaf tippy Fannings eased by 2 to 5 cents per lb. Best show sorts were again a disappointing market and lower.

Off Grades. Liquoring Fannings were in strong demand and dearer following quality. Low Grown Fannings were easier. Broken Mixed were firm to dearer.

Dusts met strong demand and were fully firm to dearer.

GENERAL:- The market for the wider selection of Western High Grown on offer followed the same pattern as last week with the majority of teas which were of inferior quality dropping substantially in price. The teas sold this week represent the bulk of invoices affected by the spell of unseasonal weather which fell in early February this year and a much improved selection is catalogued for the Sale of 1st April.

Commodity Commentary

Produce Report

We give below the Sundry Produce Market Report for the Poya Week ending 21st March, 1970.

Cardamoms: There were 51 lots, totalling 2,815 pounds on offer this week showing a decrease of 2,562 pounds on last week's figure. No. 1 Cardamoms met with strong demand and improved in price to be quoted at Rs. 32/85 to Rs. 33/55 per pound, an improvement of -60 cents per pound. Off grades too were dearer and these were quoted at Rs. 3/50 to 32/50 per pound. The highest price for the day was Rs. 35/05. Seeds sold briskly at Rs. 33/05 per pound.

Cocoa: 23 lots, totalling 247 cwt. of Cocoa were on offer showing a decrease of 269 cwt. on last week's figure. Most of the offerings were withdrawn from the sale due to lack of demand, and conse-

quently no quotation was made.

Pepper: Three lots totalling 3994 pounds were on offer, the best of which met with fair demand, to be sold at Rs. 3/50 per pound at which price quotation was made.

Nutmeg: Four lots totalling 1854 pounds were offer, but withdrawn due to lack of suitable bids.

Mace: One lot of 105 pounds was on offer and withdrawn due to lack of suitable bids.

Cinnamon: Three lots totalling 1,487 Pounds were on offer, but withdrawn due to lack of suitable bids.

Cinchona Bark: One lot of 3,169 pounds of this commodity was on offer and was un-sold for lack of suitable bids.

Clove Stems: One lot of 134 pounds was on offer and fetched Rs. 3/75 per pound at which price quotation was made.

D. C. Industry — Price war keeps

raging

By Our Commodity Reporter

The Desiccated Coconut Market which hit a slump immediately after the floor price scheme was introduced is still virtually dead, according to trade sources. The Commodity Purchase Department however, expects the market to be back to normal by the end of April.

For the month of February was 3.6 million pounds.

FLOOR PRICE

A floor price of 65 cents was fixed by Government on February 19, while on January 5, the price was fixed at 70 cents. The price on the free market in December last year was around 85 cents.

The price on the London market last week was 180 sh. per cwt., compared with 170 shillings per cwt. early in the month. Desiccated coconut fetched a peak price of 185 shillings per cwt., in December last year.

The price of Philippine desiccated coconut in the London market too, has been rising. The market price for Philippine desiccated coconut on March 28 was 175 sh. per cwt.

The average market price last year was Rs. 85.92 per cwt., compared with 118.54 per cwt in 1968. 1968 was a "freak year" for local coconut exports, due to the Philippine production shortfall and prices for that year may not be fairly used for comparison. The price obtained in 1969 compared with the price in 1967 (Rs. 65.66 per cwt) was favourable.

Referring to the claim by shippers that Ceylon would lose her desiccated market to the Philippines, a spokesman for the Commerce Department discounted this possibility. He said that almost 90 per cent of Philippine desiccated coconut goes to the U.S. market where the Philippines enjoy a preferential rate of duty.

Only about 10 per cent of Philippine desiccated coconut is sold in the London and European markets. The Philippines too, suffered a shortfall in production late last year. The spokesman further said that the Ceylon price is slightly lower than the Philippine price. Philippine desiccated coconut is now approximately 80 cents per lb.

Ceylon's principal desiccated coconut market is the United Kingdom which absorbs about 90 per cent of our desiccated coconut.

DUTY PREFERENCES

Local desiccated coconut is permitted duty free into the U.K. Market and is therefore much more competitive in this market than Philippine desiccated coconut. Our commodity also enjoys a 10 per cent preferential tariff over non-commonwealth competitors.

However, according to the Kennedy Round Tariff, Negotiations, the tariff for Ceylon desiccated coconut levied by the US is also expected to be removed by 1974. This would mean that the advantageous position now enjoyed by Philippine desiccated coconut in this market would disappear by 1976.

Ceylon's total exports of desiccated coconut last year according to Customs Statistics was 1,617,251 cwt. valued at Rs. 87.4 m. 1968 exports amounted to 1,391,983 cwt. valued at Rs. 163.8 million. Figures for the year 1967, which was a normal year for desiccated coconut are almost identical with those of 1969. The quantity exported in 1967 was 1,027,983 cwt. valued at Rs. 60.7 m.

MILLERS' SOLUTION.

According to a leading desiccated coconut miller, there is no parity between the market price of copra and desiccated coconut. On the basis of the present copra price the price of desiccated coconut in the market should be around 80 cents per pound.

He added that the only solution to the problem would be for Government to sell desiccated coconut direct to overseas buyers under bilateral trade agreements, by reserving these markets exclusively to the Department of Commodity Purchase.

SHARE MARKET REPORT

Market conditions continued firmer for selected teas and firm for commercials whilst the other sections were quiet.

TEAS:	Previous Price Rs. cts.	March 26 Rs. cts.	+ or - Rs. cts.
Bopitiyas	3.00	3.00	
Ceylon Provincials	8.00	8.25	-.25
Lucky Lands	3.00	3.00	
Vahavillas	3.00	2.50	-.50
Ratwatta	16.00	17.50	+1.50
Roberries	6.25	6.25	
St. James	20.50	20.50	
Strathedens	10.00	9.50	-.50
Strapshpeys	9.00	9.50	+.50
Uplands	5.75	5.75	

TEA-CUM RUBBERS:

	Previous Price Rs. cts.	March 26 Rs. cts.	+ or - Rs. cts.
Hunuwellas	10.00	7.50	-2.50
Kuttapitiyas	4.50	4.50	
Vogans	1.40	1.40	

RUBBERS:

Landownes	12.00	12.00	
Bukit Durahs	17.00	17.25	+.25

COMMERCIALS:

Ceylon Nutritional Foods	20.00	17.50	-2.50
Pure Beverages	8.50	8.75	-.25
Lambrettas	12.00	12.00	
Wellawatte Mills	8.00	7.75	
Lankems	18.00	17.00	-1.00
Reckit and Colman	35.00	37.00	+2.00
Commercial Bank	12.75	12.75	
Development Finance	10.00	10.00	
Cargills	10.00	9.50	
Gestetters	22.50	22.50	
Hunters	3.75	3.25	-.50
Millers	6.25	6.25	
Pegasus	10.50	10.50	
Hotels Corp.	1.25	1.25	
Carsons	13.00	13.00	

The following were quoted ex dividend during the week: -

Procester Estates Rubber Co. Ltd. 20% Final on 20.3.70
 Glaxo Allenburys (Ceylon) Ltd.—4% Interim on 31.3.70.
 Dorset Rubber Estates Co. Ltd.—15% Final on 23.3.70. Great Western Tea Co. of Ceylon Ltd.—10% Final on 24.3.70.
 Pelmadulla Valley Tea and Rubber Co. Ltd.—7 1/2% Final on 24.3.70. Ceylon Cold Stores Ltd.—4% Interim on 22.4.70.
 Pimbura Rubber Co. Ltd.—15% First and Final on 25.3.70.

Malaysia's rubber output bounces

Malaysia's output of rubber, the country's main agricultural crop and chief foreign exchange earner, increased from about 720,000 tons in 1958 to more than 1,100,000 tons in 1968, a rise of approximately 52 per cent according to a report in the 'Malay Rubber Mail.'

Malaysia continued to remain the world's largest producer of natural rubber with production in 1968 constituting about 42 per cent of total world production.

The average productivity for estates and smallholdings com-

bined exceeded 800 pounds per acre, compared with 400 pounds or less in the 1950s. In some estates, a yield of as high as 3,000 pounds per acre has been reported.

The resilience of the industry was strikingly illustrated in late 1967 and early 1968 when the rubber prices reached their lowest level in 19 years.

Production continued to be sustained despite the low prices with the output in 1968 exceeding the 1,000,000 tons mark for the first time.

NEW RUBBER DEAL.

As a result of the new trade contract signed between Ceylon and Poland for the purchase of 13,000 tons smoked sheet rubber, Ceylon's share in Poland's total rubber requirements will increase to 40 per cent.

Apart from sheet rubber, Ceylon also exports 3,000 to 5,000 tons of crepe rubber to Poland annually.

Mr. Maciej Barszcz, Charge de' Affairs, of the Polish Embassy, pointed out that Poland has been a large buyer of Ceylon's export commodities; our imports of Polish

COCONUT PRODUCTION DROPS

Ceylon's Coconut production showed a marked drop last year from 1,095,037 nuts in 1968 to 894,606 nuts in 1969.

The fall in production was most evident in the last quarter of last year. Only 268,522 nuts were produced compared with 345,984 nuts in the corresponding period in 1968.

goods should also increase considerably so that mutual trade and economic co-operation between the two countries could be further developed.

TEA PRODUCTION DOWN

Ceylon's Production of tea in February this year showed a marked drop from 36.9 million pounds in February last year to 34.6 million pounds. Last year's production was 4842 million pounds compared with 495.6 million pounds in 1968.

Tea production in South India, in the month of February, however, increased from 11.1 million pounds in February 1969 to 16.4 million pounds in February this year.

Exports of tea for the month of February 1970 totalled 27,003,253 pounds compared with 36,596,477 pounds exported during the previous month.

Almost 40.6 million pounds of tea were consumed locally last year, according to the Tea Control Department computations. The monthly consumption of tea locally is in the region of 3.5 million pounds.

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Rubber talks

Malaysia will convene a meeting of natural rubber producing countries in Kuala Lumpur in early July to discuss technical and marketing problems.

Countries taking part in the meeting will include Ceylon Thailand and Indonesia. Observers from South Vietnam, Cambodia and several other countries would be invited.

This was disclosed by Malaysia's Minister of Commerce and Industry, Enche Mohd. Khir Johari.

Company Meeting Reports

St. James (Uva) Tea Co. makes headway

The 48th annual general meeting of the ST. JAMES (UVA) TEA COMPANY, LTD was held recently.

In the course of his review, the Chairman said:—

"The year under review cannot be considered to be an unsatisfactory one for the Company, although the reduced harvest which was brought about by adverse weather conditions resulted in a lower profit on working. Although the crop harvested on the estate fell short of the estimate figure, nevertheless, the ultimate yield per acre of 1,349 lb. can be regarded as satisfactory

for the reason indicated earlier.

Despite a careful control of outgoings, the reduced intake of crop coupled with the ever increasing cost of labour and materials resulted in the final cost of production being approximately 2.75 cents over the previous season's figure. However, this increase was offset by the fact that although the High Grown net selling average dropped by 14 cents per lb. in the season under review, the emphasis on selective plucking and the careful attention paid to manufacture resulted in the net sale average for St. James being

only 10.09 cents below the previous season's figure.

The Tea Factory Development Loan Scheme offers very attractive terms which the Company will accept to improve facilities still further by purchasing 2 Humidifiers in the current season.

Despite the fact that the future of tea has been viewed with doubt and pessimism, I am confident that high yielding properties such as St. James, manufacturing quality teas will continue to pay valuable dividends. In order to ensure the continued profitability of the property, adequate provision is being made to keep abreast of recent developments in research both in the field of production and in manufacture.

Dividend

Turning to the accounts, the profit for the year before

taxation amounted to Rs. 616,563 and after making an Income Tax provision of Rs. 243,765, your Directors have thought it adequate to transfer a sum of Rs. 107,000 to General Reserve. The balance of Rs. 176,165 is available for distribution to shareholders as was possible last year.

This achievement during a year when most other estates in the country, recorded depressed selling values is most praiseworthy, and reflects creditably both on the excellent facilities for manufacture provided at St. James and the meticulous attention paid towards the manufacture of quality teas. The fact that the estate teas continued to receive active support from the trade in a year of depressed selling values and achieved an all time record price of Rs. 15.40 per lb. for Uva teas, bears testimony to the excellent standard of manufacture maintained. That quality teas

will hold their own, despite a surfeit of plain supplies, is also proved beyond doubt.

Machinery

During the year under review, a total sum of Rs. 141,499 was spent on Capital Account, of which Rs. 48,490 was in respect of machinery and buildings whilst Rs. 93,000 was on upkeep of the immature areas and eradication of extents required under the Tea Replanting Subsidy Scheme.

The current season's estimates have been based on an all inclusive cost of 159.64 cents per lb. which is about 2 1/2 cents below the previous season's figure and present indications are that there will be no difficulty in working within the sanctioned Votes. Prices realised for St. James teas during the current season continue to be most encouraging and it is hoped that it will prove even more rewarding than the one just ended."

MANAGEMENT

Bright, young management-school types are changing the way banks are investing in companies. So are dizzying thoughts of the potential profits from technology.

Management-school graduates are probably the most sought-after young men in British industry today. And if, also, a young man has a few years' experience with a well-known firm of management consultants, all the better: he can think about writing his own ticket. But, being in this enviable position, what kind of a ticket does he write? It is a sign of the times that, increasingly, he now seeks a link-up with one of British's merchant banks. His aim is to use the bank's funds to acquire equity in companies that he can help to grow. Later, he sells out the bank's share for a profit.

Such an operation has a number of attractions for the young men. Because of the bank's position, he will have plenty of companies to choose between when it comes to exercising his abilities. And, in the typical deal, he himself will have a price of the action. If and when his companies prosper, he not only sells out at a profit; he does so with only capital gains tax to pay.

New Variety

The new "venture capital" company announced late last week by N. M. Rothschild, is really only a new variety of this. Nevertheless, the way it has been set up illuminates several interesting aspects about the general business scene in Britain and on the Continent. The Rothschild company, called New Court and Partners, Ltd, will take

bigger risks than most other bank-supported groups. Primarily, New Court and Partners will be looking for small, family owned companies that have managed to survive despite horrific management. Provided a company's products have potential, New Court and Partners might buy

it no matter what profits it was making. If other factors were favourable, New Court would even buy a company making a loss. In contrast to most other groups, New Court wants a majority of the equity, and possibly up to as much as 100 per cent. Once it has control, it will then install one of its own men as managing director. Ruthless trained in modern management techniques, he would, *a la Weinstock*, slash fat from the company, generally shake up the organisations and redirect its energies into more profitable channels. In four or five years he would hope to have the company turned around. New Court would then sell out, hoping for a 400 or 500 per cent return on its original investment.

Scepticism

It is a comment on the state of management in Europe that New Court expects to be involved within a few years with 20 or 30 companies in this "industrial slim clearance work," as it is sometimes called. Typically, the companies will be located in the engineering industry and have assets worth £1 million or so. The young confident trio heading the New Court venture are John Inledon,

31, who started it; Philipine Bielor, 36; and Robert Clark, 39. All three have American experience, the golden passport those days in consultancy circles.

They claim they will have no trouble finding able men with successful records as responsible executives whom

some of the ones formed in the past few years have added wrinkles learned from the management schools. But if many groups try to play it safer than Rothschild, others are willing to take to even larger risks associated with establishing companies based on technical innovations. When a success occurs in

gains and a few more years will probably pass before it can hope to gather in more money than it is pouring out.

DRAWBACKS.

One of the drawbacks in this field is cultural. Despite M. Servan-Schreiber's *Le Defi Americain*, and other "technology gap" publicity, many Europeans are still not accustomed to looking on technology as a money-making activity. As a result, many scientists and engineers with bright ideas never think of asking for money to develop them commercially. Another drawback is the relatively small number of individual investors interested in this field. Taxes are the main reason for this.

In the United States rich individuals can deduct losses from such investments from ordinary income. This means the actual loss might be only 30 cents or so on the dollar. But in Britain, for instance, such losses can only be deducted from investment gains. Giving the rich a tax break as the Americans do would go against the creation of a few millionaires would be a small price to pay for a better chance of giving birth to the likes of Digital Equipment, Texas Instruments, Xerox and all the other American wonder companies everyone has been envying for years.

THE NEW MANAGEMENT GAME

they can inject into the companies they take over. But here they meet with scepticism in consultancy circles. If European management is as bad as New Court thinks, its critics ask, where will New Court get all the able managers it will require? There are able men around, but most of them are well employed and take a lot of prying loose.

The Rothschild group is not unique in the field but most other groups are less adventurous. They take a minority share of the company, of 20 or 30 per cent, and cooperate with the present management, usually hoping to influence it by placing one of their own men on the board of directors. The Charterhouse Industrial Development Co. Ltd, a member of the Charterhouse Group, has been playing the game this way since it was founded in 1934 and has won notable success. Over the years it has invested in nearly 200 companies, of which more than 90 per cent have returned a profit, sometimes 200 or 300 per cent.

Charterhouse is clearly the model for many other groups in the City of London, although

this field, profits soar but there are always many more losers than winners and, at best, the gestation time is long, frequently tying up capital for 10 to 15 years.

The American Research and Development Corporation, headed by the fabled General Georges F. Doriot, and based in the United States, is the granddaddy of all these companies but many observers forget that Digital Equipment Corporation, its most profitable investment, took seven years to become a roaring success.

However, the oldest European company in this field is Technical Development Capital, Ltd, an offshoot of Britain's powerful Industrial and Commercial Financial Corporation. Since it was founded in 1962, TDC has invested about £5 million in 80 companies, mostly in the fields of electronics and scientific instruments. TDC had early teething problems but is now supporting a number of companies that are reportedly doing well. However, it has yet to realise much in the way of capital

EXPORT INTELLIGENCE

CEYLON GRAPHITE INDUSTRY IN DANGER?

By our Commerce Reporter

Despite a slight increase of graphite exports over the last three years (1966-1968), the future of this product which today accounts for an earning of around Rs. 7 million annually is in danger. The chances of Ceylon graphite standing up to competition, price-wise, from other natural graphite producers and also from the comparatively lower priced synthetic graphite are also uncertain.

Heavy freight costs also pose a serious challenge and the magnitude of this problem can be gauged from the following data:—

Destination	Freight cost per ton
U.S.A.	US \$43.50 + 15%
U.K.	US \$26.15 + 15%
Australia	US \$25.80
Japan	US \$23.50

A leading graphite exporter told the "Economic Times" that although Ceylon graphite ranks No. 1 in terms of quality, price-wise we are already feeling the pinch from the much lower priced Chinese natural graphite.

ILMENITE EXPORTS REACH A NEW HIGH

The Ceylon Mineral Sands Corporation had an all time record export of Ilmenite last year. A total of 77,000 tons valued at Rs. 2,662,700, was shipped to overseas markets, principally to Japan, who was our best buyer.

Exports of ilmenite have been a regular feature since early 1963 when 2,750 tons was exported to Japan. This initial order earned for the country foreign exchange to the value of Rs. 72,694.

The Corporation's Secretary told the 'Economic Times' that this year they expect to export as much as 80,000 tons of ilmenite. A shipment of 4,000 tons of ilmenite, the first for this year left Port last week.

RUTILE

Rutile, a comparatively recent export item of the Corporation, commenced in May 1969, when a trial order for 10 tons valued at Rs. 8,809.82 was secured. Nearly 1,650 tons of rutile which earned Rs. 1,260,716.47 was exported last year mainly to Japan, the United Kingdom, India, France and Holland.

Early last month, the Mineral Sands Corporation had clinched two overseas orders — 300 tons for the U.K. and 250 tons to Holland. These orders are expected to leave the Corporation early this month.

The present market price of Chinese natural graphite is less than half the Ceylon price. Several other major producer countries such as South Korea, North Korea and Madagascar also produce much cheaper graphite although of a lower quality. The average F.O.B. Colombo price of graphite in 1968 was Rs. 738/- per long ton.

Even our best buyers, Britain, U.S.A. Australia and India are now turning to alternative sources.

India, the fourth biggest buyer of Ceylon graphite purchased only 557,099 kgs in 1968 compared with 706,301 kgs. in 1967.

SYNTHETICS

Besides the danger from other natural graphite producing countries, Ceylon's future is threatened by synthetic graphite, produced mainly by the Western countries chief among them being West Germany.

Synthetic graphite producers have even succeeded in producing graphite with an even higher carbon content (99.999 per cent) than Ceylon's amorphous graphite which contains 98 per cent carbon.

The cost of production of synthetic graphite is also negligible as it is a by-product obtained from electrical industries.

Research is also being carried out by the Western Bloc to find more ways of using synthetic graphite and depend less on natural graphite.

PRODUCTION

In 1968, Ceylon's total production was 10,600 tons which is the highest on record for this decade. Analysis of sales figures over the last ten years reveals that the average price has progressively gone down.

Almost the entire quantity produced is exported and only a negligible quantity is consumed locally.

However, although existing mines and new mines could be opened as there are enough graphite reserves in the Island, leading producers have expressed scepticism about doing so. They maintain that if Ceylon is to survive in this industry it is necessary for more research to be conducted

in order to reduce production costs.

QUANTITY & VALUE OF CEYLON GRAPHITE EXPORTS

Year	Quantity (long tons)	Value Rs.
1966	9,667	6,177,430
1967	10,203	6,699,363
1968	10,600	7,800,000

Source: Customs Returns.

CEYLON GRAPHITE EXPORTS BY DESTINATIONS

Unit: long tons

Country	1966	1967	1968
U.K.	2052	2238	2071
U.S.	4096	3425	2583
Japan	1925	2408	4394
Australia	451	392	427
France	220	343	251
W.Germany	164	60	171
India	456	879	534
Pakistan	60	76	46
Others	194	289	217
Total	9620	10112	10694

Sources: Ceylon Customs Returns.

WORLD EXPORTS OF NATURAL GRAPHITE

Unit: Long tons

Exporting country	1965	1966
Austria	20852	16610
West Germany	7636	7064
Italy	1653	1398
Norway	8200	7640
Madagascar	17661	13673
Ceylon	8740	9867
Mexico	36871	36588
U.S.A.	2854	2864
Hong Kong	352	305
South Korea	48102	55176
Japan	689	666
U.S.S.R.	600	6000
Total	159610	157851

Sources: Commonwealth Secretariat non-metallic minerals. A review No. 2 London 1967.

Foreign consumer reactions to local products

"Both consumers and importers in Canada prefer to buy Ceylon products, produced and packaged locally rather than a product which is produced in Ceylon, but processed and packaged abroad."

This is revealed in a survey conducted by Ceylon's Trade Commissioner in Canada to ascertain customer reactions to local exportable products in the Canadian market.

This customer reaction was particularly noticeable in regard to sales of packaged tea. Numerous consumers expressed their surprise and even disappointment, when they observed that 'Four Fine Ceylon Teas' sold in Canada have been blended and packed in Scotland, and not in Ceylon. To them it was almost like buying Dutch cheese manufactured in Asia.

HEARTENING TREND

The Report, however, adds that it was very heartening to note that during the latter part of 1969, pure Ceylon blended and packaged tea by Mackwoods and Consolexpo were introduced with very favourable response, despite the rather unimaginative and unattractive packaging done by these firms.

The survey also revealed that Canadians were prepared to pay \$ 3.00 per pound for pure Ceylon tea, although retail prices for other teas range from \$ 1.50 to \$ 2.40 per pound in the supermarkets. In addition, nearly \$ 1,800 was realised as net profit from the sale of these teas.

Among other local products which appeared to have aroused interest in the Canadian Market were for certain types of handicrafts such as, silver spoons, miniature masks, ebony elephants with silver work, and costume dolls in national dress.

The Canadian Market is flooded with cheap wooden carvings, brassware and numerous other types of crafts imported from India, Pakistan, Mexico, Hong Kong and Africa.

Canadian importers also showed favourable interest in Ceylon's canned fruits, canned fish, confectionary and biscuits as well as manufactured garments. These firms have been introduced to exporters and negotiations are now in progress.

BATIKS

On the other hand, it was possible to learn that the market for batiks is rather poor. Cotton textiles with batik prints — which are not second in design and in appearance to genuine batiks made in the traditional style — are produced on a large scale in Canada, and are also imported.

The market for Ceylon's batik made in its present traditional manner, and which are priced at \$ 20 or \$ 25 is indeed poor. While it may be possible to sell a few good pieces of batiks as collector's items, it would not be realistic to expect sales on a large scale, the survey points out.

EXPORT OPPORTUNITIES

These firms wish to import the following products from local exporters:

COIR BROOMS

Central Broom Supply Co.,
2250, S. Halstead Street,
Chicago, Illinois,
U.S.A.

International Bristle Co.,
3407, N. Kimball Avenue,
Chicago, Illinois,
U.S.A.

Richard Brush Co.,
1001, Dearborn St.,
Seattle, Washington,
U.S.A.

Gertz, Lumbard & Co.,
108, W. 3rd St.,
Cincinnati, Ohio,
U.S.A.

KAPOK:

C. Tennant Sons, & Co., of
New York,
100, Park Avenue, New York
New York 10017,
U.S.A.

Kane Import Corporation,
10, East 40th St.,
New York, New York
10018,
U.S.A.

The Givardan Corporation,
321, West 44th St.,
New York 36, New York,
U.S.A.

Alpha Aromatics Inc.,
650 — 62nd St.,
Brooklyn 20, New York,
U.S.A.

L. A. Champon & Co., Inc.,
230, West 41st Street,
New York, New York
10036,
U.S.A.

CINNAMON LEAF OIL:

Victor Stein Co., Inc.,
415, Lexington Avenue,
New York 17, New York,
U.S.A.

B. C. Ritchie Co., Inc.,
143, Biberly St., New York,
New York, 10006,
U.S.A.

NON-TRADITIONAL EXPORTS EARN MORE

Ceylon earned Rs. 11 million more from the export of non-traditional products last year compared with 1968.

While in 1968, earnings from these exports accounted for Rs. 153.1 million, in 1969, Rs. 162.1 million was earned.

Among non-traditional products mainly responsible for this impressive record during the period under review are:

readymade shirts, children's garments, shoes, refrigerators, hard rubber battery containers, spectacle frames lamp shades, rubber toys, coir products and ekel brooms.

The largest single non-traditional foreign exchange earner, however, was shirts. Already over a million Ceylon-made shirts valued at Rs. 7 million have been shipped to foreign markets.

THE NEW CONVERGENCE

Lenin has said that: "The only choice is either a bourgeois or socialist ideology. There is no middle course."

SHOULD LENIN BE TAKEN AT HIS WORD? asks *Time* magazine and adds: Some Western political theorists and even a few Russians think not, and in defense of their belief they have propagated what has become known as the convergence theory. In essence, the theory proposes that capitalism and Communism driven by the irresistible scientific and technological forces that control modern industrial states — will eventually coalesce into a new form of society, blending freedom and profit motive of Western democracies with the Communist system's government control of the economy.

Convergence prophets argue that the theory has universal application, but contend that it applies particularly to the United States and Russia. Despite their manifest differences, both nations are post-industrial powers grappling with the problems of advanced technology. According to the convergence theory, Moscow and Washington should meet some day at the omega point somewhere on the outskirts of Belgrade, the capital of a nation that has — so far, successfully — introduced elements of capitalism into a doctrinally Marxist society.

Perhaps the most dramatic endorsement of the convergence theory has come from behind the Iron Curtain. In a 10,000 word essay that was widely but illicitly circulated in Russia before being smuggled out to the West in 1968, the distinguished Soviet physicist Andrei Sakharov held that the only hope for world peace was a rapprochement between the socialist and capitalist systems. Suggesting that Sakharov's clandestine ideas — still have a certain appeal for Russian intellectuals,

another Soviet physicist, Pyotr Kapitsa, gave an oblique endorsement to convergence while on a tour last fall of U.S. universities. "There should not be one multiplication table for Russians and another for Americans," he told a Washington press conference. "I believe that a bringing together of the two systems is correct."

MAJOR HERESY

Kapitsa's approval of the Sakharov thesis was a trifle ambiguous and with good reason: convergence is regarded by Soviet ideologues as a major heresy. In essence, the theory is a variation on a Marxist theme — namely, that economic developments govern political and social evolution. But it challenges the conviction of Soviet orthodoxy that Communism alone is the road to human development. After publication of his essay in the West, Sakharov was dismissed as chief consultant to the state committee for nuclear energy, and hardly a month goes by without a denunciation of convergence appearing in the Soviet press.

The convergence theory has only recently become the hope of a few Russian thinkers; the idea if not the term has been a persistent but chimerical dream in the West for decades. During World War II, when the Soviet Union was cast as an ally of Western democracies, convergence was widely propagated by a pair of emigre Russian sociologists, Nikolai Timasheff of Fordham and the late Pitirim Sorokin of Harvard. Both professors theorized that the Soviet Union would eventually develop into a less repressive and more democratic society as it progressed economically.

More recently, convergence has been taken up with considerable enthusiasm by economists — notably the Dutch Nobel prizewinner Jan Tinbergen and Harvard's John Kenneth Galbraith. In *The New Industrial State*, Galbraith states with his customary élan that technology has an imperative all its own. On the Russian side, advanced industrialization will inevitably lead to greater intellectual curiosity and freedom; in the U.S., it will inexorably lead to more planning and centralized economic controls.

INDUSTRIALIZATION V.

IDEOLOGY

The convergence theory rests on three basic assumptions. One is that industrialization by necessity leads to urbanization and common culture with uniformities in skills, techniques, organizations and even problems — like the alienation of factory workers from jobs

and machines. Because workers and managers in Gary, Ind., and Magnitogorsk perform similar tasks, the argument goes, they tend to develop similar ways of life. The second premise is that industrialization leads to increased diversity and complexity in a society — to a pluralistic condition that overrides all ideo-

logies. The third is that industrialization creates affluence, which undermines political discipline and ideological conformity.

In some areas, especially economics, there is evidence that the U.S. and Russia have a great deal more in common today than they did a generation ago. America now accepts a degree of "socialism" bureaucratic regulation and welfare statism that would have been considered unthinkable not so long ago. The large corporations that dominate the U.S. economy often resemble branches of government far more than they do textbook examples of free-enterprise capitalism.

Since Stalin, Russia has been subjected to a rising tide of consumer expectations, which party planners have periodically had to acknowledge by modifying priorities. In order to make its economy work better, the Soviet government has reluctantly undertaken certain quasi-capitalist reforms. Russia's current five-year plan,

for example, provides some managerial incentives and gives individual factories greater freedom from centralized planning.

Despite the surface similarities of Russia and the U.S., critics of convergence answer that economic factors have

WILL EAST

never played a dominant role in the evolution of societies. Recent history suggests that industrialization and economic progress are compatible with liberty or tyranny, and do not necessarily override cultural or political differences between nations. Witness, for example, parliamentary Britain and autocratic Germany at the turn of the century, or Detroit in the Roosevelt era and Essen under Hitler. The postwar economic progress of Japan has undoubtedly contributed to the viability of its democratic political system; but East Germany, the most technologically advanced of any Eastern European nation, has achieved economic success under the most rigid and doctrinaire of Communist tyrannies.

VULGAR MARXISM

The convergence theory, in the words of Kremlinologist Bertram Wolfe, is "vulgar Marxism." It posits a fundamentalist belief in economic determinism that Marx himself would probably have disavowed. It ignores or under-

rates the role of

ORTHODOXY

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INDUSTRIAL RELATIONS IN THE PUBLIC

That the employer-employee relations in the public service are at the lowest ebb has been demonstrated by the increasing number of strikes and threatened strikes. But every Government since independence has adopted an Ostrich like attitude in refusing to extend to the public sector even the limited conciliation and negotiation procedures that they have introduced in the private sector. What is more, the H. W. Jayawardena Commission on Industrial Disputes ascertained whether the public service should be brought within the purview of the proposed legislation the Government said, "no" and thereby dealt a mortal blow to future industrial peace in the public sector.

Mr. H. W. Jayawardena, Q. C., himself put the desirability of bringing the public

service within the Industrial Disputes Act in the following words:

"We find that a considerable and important group of employees have been denied the benefit of the settlement procedures provided in the Act. India has recently brought its public servants within the ambit of its Industrial Disputes procedures by providing for Whitley Councils".

Primary Duty

Not only India but even in Pakistan the Labour Code applies equally to the private sector and public sectors. But Ceylon which waxes eloquent at I. L. O., Conferences ect., about its enlightened labour policies treats the public servants as outcasts; every party in power blames the public

service for the lack of industrial peace and in the same breath exempts itself from labour legislation it imposes on the private sector employer.

While it is the primary duty of the Government to provide an efficient and smooth public service, it is the primary duty of the public employee to ensure efficient operation

of willingness on the part of employees will yield results, if the Government refuses to recognize this and make it a joint endeavour.

The question as to whose responsibility it is to ensure harmonious relations is answered by the man who is best qualified to do so, the

By

WILFRED PERERA

President, U. P. T. O.

of the service. The two parties comprising the employing authority and the employees have the overriding common obligation to provide a smooth, uninterrupted service to the public. It has to be a joint endeavour. No amount

Director-General of ILO in the following words:-

"With the increasing numbers of officials employed by the central and local administration or other public services, and with the expanding payroll of publicly owned undertaking or industries, the State

has everywhere long been the largest employer by a wide margin. It is universally agreed that the role of the State in the field of labour - management relations is therefore of vital importance. Conditions of employment in private industry, of course, often set the pattern in labour relations and are subsequently more or less observed by State undertakings. Nevertheless, as an employer, the State can use its examples to convince employers and trade unions outside its own sphere as to what it considers to be the best mode of behaviour or procedure".

Contractual Relation

It is time that oburate Ministers and their Permanent Secretaries realize that the former status of master and servant has been replaced in the modern labour market by

a contractual relation between employers and employees and conditions of employment prospects etc., now fixed by collective agreement. The old notion that even if such employment Government is employed under conditions of employment unilaterally imposed by the State is untenable but is a denial of democracy.

In this country the Government plays the part of employer and Mr. Hyde in the labour market. The Government the legislator imposes conditions on private employer and trade unions and utilize its power to enforce them. It comes to a paradoxical situation where the Government hypocritically enforces the model employer status on countries have successfully negotiated

ENCE THEORY—

rates the role played by traditions, value systems and even national characteristics in deciding the future of societies.

ORTHODOXY IN TATTERS

The concepts that people have of national characteristics, of course, are often mere caricatures, but they generally

The American devotion to individualism and freedom can be exaggerated; yet the Lockean principles of individual liberty and ordered freedom that underlie the U.S. Constitution and indeed U.S. society are related to the American character and the American ideal. The line lead-

in the national mystique — have a history of autocracy. In the limited sense that capitalist societies are heading inexorably for more state planning and control and that socialist ones must inevitably allow for more decentralization, the convergence theory is true. It may well be that both Russia

The future is always problematical, but the weight of evidence suggests that Communist and non-Communist societies will continue to develop on separate but parallel tracks. Fortunately, though basic differences no longer imply the inevitability of a cataclysmic showdown, the

First Nobel Prize For Economics

The Dutch economist and development expert Professor Dr. Jan Tinbergen has been the first to receive the newly-created Nobel Prize for Economics. This first award was a joint one and Professor Tinbergen will share the prize money with his friend and colleague, Norway's Professor Ragnar Frisch. Both scientists have made a profound study of economic planning.

In the official award the Swedish Academy of Sciences said that the prize had been granted for "having developed and applied dynamic models for the analysis of economic processes". Apart from his professorship at the Rotterdam School of Economics, Dr. Tinbergen has also been chairman of the United Nations Committee for Development Planning since 1966.

Many developing countries, including Indonesia, have already benefitted from his advice concerning the reconstruction of their economies. The new Nobel Prize winner has announced that the prize money — appr. 33,000 dollars — will be applied to research connected with development planning.

AST MEET WEST?

contain some truth, of a subtler variety than meets the eye

Especially among the young there is always a tendency to extol opposites. Just as many American youths seem to yearn for the collective, non-materialistic life, many young people in Communist countries seem to admire some (but by no means all) of the individualism and the material benefits of Western society. Today, Communism is splintered, Maxian orthodoxy in tatters. Nevertheless, the Communist view of man still has a powerful and self-perpetuating hold in those societies where it has become part of the culture and is still a vast distance removed from anything that become part of the culture and moved from anything that American society would accept in the foreseeable future. The definitinos of "bourgeois" and "socialist" ideologies have changed over the years and no doubt will continue to change but in the long run Lenin may well prove to be right.

ing from the Czars to Stalin to the Kremlin's present rulers is by no means straight. Still, it is no accident that the Russians — for whom a ruling father figure rather than the individual is the central symbol

and the U.S. will come still closer to sharing a common economic model. But broad, perhaps unbridgeable differences will remain particularly over the philosophic questions of the dreams and goals of the two societies.

pragmatics of survival may well be the one respect in which the U. S. and Soviet Russia are really meeting. That may be a more helpful and hopeful prospect than the euphoric vision of convergence.

Problems of Industrialization in Ceylon

The three basic objectives of industrialization policies in any country are to provide work for the growing population, to raise the standard of living by increasing the per capita net national income and also to improve the balance of payment situation.

The economic growth of a country as a whole depends on the efficiency and the growth of individual organisations, and it is difficult to discuss these three objectives separately as they are interdependent and depend on the social and economic structure of the country.

Today in Ceylon it has become very necessary and pro-

bably fashionable to be greatly concerned with the role of industrial and agricultural organisations for the welfare of the nation. The Government has indicated the need for great emphasis on industry as a means to diversify the economy which involves an increase in the output of the products which are already available in the country and also the production of entirely new products. The constraints within which we have to work are (a) Capital and labour available and (b) The productivity of the labour. The latter of course can, to a good extent, be influenced by the degree of mechanisation.

Statistical figures of the percentage of agricultural and non-agricultural population for advanced and developing countries, show that wealthier coun-

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tries have only a small proportion of their working population in agriculture when compared with the developing countries. Labour productivity and hence the average level of wealth tends to increase in proportion to the degree to which mechanisation could be applied to production. The prospects of application of advanced

production techniques generally tend to be greater in non-agricultural than in agricultural countries. Thus in all advanced economies the manufacturing section tends to be the most dynamic element. The developing countries have realised this and have come to believe that agricultural development alone is not enough to ensure an adequate growth of their economies.

Economic environment

Government policies have an important bearing on the problems of industrialization. Government can only create an environment conducive to development, e.g., by suitable import and exchange controls, tax concessions, preferential

tax treatment of reinvested profits and flexible depreciation rates. The government control usually depends on the internal economic and financial situation and on value judgement as represented by the declared policy of the political party in power and amended by the way this policy is actually carried out in practice.

Until recently industrial development has only played a relatively minor role in Ceylon's programmes for various reasons. The government has now created the economic environment for the development of industrial projects in both the private and the public sector, as this is the best way we could solve many problems existing in the country, by utilizing indigenous talent, know-how and equipment.

Engineering

The business of producing the right article and selling it to the customer at the right place, at the right time and at the right price, consists more than transforming of raw materials into final products.

It involves the consideration and study of a wide spectrum of interwoven and interdependent parameters like cultural, political and social background together with man, machine, material, money and method, the 5 Ms as a production Engineer would call.

The State Industrial Corporations are an important sector of the national economy. They were initiated and developed to provide the most basic needs of energy, products and services. The economic value of investment in the public sector cannot always be measured in terms of financial returns. Many investments also produce a

Continued on page 8.

BUBLIC SERVICE

a contractual relation between employers and workers. Conditions of employment, pay prospects etc., have to be now fixed by contract or collective agreement. The old notion that an employer, even if such employer is the Government is entitled to determine conditions of employment unilaterally, is not only untenable but is a negation of democracy.

In this country the State plays the part of Dr. Jeckyll and Mr. Hyde in the matter of labour. The Government as the legislator imposes on the private employer legal and moral obligations by legislation and utilizes its machinery to enforce them. But when it comes to its own employees paradoxically it exempts itself. Hypocritically it calls itself the model employer. Democratic countries have introduced successfully negotiation media-

tion and arbitration procedures and clearly demonstrated that they are in harmony with Parliamentary System of Government. Yet our representatives who "preach" at I.L.O., do not practice what they preach. The Labour Ministry Physicians should first heal themselves. When the Government refused to bring the public servant within the pale of the proposed Industrial Disputes Act, it missed a golden opportunity.

Workers Participation

Whilst the Government on the one hand imposes working conditions unilaterally on the whims and fancies of individual Ministers, it proclaims that it is wedded to the principle of worker-participation, at management level. It proudly boasts of having appointed a mechanic to the C.T.B. Board in implementation of this policy. This is adding

insult to injury. The Worker-Director himself admits he represents nobody but himself and he has been selected because he belongs to no Union.

To ensure worker participation at management level a man who reflects the views of the workers and nominated by workers should be appointed. Of course the Government may say when there are so many Unions what could it do but to select a non-unionist. On the other hand why does a party which comes to power not have the courage of its convictions by legislating for the recognition of the most representative Union. If it fails it is guilty as all other parties of sacrificing sound principles for political expediency.

It is this type of politicking since independence which has made, the Trade Union movement by and large a divisive force dissipating energies for internecine warfare at the

behast of political masters. In this context Unions fall into 3 categories viz:

- The appendages of the party or parties in power whose whole purpose is to pay the role of torch bearers, sycophants and flunkies.
- The appendages of the opposition parties whose role is to oppose obstruct and embarrass the party in power.
- The minority independent Unions which are scorned and discriminated by (a) & (b) and the scourge of all political parties. Every political party when in power encourages Unions in category (a) above and when in opposition Unions which fall into (b) above!

If the country is to progress with the active and constructive support of the worker the Government should forth with introduce legislation to

recognize only representative responsible and democratically run Unions.

All sensible Government recognize that it is not possible to run a country purely through a Parliament or through Permanent Secretaries.

Parliamentary democracy, elections, existence of political parties are not necessarily in themselves guarantees for the Government of the people, by the people, for the people. The corner-stone of a democratic form of Government of any kind is the real effective participation in public life by organized groups which have vested interests in democracy. Among such organized groups are the Trade Unions which play a most vital role in developed countries as well as developing countries. If this role is to be played in this country the Government has to come half way as indicated above and the workers and Unions by creating a National Trade Union Centre which supersedes narrow ideological caste creed and other barriers.

JAPANESE TRADE DRIVE INDUSTRIALIZATION... IN EUROPE

The Japanese are reacting to the pressures being put upon them to curtail their exports to the United States by intensifying their trade drive in Europe. The option taken by the Mitsui group for a large tract of land in the Antwerp port area is regarded as the beginning of an influx of Japanese companies into the region. Antwerp City officials are looking to the Japanese to provide a large share of the impetus for the future growth of the Port.

Other Japanese groups too have shown an interest in settling in Antwerp. This is regarded as significant because many Japanese firms have made Brussels, the Belgian capital as their European headquarters.

These moves, it is now believed, will lead to Japanese

firms establishing both processing and distributing centres in European ports.

The Antwerp base, it is believed, could well be used as a base for building up the movement of Japanese steel in Europe.

Japanese exports to Europe no longer consist primarily of such items as cameras, transistor radio sets and crab meat. They now include highly significant quantities of steel and automobiles. In 1968 alone 20,000 Japanese automobiles were landed in Antwerp. A large proportion of these cars were transhipped to other European countries. Many went to France and Holland and 6000 of them were shipped out of Antwerp to dealers in Scandinavian countries.

Recently the ships that have arrived in Antwerp have carried nothing but steel and automobiles for European importers. The same ships have loaded European steel and automobiles and sailed for American ports to discharge this cargo. This can be accounted for partly by the different types of steel. European countries generally import hot-rolled coils from Japan and ship cold-rolled steel to the United States.

In 1969 it is estimated that the Japanese exports of steel to Europe will be in the vicinity of two million tons.

The site in the Antwerp port area for which Mitsui interests have taken an option is adjacent to the Ford tractor plant and has good access to the network of roads that bypasses the congested areas in the city.

(Continued from page 7)

balance of social costs and which, when taken into account, provide a good economic justification for them. Thus state corporations are theoretically designed to meet the demand for their products and services in the most efficient way and to channel their finances, so that over a period, they at least break even.

All this simply means is asking for higher productivity—to raise output while saving manhours, material, machine, time, space in manufacturing, commerce, transport, and administration. This calls for improved industrial engineering techniques and equipment affecting all forms of production technology (e. g., metal removal, forging, and casting processes, rolling, wire and tube drawing, pressing and deep drawing, powder metallurgy, fusion pressure and friction welding, brazing and soldering polymer engineering, etc.), as assembly processes, work study techniques, value engineering, improved planning, scheduling and control, factory design enlightened and maintenance policies and material handling and improved human relations. The above mentioned processes and techniques embrace most aspects of production engineering which again in short embraces the three basic elements—design, production organisation.

Technological maturity

It is at this stage that we should ask ourselves, have we reached the technological maturity to apply these modern techniques or to investigate into the necessity or even the possibility of applying these modern techniques? If so, why are some of our State Industrial Corporations so inefficient, planned badly, need liquidating, run at very low capacity, in some cases as low as 1/6th. The author's industrial experience and expertise in productivity studies show that similar errors also exist in small medium and large industries in advanced countries.

Management System Analysis

Any industrial or managerial organisation is a mixture of administrative, technological and social and psychological processes. These parameters are so interwoven that the processes overlap and interpenetrate each other in complex ways and the situation is difficult both to understand and control. But the situation can be analysed; understanding and hence control of it is made easier if each process within it is regarded as a 'System' and these various systems are analysed separately. This analysis of a system is becoming a specialised subject in itself in advanced economies

under the name of Operational Research, Management Information Theory, or System Analysis, which warrants sophisticated data processing and computation depending of course on the size of the organisation and feasibility of such studies.

In a country like ours where the industries are in their infancy where there is a difficulty in forecasting and evaluating, these problems we are facing and fighting against are inevitable. This does not in any way mean that we should lag behind in applying wherever possible the techniques which are at our disposal developed and implemented successfully in advanced countries.

Costly experience of industrialization during the past few years calls for more realistic and practical solutions at both top management and on the shop floor level. The rate of economic growth would thus depend mainly on the ability and the speed at which we can absorb and adapt modern technical and managerial know-how.

Can we be optimistic?

It is very clear that economic progress will greatly depend on the inflow of technical know-how and equipment together with international aid both in the form of financial and technical assistance. The massive British investment all over the world in the 19th century proved that the private investor could play an important part in the transformation of a developing nation. The advanced countries beside their commercial interests should be happy to see the poorer countries prosper by giving massive loans on moral or political grounds. The world bank provides long-term loans either to government or to private business which are able to obtain a government guarantee.

In conclusion we can say that the 'Industrialization of Ceylon,' has been very encouraging. We have gone to the extent of exploring export possibilities within a few years of industrialization with success, e. g., shirts to the U.S.A., ready-made garments to the U.K., batik textiles to France and Germany, biscuits and confectionery to Middle East, electrical goods to Africa, tyres to Pakistan, car batteries to Burma—very encouraging indeed.

The general picture is then of confidence and enthusiasm, with the prospect of more and more inflow of technical know-how, equipment, better industrial and management engineering techniques, international aid both in the form of financial and technical, foreign investment—with the intention of increasing productivity, prosperity, and most of all stabilizing our economy. (Courtesy Industrial Ceylon.)

FROM THE CHAMBERS

Shippers on floor price scheme

The Coconut and General Products Association in a Memorandum to the Commissioner of Commodity Purchase has stated that the fixing of an arbitrary price for desiccated coconut is both unwise and unworkable.

They have pointed out that business is not possible at the present price in view of the prevailing world market conditions for the following reasons:—

Up to the end of November Ceylon's exports to the principal buying countries has been normal and as far as we can estimate there is no shortage in any of these consuming countries.

There are large stocks of Desiccated Coconut lying in Shippers warehouses in Colombo, a part of which not shipped due to the partial strike in the Port, but most of it unsold due to the poor demand from about the middle of November 1969.

Overseas sales during November/December have been very poor in quantity especially after prices were forced beyond 70 cents equalling Sh. 180/- due to heavy speculator activity.

There was a reported shortage in the Philippines from about June onwards but even upto the end of October there was hardly any impression on prices as stocks of desiccated coconut in the United States and Germany were such that buying demand was very slack. However it was felt in Trade circles that prices for Desiccated Coconut and Coconut Oil were low compared to related Oils and Oil Seeds and that an upward price adjust-

ment was imminent. This upward movement of prices commenced early in November and was pushed upwards to higher than expected levels by speculative activity. A downward adjustment to equilibrium levels would have normally resulted in a short time as soon as the volume of sales slackened and sellers felt that the price rise was overdone. Unfortunately we believe that this adjustment was prevented by your action as the Commissioner of Commodity Purchase in paying prices higher than the Oil parity for Copra as well as the reluctance of Desiccated Coconut Millers to operate normally, in anticipation of this minimum price scheme.

The export duty on December 2, last year was Rs. 432/70 per ton, whereas on January 4, this year it had moved up to Rs. 545/95. This is an increase of approximately 5 cents per lb. and in the present dull demand conditions the incidence of the rise must be on the seller.

The Memorandum adds: "World supply and demand conditions are extremely difficult to estimate with any degree of certainty until after such conditions have affected price levels. The normal supply and demand conditions are also constantly influenced by other immeasurable factors like typhoon damages, currency changes, fiscal measures etc. The magnitude of the task confronting any single person who tries to evaluate all these factors in fixing a minimum price for desiccated coconut is therefore obvious."

"At one of the Conferences held at the Ministry of Commerce and Trade recently we believe that the discussions were heading in the right direction when opinions were expressed that such a minimum price should not be based on World factors but that the price should be based on the local Copra parity. The aim of the Government is no doubt that the maximum price be obtained from abroad for our Coconuts. The decision in what form these Coconuts are exported i.e. as Copra, Coconut Oil, or Desiccated Coconut should necessarily be determined in the long run by the prices paid for each of these different commodities, and such prices will tend to be at parity levels with each other. In our view therefore, the Government should, if at all, do only such things as will speed up this process of finding equilibrium.

As Copra prices are established by an auction system at which you as Commissioner of Commodity Purchase now take an active interest in order to see that the auctions are competitive and that a price not less than the Oil parity is paid for Copra; we submit that it would be the next logical step to base the minimum price for Desiccated Coconut on a parity with Copra. The market process will then make the other adjustments: if demand is strong then the price will even be higher than the parity price, if on the other hand demand is less than supply, then such supply should be taken off the market until Copra prices and/or Desiccated Coconut prices change to parity levels."

ANNUAL GENERAL MEETING

The Annual General Meeting of the Ceylon Chamber of Commerce will be held on April 7, this year.

Britain earns 50 per cent more in invisibles

London
Britain's net earnings on "invisible" transactions last year — net receipts from the sale of services and investment abroad, together with net overseas spending by the Government — were more than 50 per cent higher than in 1968, due mainly to a massive increase in net inflows of interest, profits, dividends and a record rise in net receipts from tourism.

For the third year running there was a net decline in Government spending abroad.

In an article in the weekly Board of Trade Journal published last week the Board of Trade reports that Britain's total net invisible earnings amounted to £524,000,000 last year compared with £334,000,000 in 1968 and £230,000,000 in 1967.

The big net rise in investment earnings — from £304,000,000 to £472,000,000 — took place despite the fact that increased interest rates, together with the inflow of foreign money into

Britain, swelled the amount of interest payments that Britain had to make to overseas lenders, and despite the decision to make interest payments on the postwar North American loans last year.

The most important factor was a large increase in net receipts from British oil companies.

postal rate increase (\$866 million) and a delay in Federal pay raises for six months (\$1.4 billion) — are almost certain to be rejected by Congress.

Gale McGee, Chairman of the Senate post office and Civil Service Committee, insists: "we won't balance the budget by taking it out of the hides of the people who write letters to relatives."

McGee also is determined to pass a "modest" pay increase retroactive to last Jan 1. Senate leaders of both parties believe any Presidential veto could be over ridden easily.

SOVIET JAPAN TRADE FOR 1970

Moscow

The Soviet Union and Japan concluded their trade talks for 1970, held in Tokyo since January 8, and the official signing of the trade protocol listing commodities to be traded was signed on February

3, according to an announcement issued by the Japanese Government.

Under the existing 1966-1970 Trade and Payments Agreement between the two countries which was signed on January 21, 1966 in Moscow, both sides were to modify the current Agreement this year after due consideration of the economic situation prevailing in the two countries. According to the protocol of February 3, Japan's exports to the Soviet Union in 1970 is valued at U.S.\$370 million (up 40 per cent from the actual results of 1969) and its imports from that country at \$350 million (down 8 per cent), both on an f.o.b. basis, and aggregating a \$720 million two-way trade (up 11.6 per cent). In the past three years, the trade balance had been favourable to the Soviet Union, but this year an export excess of \$20 million on the part of Japan is envisaged.

Subjects taken up in the negotiations included: (1) improvement of trade in woods; (2) conducting ocean transport smoothly; (3) disuse of combination trade; and (4) efforts to develop coastal trade.

The new commodity list planned includes 73 export items on Japan's side, the main lines being several types of plants and equipment, iron and steel products, textiles and related products, and chemi-



icals. Among them, butadiene, ethylene, and ammonium manufacturing plants, and two ships expected to be built this year, are included as new items. As for imports, items in the new list are reduced by one to 34; magnesia clinker, feed and sun-flower seed were dropped, but sodium lithium and titanium sponge were added. The chief import commodities listed are woods, coal, petroleum, and potassic salt.

built plants. One of these is the nitrogen combine at Pulawy. It is able to produce 3,000 tons of nitrogen in a given 24-hour period which, in turn, become urea and ammonium nitrate. A similar combine is being built in Wloclawek. In 1970 the production of concentrated nitrogen fertilizers will amount to one million tons, ranking Poland in 7th place in the world.

PLANNED DEVELOPMENT OF POLAND'S CHEMICAL INDUSTRY

Warsaw

In the last few years Poland's chemical industry has grown substantially and in 1969 it accounted for 11 per cent of the country's total industrial production.

During the past five-year period Poland's chemical industry was known primarily for its assistance to Polish agriculture. Poland's intensified husbandry activities have been responsible for an increased consumption of feed crops exceeding the country's ability to produce such crops.

An increase in the production of such crops necessitated additional amounts of chemical fertilizers, thus it was in this area that the chemical industry's major investments were made. It should be noted that this approach has been largely successful: this year a country-wide average of 130 kilograms of concentrated chemical fertilizers have been used on each arable hectare of land under cultivation.

This has been made possible by a number of modern, newly-

EXPANSION OF ROMANIAN ECONOMY

Romania's present five year plan (1966-70) is being successfully fulfilled and marked progress has been made in all sectors of activity.

The average annual growth rate in industry from 1966-68 was 12.3 per cent as against 10.8 per cent under the plan for that period. As against the average figure reached in industry as a whole, the biggest growth were marked by the sector decisive for the progress of the entire economy, viz., electric power, metal working machine building and chemistry which in 1968 supplied 46.7 per cent of the country's overall industrial output compared with 42 per cent in 1965.

In the agriculture sector two vast strides were made in 1965-68 as compared with the period 1963-65.

Concurrently with the expansion of these main economic sectors — industry, agriculture and silver ware contributing 80 per cent to the national revenue in 1968 — a steady growth was registered in transport communication and the building industry.

THE VANISHING U.S. BUDGET SURPLUS

Washington

Two proposals that President Nixon had been counting on to help produce a small surplus in this year's budget — a

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THE ECONOMIC TIMES

Opportunities for graduates

A friend of mine, a man who was at Oxford 10 years ago, is now running a complete division of a major clothing manufacturer with his own sales force, his own factory, his own union problems and so on. He is a brilliantly successful example of the arts graduate who "goes into industry." But he confided the other day: "You know the one thing I regret is that I didn't take an accountancy course."

There is in that remark the germ of an idea which sums up the present market for graduate jobs. Although there have never been so many opportunities for graduates — particularly in commerce and industry — there is a growing realisation that for arts graduates some form of vocational training is advisable.

The arts degree itself has only a strictly limited vocational use for someone intending to pursue a non-academic career. Even teaching, the choice of the largest single group of graduates, is better accomplished with a further Diploma in Education. And teaching may not in the future be the soft option it has been for some in the past. There are indications that the supply of teachers in certain subjects is about to outstrip demand.

VOCATIONAL COURSES

Accountancy however is only one of the many vocational courses which would be open to the graduate. Others include the law and town planning, in both of which areas a great deal of money can be made. Time taken training in these would be a sound investment likely to show extremely fast returns within a few years.

All forms of social work, librarianship and work in archives or museums also offer vocational training for the

graduate who would like to be a step away from the commercial rat-race.

Special graduate entrance is available for most of these careers and the training period can be reduced even for graduates whose degrees have little or no real relevance to the subject to be studied.

For science graduates the reverse is true. Their degree is in a sense strictly vocational. A chemist would normally

simply use his general scientific background as a way into more general professions will find far greater opportunities await him, and is likely to end up being rather better paid than if he remained in research.

STIFFER COMPETITION

Of course the best researchers will always be very well paid, but only a limited number of people can make a genuinely original contribution. There is a pretty fair assumption that our industrial structure will de-

When a degree is not good enough



velop somewhat on the lines of the American pattern where the number of scientists in high places on industrial management is quite striking.

Certainly it has been suggested with increasing strength that a scientist who disregards his specialist training and who

In this article Mark Byron examines the problems and opportunities for graduates in Britain — particularly arts graduates. Even in an advanced country like Britain the need for a vocational course or a diploma after graduation is being increasingly felt.

As the problem of graduate unemployment is fast getting out of hand in Ceylon this analysis of the problem should bear special significance to our graduates too.

Britain has not got there yet — indeed there has been something of a reluctance among both employers and graduates themselves to make it happen, but the signs are there, and the field is wide open. The arts graduate then will find he has even stiffer competition for the kind of job that has hitherto been thought to be more or less exclusively his.

The process is likely to find its best expression in the so-called science-based industries — particularly as these are among the fastest growing industries at present. I am thinking of the chemical and electronic industries specifically. There is also the possibility of scientists or mathematicians using their degrees initially in spheres which will lead directly to promotion away from their strict use.

This is beginning to happen more and more in management services using computers. The scientist or mathematician will

use his skill in systems analysis or data processing, rise to become data processing manager perhaps and then to become director of management services with a seat on the board.

Technologists, of course and engineers have no such problems. They will be snapped up by industry just as often as they choose to go into it (though London University this year noted a "quite marked decline in the percentage of men graduates who chose industry and a sharp rise in public service entrants"). And their degree course prepares the graduates much more directly for industrial work. But even here graduates tend to leave their vocational experience behind after a few years. According to a survey of professional engineers carried out a couple of years ago only 2.2 per cent were doing purely technical work, and half of these were newly qualified. Nearly 30 per cent gave management as their principal function.

Book Review

THE IMPORTANCE OF MONEY

The Optimum Quantity of Money and other Essays
By Milton Friedman
(Macmillan 90s)

Since Professor Friedman is thought to be an unofficial adviser of the Republican administration and was earlier identified as a supporter of Goldwater, there is an unfortunate temptation to judge his economics by his political views. This obscures the fact that he is a creative economic theorist and a brilliant statistician who has made several major contributions to our understanding of economics. He also happens to be able to argue the hind leg off a horse, which divides economists into a group who enjoy arguing with him and a group who can't stand it. Nonetheless, his election a couple of years ago to the presidency of the American Economic Association indicates the professional esteem in which he is held.

This collection of papers represents much of his work on monetary theory and monetary policy. Only one of them is his, the one that gives the book its title. Its basic result, subject to some practical qualifications that can be ignored here, is that the optimal development

through time of the quantity of money is that which will reduce the nominal yield on riskless bonds to zero (so that the yield in real terms is the rate of decline of the price-level).

This, of course, sounds very old indeed. Nevertheless, it is a result that emerges clearly within the frame of reference. Money, it is pointed out, costs practically nothing to produce from the point of view of society as a whole, yet its cost to each individual who holds it is the things he could have bought with it or the interest he could have earned by lending it. Thus holders of money economise their stocks of it more than its social cost justifies. This they would cease to do if the cost to them of holding it — the interest they sacrifice by not lending it — were reduced to zero.

This argument, which is merely hinted at intuitively here, is developed rigorously in Professor Friedman's paper. It is an odd result because it seems to neglect the effect of money on employment and the balance of payments in favour of what, relatively speaking, is a trivial consideration. Yet Professor Friedman is the arch exponent of the importance of money as a determinant of the price level and the trade

cycle, a topic addressed in many of the other essays.

One example is his reversal of the conventional wisdom concerning the Great Depression in the United States. This, he says, might not have occurred at all, or would at least have been far less severe, had the Federal Reserve System followed the possibilities open to it of preventing the stock of money from falling in 1929-33. Another example in his conclusion that differences between the inflations of the American Civil War and of the two world wars can be better explained by the quantity theory than by a Keynesian approach.

Professor Friedman cannot, however, be accused of inconsistency. A belief that monetary disorder has caused trouble does not prove that monetary policy can always cure trouble. One reason is simply that there are (unavoidable) errors both in forecasting the need for policy changes and in forecasting the timing of their effects. Consequently Professor Friedman reaches his well-known policy prescription of a steady rate of growth, year in and year out, of the quantity of money. His paper on "The Role of Monetary Policy", reprinted as chapter 5, is perhaps the most useful general statement of the way he reaches this conclusion. It deserves much more attention than the title essay. (*Economist*).

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Shipping & Aviation

A new material for freight containers

A new material for making light-weight containers for land sea or air freight has been developed by a British firm. Its special properties are claimed to make it an effective and in some ways superior alternative to wood. In particular, it brings about a weight reduction of some 50 per cent, compared with an equivalent container made in one-inch torque and grooved timber.

The material is based on 'tri-wall pak', a proprietary triple corrugated board which is available in various parts of the world. The board is specially treated with glass-reinforced parts of the world. The board is specially treated with glass-reinforced plastic on

each side and emerges as a new material which is proof against termites, water and rot, and has good thermal insulation qualities while maintaining the lightness and low cost advantages of the normal packaging board.

The manufacturers have already used the material extensively for the packaging of ammunition, rockets, space programme equipment and packs for explosives, which have successfully undergone exhaustive water spray, drop and vibration tests.

The firm is willing to negotiate agreements for the overseas manufacturing of the material.

goods in containers will be launched. The construction of such a vessel has been undertaken by the Lenin Shipyards

of Gdansk. The first Polish container-carrier will have a capacity of 12,000 DWT and a speed of 20.5 knots.

The Polish ship is to be extremely modern, and will be fitted with much original equipment. The holds will feature an apparatus for automatically regulating the temperature and humidity, and lifts will enable the loading and unloading of cargo in less than a 24-hour period.

The engine room will be completely automated. The engine will be controlled from a central steering and control point in the navigation deck. Such arrangements aboard the Polish container-carrier will require a smaller crew and will even change the character of a sailor's activities whose major task will become one of maintenance and upkeep.



TRAVEL BOOST

On the travel side Britain's foreign earnings rose from £282,000,000 in 1968 to £355,000,000 last year.

There was also a sharp rise of £58,000,000 in spending by Britons on foreign travel, following a drop the previous year, which the British Board

of Trade attributes to the rapid development of economical package tours. Even so, Britain was in surplus on the travel account by £26,000,000 a record increase of 26 per cent on the previous year.

Visitors to Britain went up by a fifth, and the Board of Trade says that recent figures indicate that the increase has been maintained, giving hope of a further rise in travel earnings this year.

On the other hand, with the ending of the exchange restriction on foreign travel, higher British spending is also to be expected and the Board thinks that last year's record surplus is unlikely to be reached in 1970.

Financial Services

Apart from investment receipts and travel, other items showing net increased earnings last year were civil aviation, where the surplus went up by £14,000,000 to £43,000,000 and on "other services", up by £144,000,000 to £496,000,000. Earnings from financial services were particularly buoyant, with receipts from insurance showing a steep ride for the second year running.

Transactions within the shipping account showed mixed fortunes. Britain's net earnings from drycargo shipping went up in 1969, when more British bulk carriers and container ships were brought into service. On the other hand, earnings from tankers fell away, reflecting the fall in tanker freight rates from their abnormally high 1968 levels.



TOURISM

SPOTLIGHT ON CEYLON

With West Germans coming out to Ceylon in ever increasing numbers for their winter holiday more and more German newspapers now devote space to historical and cultural arti-

cles about the island. Typical is a page in a recent issue of the "Pforzheimer Zeitung."

One article describes the glories of old Ceylon, at Anuradhapura, founded 380 years before the Christian era, Polonnaruwa, Sigiriya, Kandy. It vividly describes the fire-walking at Kataragama and the physical tortures inflicted on themselves by supplicants.

The other articles delve into the island's history, and brings it up to date with a summary of post-independence years.

The writer recalls that Trincomalee is a remainder of the important role played by Ceylon in European history—for Wellington, the Iron Duke, fell ill at Trincomalee and missed the ship which was to take him back to England after his victories in South India. The ship was sunk with all on board—and Wellington lived to triumph at Waterloo and thus to end the Napoleonic era.



ROMANIA'S POTENTIAL

Romania's recent assertion in the international tourist circuit is conspicuous by the steadily growing crowds of foreign visitors flocking to this country; a comparison between figures will be most telling: about 1,500,000 in 1968 as against 100,000 in 1960.

This points to a rate of growth of 28 per cent in tourist traffic, compared to an annual average rate of 12 per cent recorded in international tourism. To set off the vigorous material and spiritual features that account for important tourist attractions is a keen concern of the Romanian State. Under the current Five-Year Plan (1966—1970), funds amounting to three thousand million lei have been earmarked for the building of hotels, motels, campings, restaurants, for purchasing further transport means—aircraft, river-going ships and car service stations, including entertainment facilities.

New machine to detect disease

A machine which can detect diseases in a person before he realises he is ill, has been ordered by Britain's Ministry of Health.

It can analyse the blood of people in one hour, and will be used at first to automate standard procedures in hospital laboratories.

It has been developed by the medical engineering division of Vickers Ltd., at their medical engineering division in the Southern Country of Hampshire, to meet the growing need for biochemical analysis in the diagnosis and treatment of disease.

The new machine is the result of five years work, backed by the National Research Development Corporation, and is claimed to be at least one year ahead of anything of its kind in the world.

Science & Technology

Selling the smell

Manufacturers have long known that odour can be a powerful inducement to buy a product. Yet advertising men, finding smell too elusive a sensation to depict in words, or pictures, tend to concentrate on the more easily communicated qualities of the goods that they tout. Now a process called "micro-encapsulation" is opening a promising new dimension for advertising by enabling readers to sniff a product's aroma on the printed page.

In recent months, scented advertisements, for such products as Fleischmann's Gin, Gillette's Foamy Surf-Spray Shaving Cream, and Carven Perfums' Ma Griffe have been published in half a dozen magazines. Because of extra production costs, a micro-fragrance ad often doubles the ordinary price for advertising. Still, Reach McClinton's Robert Jaffe, an account executive for Ma Griffe perfume, which ran a micro-fragrance ad in four women's magazines, maintains that the impact makes the high cost worthwhile. "You are putting before the consumer what you're selling," he says "and what we are selling is smell."

Competition

Efforts to find a practical way to add odours to advertisements have been going on for years. Scented ink was tried in newspapers in the '50s, but the fragrance dissipated too rapidly. The present process is supplied by only two companies, National Cash Register and Mining & Manufacturing and the competition between them has spread from the market-

place to the courts, NCR, which claims that it developed the micro method first, has filed a patent-infringement suit against 3M. Minnesota Mining extracts a product's aromatic oils to duplicate the product's scent.

The essences are enclosed in microscopic plastic bubbles, a million to a square inch. The capsules are coated on a paper strip, which is out to size and affixed to each advertisement. A fingernail scratch ruptures the bubbles and releases the fragrance. NCR's technique allows fragrances to be applied directly to published ads, eliminating the 'aper strips

Nasal Adventure

So far, 3M has developed about 100 aromas, including those of bananas and bourbon, dill pickles and roses, pine trees and orange juice. Officials at 3M and NCR envision a multimillion-dollar market for their process. For example both companies are already studying the possibilities of attaching micro-fragrance strips to packages and cans of food. If the idea catches on, food shopping could become a nasal adventure.

A Mini-Air-Boat

The Ship Insite of the Gdansk Polytechnic in Poland developed a prototype of small, inland airboat known by its designers as "Amor".

MAIN FEATURES

The Amor is 4.65 metres long and 2.18 metres wide. When in motion only 1/4 metre of it is submerged, and it boasts a top speed of 55 kilometres per hour.

The airboats hull is made of polyester fiber-glass laminates, and its outrigger fins of aluminium alloys. It will be propelled by a 30-horsepower outboard engine. The craft features 4 comfortable seats and a remote-controlled steering system.

Headlight Improvements

Blinding of incoming traffic by poorly set headlights will soon be a thing of the past. Research staff at a Stuttgart firm have developed a lighting distance regulator with feelers that continuously measure the relative position of bodywork and axle.

A mini-computer then works out the optimum headlight setting and sets the headlights accordingly. A simpler device is already on the market. Fitted to a French car, it also automatically adjusts headlights on the basis of a balance mechanism.

THE ECONOMIC TIMES

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DIVERSIFICATION OF CROPS

The Government decision to grant a subsidy for the diversification of crops on uneconomic tea and rubber lands has brought about a new perspective into the economic development programme of the country. Ceylon has hitherto depended on three traditional crops, viz., tea, rubber and coconut as the main source of foreign exchange earnings. The persistent decline in the country's export earnings and the rising tide of difficulties overwhelming the tea industry have created a new urgency and accelerated the decision to launch on new non-traditional crops.

Subsidies for replanting uneconomic tea and rubber with high yielding strains have been accepted in principle on all sides, but the new demand for diversification is one which requires much thought and detailed study before the country plunges wholesale into it. This is a decision that cannot be taken in isolation—it must be weighed against development as a whole and the diversification of agricultural crops in particular.

The diversification plan necessarily involves spices, such as cloves, cinnamon, nutmeg, pepper and other commodities that are at present fetching good prices. It also embraces dairy farming, fruits and cashew nut growing and the cultivation of flowers such as orchids and anthuriums which are also just beginning to make an impact both in the local and export markets.

It is, however, imperative that each proposed venture is studied by a special Committee which is competent to deal with it from the scientific angle as well as in the larger context of its foreign exchange earning potential.

In theory the diversification of crops seems to be a simple process, but the inherent dangers of making it a panacea for all our economic ills must be guarded against.

In addition to the immense outlay at the beginning there are also the connected social problems that will accompany the conversion of plantation from one crop to another. Personnel trained probably for a life-time in the cultivation of one crop, say tea, cannot immediately adjust themselves to a new crop, for example, spices, without absorbing the know-how, and understanding the difficulties that arise in a new environment. Soil, rainfall and climate in general have to be studied carefully before the entrepreneurs have a reasonable chance of success in their new fields.

If on the other hand one takes the most optimistic view of the success of diversification from the agricultural angle, there will always remain the question of sales and marketing. What is the guarantee that the same handicaps that affect our tea trade will not be repeated in the case of spices and that monopolies do not appear overnight to corner the market?

Domestic Agriculture PADDY PRODUCTION 2% UP

Paddy production had shown its lowest rise for any single year in 1969.

According to the latest statistics of production of domestic agricultural crops, compiled by the Ministry of Planning and Economic Affairs, paddy production in 1970 had increased by only 2 per cent over that of 1968. This is the lowest percentage increase among the main domestic agricultural products. See Table below.

Potatoes on the other hand showed the highest rise in production increasing by 168 per cent over the previous year's figure.

The other major increases were in chillie production, which went up by 120 per cent from 1968; followed by ground nut which increased by 70 per cent and maize which increased by 31 per cent; red onions recorded an increase of 40 per cent in 1969.

The following table gives the actual production figures in 1967, 1968 and 1969, and the percentage increase.

Plywood Corp. Makes Record Profit

The Ceylon Plywood Corporation made an all time record profit of Rs. 2 million in the last financial year (1968—1969). This was disclosed to the 'Economic Times' by the Corporations Chairman, Mr George Weeratne.

The profit made by the Corporation in 1967—1968 was only about Rs. 6 lakhs.

JAPAN HOLDS TOP PLACE IN STEEL EXPORTS

Tokyo

Japan continued to maintain leadership in international steel export trade in 1969. According to figures released by the Japan Iron and Steel Federation recently, exports of steel products by 10 major steel producing countries in 1969 aggregated 66 million tons, up 12 per cent over the previous year. In this total, Japanese exports amounted to 15.7 million tons, increasing by 19.3 per cent over the previous year and accounting for 23.2 per cent.

Japan thus continued to be placed first among 10 major steel exporting countries in 1969 in the wake of the same achievement in 1968.

Paddy yield per acre in 1969 was between 46-58 bushels compared with 36 bushels in 1960. This reveals only an increase of 12 bushels per acre over the last ten years, according

to Central Bank sources. The Agriculture department however, claims that the average yield per acre in 1969 was 53 bushels.

	1967	1968	1969	1969/68 % increase
(1) Paddy (M. bushels) ..	55.16	64.64	65.9	2
(2) Chillies (cwt.) ..	32,447	60,316	132,730	120
(3) Red Onions (cwt.) ..	516,031	710,308	740,690	4
(4) Maize (cwt.) ..	83,440	195,499	256,496	31
(5) Potatoes (cwt.) ..	146,980	259,010	693,360	168
(6) Groundnuts (cwt.) ..	40,420	54,200	92,304	70

New Peoples' Bank Loan Scheme

Cultivators of minor agricultural export crops can now benefit from the new loan scheme formulated by the People's Bank. Under this scheme, loans in 'kind' will be given from May this year mainly for fertilisers, pruning, weeding and pest control.

The People's Bank General Manager told the 'Economic Times' that for a start the scheme will operate in Kandy, Matale and Galle, and will be extended to cover Mannar, Batticaloa, Matara and Hambantota.

Among crops for which loans will be given are: cocoa — Rs. 225 per acre; cardamom — Rs. 200 per acre; coffee —

Rs. 225 per acre; Cinnamon — Rs. 300 per acre; citronella — Rs. 100 per acre; cashew — Rs. 50 per acre; and pepper — Rs. 25 per acre.

Finance will be channelled through Co-operative Societies and will be confined to holdings of ten acres. Repayments will have to be made within one year.

Petroleum Corp. strides ahead

Nearly 60,000 tons of fuel oil and 10,000 tons of naphtha have been exported by the Ceylon petroleum Corporation to the Consolidated Petroleum supply Company, up to the end of March 1970.

The Corporation has to ship 425,000 tons of fuel oil and 150,000 tons of naphtha annually in terms of the contract it recently clinched with the Consolidated Petroleum Supply company.

This export, order which will earn for the country Rs. 38 million annually, has made the Petroleum Corporation the largest foreign exchange earning State Corporation.

Both fuel oil and naphtha are produced at the Corporation's Rs. 200-million Refinery at Sapugaskande.

Besides earning foreign exchange, the Refinery also account for an annual foreign exchange saving of Rs. 38 million annually.

New Products

A spokesman for the Corporation told the 'Economic Times' that a unit to manufacture liquid petroleum gas to be used for industrial and cooking purposes from the waste gases of the Refinery is set up shortly. These products are expected to be on the market before the end of this year.

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