



Foreign aid programmes close in

Of the total quantum of foreign aid available to Ceylon under the various Commodity Aid programmes as at the end of May 70, almost the full amounts under the 1st, 2nd and 3rd programmes have been utilized.

The 4th Aid Programme provides a total of \$51.00 million, of which \$39.00 million have been utilized, while the 5th Programme provides \$53.05 million of which \$18.13 have been utilized up to 31st May 1970.

The main commodity aid donors have been the U.S.A with \$63.43 m., U.K. with \$50.57 m., Japan with \$25.46 m. and the Federal Republic of Germany with \$23.38 m.

THE ECONOMIC TIMES

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SUDDEN DROP IN CHEMICAL PRODUCTION

Several major consumer items in the Chemicals Products Group registered a drop in their production last year. Among these items were soaps, toothpaste and powder, inks, refined coconut oil and other vegetable and animal oils and fats. This was the cause for the unusual fall in production values in the Chemicals and Chemical products group in 1969.

Chemical Products which every year have continued to record a rise over each preceding year suddenly showed a downward trend, falling from Rs. 142.5 million in 1968 to Rs. 140 million in 1969.

This fall in the overall total of the Chemical Products Group occurred despite the fact that there were heavy increases in two products—paints by Rs. 2.74 million and agricultural chemicals by Rs. 1.12 m. and smaller increases in cosmetics and perfumery, laundry blue, pharmaceuticals and many other products.

These production values given from the latest Statistics of Industrial Production of the Ministry of Industries show some of the main differences in 20 of the 41 items produced in this group.

CHANGES IN VALUES OF PRODUCTION OVER 1968 / 1969 (Figures given in Rupees Million)

| ITEM | DOWN | |
|---|-------|-------|
| | 1968 | 1969 |
| Soap | 55.12 | 53.18 |
| Talcum powder | 6.77 | 6.73 |
| Toothpaste & powder | 7.92 | 6.53 |
| Matches | 9.98 | 8.58 |
| Polish | 1.29 | 1.25 |
| Distemper | 1.53 | 0.47 |
| Inks | 2.20 | 1.88 |
| Oxygen | 1.95 | 1.50 |
| Joss sticks | 1.88 | 1.28 |
| Refined coconut oil | 2.03 | 1.40 |
| Vegetable & animal oils & fats n.e.s. | 2.90 | 1.90 |

CHANGES IN VALUES OF PRODUCTION OVER 1968 / 1969 (Figures given in Rupees Million)

| ITEM | UP | |
|--------------------------------|-------|-------|
| | 1968 | 1969 |
| Paints | 13.10 | 15.84 |
| Cosmetics & perfumery | 4.00 | 4.27 |
| Laundry blue | 2.14 | 2.51 |
| Scouring powder | 1.16 | 1.32 |
| Pharmaceuticals | 16.22 | 16.48 |
| Candles | 1.07 | 1.25 |
| Carbon dioxide | 0.85 | 0.93 |
| Agricultural chemicals | 2.28 | 3.40 |
| Caustic soda | 0.84 | 0.97 |
| Acetylene gas | 1.54 | 1.57 |

Vast development potential exists— Says U. S. Information Officer

BY THE EDITOR

Ceylon has a vast development potential that could be harnessed to augment the scarce foreign exchange resources of the country and accelerate the rate of economic growth. This was the personal view expressed by Mr. Robert A. Marian the new U. S. Information officer, when I paid him a brief courtesy call.

Taking a few examples at random, he pointed out where the State could take meaningful steps to tap the development potential that exists.

The gem industry, he said, could bring in much revenue to the State. The foreign exchange earnings from this source could be channelled for development purposes. At present it is alleged that the State is deprived of much of its legitimate revenue.

The fishing industry could be modernised. The introduction of more travelers and mechanised fishing boats would be a step in the right direction, he added.

Demand for Fruits

Mr. Marian was very emphatic about the foreign exchange earning capacity of our non-traditional export products.

Both canned fruits and fresh fruits could bring in more foreign exchange earnings than at present. In Europe as well as in America there is a great demand for exotic fruits, he said.

The avocado pear is a fruit that is relished. Even if it has to be air freighted it could be exported on a profitable scale as it fetches a very good

State to control cotton and cashew trades in India

THE UNION CABINET HAS DECIDED TO SET UP TWO PUBLIC SECTOR CORPORATIONS FOR CANALISATION OF COTTON AND CASHEW TRADES, BOTH INTERNAL AND EXTERNAL.

The cotton corporation with an authorised capital of Rs. 2 crores, will come into being in September to coincide with the beginning of the new cotton season.

In the first instance, it will be entrusted with the import of cotton. At present India imports cotton worth Rs. 80 crores to Rs. 100 crores a year.

New Congress decision

Subsequently, the corporation will take over internal

Rational scheme for exchange allocation

The Government is now working on a more rational scheme of foreign exchange allocations for industrialists in the coming year. Allocations to manufacturers for the second half of this year were made rather hurriedly and on the limited production data and limited foreign exchange resources that were available.

To ensure strict priorities, in accordance with the new industrial policy, and also plan in advance for the entire year's industrial production the Regulation Division of the Ministry of Industries has sent out a Questionnaire to all industrialists to ascertain their raw materials and packaging requirements well in advance.

price abroad. "My wife, for instance, loves this fruit—and so do most Americans," he added with a smile.

These are just some of the fields where the State could provide the necessary impetus and incentives for further development, he stated.

cotton trade as well. Originally the Ministry of Foreign Trade had recommended the setting up of the corporation for the import trade only. But the proposal is understood to have been modified on the suggestion of the new Minister, Mr. L. N. Mishra, who wants to entrust the corporation with internal trade also in keeping with the decision of the New Congress.

Probably the same consideration weighed with the Government in its decision to set up a similar corporation for cashew trade. At present India imports cashew worth Rs. 30 crores annually from Africa and exports cashew worth Rs. 60 crores.

In fact the decisions to set up the corporations for cotton and cashew trade are part of the overall policy decision to gradually entrust most of the foreign trade to the public sector.

Since the cotton corporation is expected to take full charge of both internal and external trade in due course, it is likely to depend on advances from the nationalised banks and the cotton textile industry to carry on business which runs to about Rs. 400 crores every year.

I. D. B. SURVEY

The industrial potential in 2 major regional areas of the country, Galle and Jaffna are now being surveyed by two teams from the Economic Research Division of the I.D.B.

These regional studies, are being undertaken on the same lines as the previous surveys carried out on the industrial potential in the Pallekelle District and Gal-Oya Valley.

They will also cover the geographic, geologic industrial raw material and labour resources facilities in these areas.

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MARKET PRICES

COLOMBO

CLOSING PRICES 28.7.70

| TEA (Rs.) | Cts. | Per lb. | | B. O. P. Fs | |
|----------------------|------|--------------|-----------|----------------|------------|
| | | low | high | low | high |
| Uva Teas | | 2-10 | 6-00 | 2-30 | 5-80 |
| | | 1 at 7-05 | 1 at 7-60 | 1 at 6-15 | 1 at 6-50 |
| | | 1 at 4-30 | 1 at 8-20 | 1 at 7-05 | 1 at 8-00 |
| | | | 2 at 9-00 | 1 at 8-20 | 1 at 9-10 |
| S/W High Grown | | 1-75 | 3-15 | 2-00 | 3-25 |
| | | 1 at 3-35 | 3 at 3-55 | 1 at 3-35 | 1 at 3-45 |
| | | 2 at 3-45 | | | |
| Medium Grown | | 1-60 | 2-18 | 1-60 | 2-26 |
| Small leaf Low Grown | | 1-40 | 1-65 | 1-43 | 1-73 |
| Tea for Price | | 1-07 | 1-35 | 1-10 | 1-40 |
| Leafy B. O. P. | | 1-18 | 1-45 | | |
| | | F. B. O. Ps. | | F. B. O. P. Fs | |
| Tippy Teas | | 1-30 | 1-46 | 1-40 | 6-50 |
| | | 1 at 1-48 | | 1 at 10-09 | 1 at 15-00 |

PRICES FOR THE WEEK ENDED 1.8.70

RUBBER

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

| Colombo | High | Low |
|---------------------------|--------|--------|
| RSS No. 1 | 86 1/4 | 86 |
| RSS No. 2 | 80 1/2 | 80 |
| RSS No. 3 | 79 3/4 | 79 |
| COPRA (Rs. per Candy) | | |
| Estate Copra No. 1 | 246.00 | 240.00 |
| COCONUT OIL (Rs. per ton) | | |
| August | 1450 | 1425 |
| September | 1425 | 1425 |
| POONAC (Rs. per tone) | | |
| High | 310 | 290 |

DESICCATED COCONUT (per lb.)

August and September .63 cts.

Prices for the week ending 25th July 1970

| Commodity | Buyers Quotations | | Export Duty |
|-------------------------------|-------------------|-------------|--------------------------|
| | Per lb. | Per lb. | |
| Cardamoms | 28/00 | 29/50 | 40% on true F.O.B. |
| C'Mom Seeds | | | value |
| Cloves | 15/50 | 17/00 | value |
| Clove Stems | 4/00 | 4/25 | |
| Mace | 5/75 | 6/00 | |
| Nutmeg (Shelled) | 3/25 | 3/50 | |
| Nutmeg (Unshelled) | 2/10 | | |
| Pepper (Black) | 3/50 | | |
| Pepper (White) | 5/20 | Nom. | |
| Peppin (White) | 14/50 | 15/00 | 20% on true f.o.b. |
| Peppin (Brown) | 9/00 | 9/50 | value |
| Cinnamon H/1 | 3/75 | | -do- |
| Cinnamon H/2 | 3/65 | | -do- |
| Cinnamon Quillings No.1 | 3/25 | | -do- |
| Cinnamon Quillings No.2 | 3/00 | | -do- |
| Cocoa | 200/00 | 205/00 | 40% on true f.o.b. value |
| Coffee | 381/00 | | |
| Kapok (Clean) | 125/00 | | |
| Kapok (Unclean) | 37/00 | | |
| Croton Seeds | 125/00 | | |
| Essential Oils | Per Oz. / lb. | Export Duty | |
| Cinnamon Leaf Oil | 24/00 | | |
| Cinnamon Bark Oil | 24/50 | per oz. | |
| Citronella Oil Estate Quality | 6/50 | per lb. | 10% on true f.o.b. value |
| Citronella Oil Ordinary | 5/90 | per lb. | |

SUBSIDIARY CROPS - WEEKLY PRICE LIST POYA ENDING 25/7/70

The undernoted quotations are the Wholesale Buyers Prices paid in Colombo and is maintained only as a guide to the trade. Every effort has been made to be as accurate as possible.

| Cereals | (Per Bag 154 to 158 Lbs) | |
|----------------------|--------------------------|----------|
| | Per bushel | Per Cwt. |
| Paddy- | | |
| Samba | 16/00 | |
| Other Varieties | 14/00 | |
| Rice- | | |
| Par Boiled | 72/00 | |
| Country Rice No. 1 | 82/00 | |
| Country Rice No. 2 | 80/00 | |
| Samba Rice | 102/00 | |
| Kora Rice | 110/00 | 110/00 |
| Maize- | | |
| Pulses | 28/00 | |
| Red Gram (Toor Dhal) | 40/00 | 45/00 |

TEA REPORT

Auction No. 29 was held on Monday 27th and Tuesday 28th July, 1970. The total quantity offered was 7,989,707 lbs., comprising 4,609,390 lbs. Leaf Grades, 863,690 lbs. usts, 153,019 lbs. Reprints, 112, 937 lbs. Sundry Lots and 2,403,690 lbs. Ex-Estate. There were a few fineflavoury Uva teas on offer which fetched attractive prices. Quality from other districts was similar to last week and there was a very good and strong demand throughout the Sale.

High-grown Teas: All Western High-Grown teas met a better demand and were generally 10/20 cents dearer except where liquors remained thin and uninteresting. Leaf Grades attracted more interest and prices for good liquoring Pekoes and Orange Pekoes were much dearer.

Uva Teas: The best on offer fetched prices ranging between Rs. 5/- and Rs. 9/10 with support at these levels coming mainly from Continental Buyers. Below best were in strong general demand and most improved teas were between 20/50 cents dearer.

Medium-Grown Teas: Good thick colour sorts were 3/5 cents dearer in the higher price range with lower kinds improving 5/10 cents. There was rather more demand for BOPFannings grades which on average advanced 5/15 cents per pound. Leaf Grades were steady.

Low-grown Teas: Once again small leaf bright liquoring BOPs and BOPFannings were in very strong demand improving 3/5 cents and 5/10 cents per pound respectively. Leafy BOPs continued a dull market and were a few cents easier. Poorly made sorts declined rather more.

Tippy Teas: Small Leaf FBOPs were truly firm. Others and FBOPs were easier.

Off Grades: Except for Low-Grown MBs which were easier, all teas came to a dearer market, especially the Uvas.

Dusts: Low-Grown were fully firm, while all liquoring sorts were dearer.

Commodity Commentary

RUBBER REPORT

We give below the Rubber Market Report issued by the Colombo Brokers' Association for the Poya Week ending 24th July 1970.

World Rubber Markets continued the down-ward trend this week, the main depressing factor being the U.K. Dock Strike. The Singapore market opened easier on increased selling by dealers with insufficient covering demand. The market closed on a very much easier note in the absence of any fresh news. The forward market for the most part of the week was uneventful except for lower grades of sheet; which were traded for the August position.

The London Market opened in line with the East there being some modest covering activity in spot and nearby rubber at slightly firmer rates out mid week the market sagged slightly and closed easier. The New York market was practically unchanged on only limited demand. On balance Singapore declined by 1-5/8c. cents while London declined by 1/16 pence.

Latex Crepe: There were 653 tons of Latex Crepe on

offer at the two sales held during the week, showing a decline of 29 tons on the previous week's figure. At the opening sale Latex Crepes eased by /01 to /01 1/2 cents per pound for the IXs and about /02 1/2 cents per pound for the No. 1 Crepes. Duller sorts and off grades too declined somewhat showing losses of /01 to /02 cents. At the subsequent sale there was a much bigger quantity on offer and as a result prices eased even further for the IXs and No 1 Crepes which declined by about /02 1/2 to /04 cents per pound. Duller sorts declined by about /02 cents whilst off grades remained more or less steady.

With larger sales anticipated in future, prices for Latex Crepes could continue to decline and stabilise in the region of Rs. 1/10 to Rs. 1/11 per pound. It is interesting to note that the differential between the Sheet No. 1 price and the Crepe No. 1X price since the sale of the 12th June when it was /36 cents, has declined to /28 1/2 cents for the first sale of the week and /26 1/2 cents for the next sale.

Produce Report

We give below the Sundry Produce Market report for the Poya Week ending 24th July, 1970.

Cardamoms: There were 132 lots, totalling 8452 lbs. of Cardamoms on offer which showed an increase of 1591 lbs. on the previous week's figure. Following strong demand, the market moved up by approximately Rs. 1/ to Rs. 1/50 per lb for No. 1 quotation to be made at Rs. 28/- to Rs. 29/50 per lb. Grades next to best were transacted at between Rs. 21/- and Rs. 27/- per lb. One lot of 82 1/2 lbs. of superior quality cardamoms was sold at Rs. 35/05 per lb. and was the highest price paid for the day, with the lowest transaction being done at Rs. 8/- per lb. There

was one lot of seeds on offer this week, which sold at Rs. 26/- per pound.

Cocoa: 32 lots totalling 174 cwt. of Cocoa were on offer, as against the previous week's quantity of 90 cwt., indicating an increase of 84 cwt. Following better demand and with more buyers present at the sale, the market moved up considerably for No. 1 quotation to be made at Rs. 200/- to Rs. 205/- per cwt. Grades next to best fared well and sold at Rs. 180/- to Rs. 190/- per cwt., with the darker and poorer grades fetching Rs. 110/- to 130/- per cwt. No garblings or shell cocoa were on offer.

Pepper: 4 lots totalling 1986 lbs. of pepper were on offer at the sale this week, the best of which sold at Rs. 3/50 per lb. for quotation to be made at this price.

Coffee: Two lots totalling 5 cwt. of Robusta coffee were on offer and these sold at Rs. 381/- per cwt. for quotation to be made at this price.

Nutmeg: 83 1/2 lbs. of unshelled nutmeg were on offer and sold at Rs. 2/10 per lb. Quotation was made at this price.

Cinchona Bark: 1 lot of 15 lbs. of cinchona bark was on offer and was withdrawn due to the lack of suitable bids.

| | |
|--------------------------|-------------|
| Black Gram (Undu) | 61/00 |
| Bengal Gram | 46/00 |
| Green Gram | 53/50 |
| Bombay Cowpea | 40/00 |
| | Per Bushel |
| Millet | |
| Finger Millet (Kurakkan) | 9/25 |
| Sorgum | 700/00 |
| | Per Cwt. |
| Spices / Condiments | |
| Mustard | 4/40 |
| Chillies | |
| Dried Long | 280/00 |
| Dried Round | 125/00 |
| Dried Gf Grade | 65/00 |
| Goraka | 85/00 |
| Vanilla | 15/00 |
| Tamarind | 100/00 |
| Nuts Cashew | |
| Groundnuts | 53/00 |
| | Per Lb. |
| | Per 80 Lbs. |

Bristle fibre exports decline

(By Our Commodity correspondent).

The 20 per cent increase in bristle fibre production during the second half of 1968 and the first half of 1969, resulted in the Market being flooded with unwanted fibre in the second half of 1969.

The offtake by the main consuming countries, Japan, Germany and Holland, also declined considerably last year as 1-Tie Fibre is substituted by cheaper synthetics.

Requests by local exporters for a reduction in the overseas selling price for 1-Tie to regain its competitiveness was turned down by the Coconut Fibre Board and this resulted in a decline in the volume of bristle fibre exported in 1969.

Competition

Ceylon continued to supply the bulk of world requirements for Coco-Brush Fibres and Twisted fibre for rubberised Coir. For Twisted Fibre, Thailand has emerged as a serious competitor, particularly in Japan.

However, welcome demand has emerged for the Ceylon product from East European countries for our Twisted Fibre and it is hoped that part of the decline in consumption of 1-Tie Fibre in Japan, Germany and Holland can be made good by increased exports of twisted Fibre to East Europe.

There is only a very small domestic consumption of bristle fibre for the manufacture of brooms and brushes.

The local market last year opened in January on a week note at Rs. 39/- per cwt. for

1-Tie and declined to Rs. 37/- by June last year.

The benefit of the increase in the FEECs to 55 per cent in June was passed on to the fibre millers with an increase of Rs. 39/-.

Advalorem duty

The introduction of the Ad-Valorem Export Duty of 30 per cent on fibre from August 3, added a minimum of Rs. 10/24 to shippers' cost and they had no option but to reduce their buying price to Rs. 32/-.

Selling pressure, due to a shrinkage of demand resulted in prices receding to the floor price of Rs. 28/50 by the middle of last October where they remained until the end of last year.

There was practically no change in the selling prices overseas for Bristle Fibre 1-Tie last year. Prices for 2-Tie Hacklea fluctuated within narrow limits only and closed at around to 90.00 per ton cost and freight U.K.

The floor prices underwent no change during the year under review and stayed at Rs. 28/50 first cost and Rs. 37/46 F.O.B.

No change was affected in the freight rates to principal destinations in 1969.

TABLE I
AVERAGE MONTHLY QUOTATIONS

(Two-Tie per cwt. at Buyers Store)

| | | |
|-----------|----|-------|
| January | .. | 45.25 |
| February | .. | 43.75 |
| March | .. | 43.50 |
| April | .. | 43.75 |
| May | .. | 43.40 |
| June | .. | 44.50 |
| July | .. | 43.25 |
| August | .. | 38.30 |
| September | .. | 38.00 |
| October | .. | 37.87 |
| November | .. | 38.00 |
| December | .. | 38.00 |

Average Quotation for the year 1969: Rs. 41.46.

TABLE II

| Year | Customs Exports (cwt) | Customs Valuation (Rs) | Customs Avg. Valut per cwt. Rs. |
|------|-----------------------|------------------------|---------------------------------|
| 1963 | 398,570 | 23,885,705 | 59.93 |
| 1964 | 533,915 | 30,596,965 | 57.31 |
| 1965 | 440,676 | 23,240,387 | 52.74 |
| 1966 | 401,183 | 17,449,485 | 43.5 |
| 1967 | 538,039 | 22,08,825 | 40304 |
| 1968 | 563,854 | 25,51,396 | 45.359 |
| 1969 | 506,717 | 24,643,561 | 48.63 |

SHARE MARKET REPORT

The Share Market was quiet throughout the week. There was no business in Tea-cum Rubbers, according to the Report of the Colombo Brokers Association.

| | Previous Price Rs. cts | July 30 Rs. cts. | + or - Rs. cts. |
|----------------------------|---------------------------|---------------------|--------------------|
| Teas | | | |
| Bopitiya | 3.00 | 3.25 | + .25 |
| Ceylon Provincials | 6.25 | 6.50 | + .20 |
| Dikoyas | 13.50 | 11.00 | - 2.50 |
| Mahallvas | 8.50 | 5.25 | - 3.25 |
| Pitakandas | 6.00 | 6.00 | |
| Roberrys | 6.25 | 4.50 | - 1.75 |
| Strathedens | 8.00 | 8.00 | |
| Tonacombes | 3.50 | 3.25 | - .25 |
| Uplands | 5.50 xd | 5.25 xd | - .25 xd |
| Rubbers | | | |
| Ceylon Rubbers | 23.00 | 16.00 | - 7.00 |
| Commercials: | | | |
| Cold Stores | 20.00 | 18.50 | - 1.50 |
| Nutritional Foods | 15.00 | 15.00 | |
| Lambrettas | 10.00 | 8.25 | - 1.75 |
| BCC | 11.50 | 11.00 | - .50 |
| Glaxo Allenburys | 20.00 | 20.00 | |
| Wellawatte Mills | 6.00 | 6.00 | |
| Lankems | 13.50 | 13.00 | - .50 |
| Mercantile Credit | 14.00 | 10.00 | - 4.00 |
| Apothecaries | 9.50 | 8.00 | - 1.50 |
| Asian Hotels | 10.00 | 9.25 | - .75 |
| E. B. Creasy | 15.00 | 14.75 | - .25 |
| Whittals Estate & Agencies | 16.00 | 14.75 | - 1.25 |

There was one change in Pref. Shares, Walkers & Grieg 7 per cent Non Cum Prefs falling from Rs. 1.50 in November, 1969, to Rs. 1.00 for a small odd quantity, and no business in Government Loans. Application List of Rs. 10.00 million Ceylon Government 6 per cent. Loan 1975/77 which opened on the 25th June closed, fully subscribed, on 26th July. Application List for Rs. 30.00 million Ceylon Government 6 1/2 per cent. Loan 1982/85 D Series opened on the 20th July.

Production trends in major export products

Tea production declined in the first five months of this year, from 234.792 million pounds to 215.131 million pounds, according to statistics released by the Tea Control Department.

Rubber and coconut production on the other hand, showed appreciable increases in production.

Production of rubber rose from 128.579 million pounds in the January-May period in 1969 to 136.744 million pounds in the corresponding period this year.

Coconut production which has been on the downward trend also moved up in the period under review. As much as 45,483 million more nuts were produced than in the first five months of last year when only 238,144 million nuts were produced.

Company Meeting Reports

TOBACCO SALES INCREASE

The Annual Report of the Ceylon Tobacco Co. Ltd. for the year ended 31st March 1970 was tabled recently. The Chairman pointed out in the course of his review that an appreciable increase in sales and stringent measures adopted to reduce costs and wastage had a noticeable effect on trading profits. Taxation on profits and dividends amounted to 63% of the trading profits.

Excerpts of the Chairman's Review are given below:-

The Company's sales of cigarettes to 31 March, 1969, showed a most satisfactory increase of nearly 16% on the previous 12 month period. It is not expected that sales for the 1969/70 period will increase at the same rate in view of the new imposition of turnover tax which has obliged the Company to increase its cigarette prices. However, there may be some growth in the urban markets in view of the forthcoming salary increase for public servants.

There continues to be considerable growth in the sales of Filter Tipped cigarettes and we are reasonably confident that we can continue to produce the quantity and the quality demanded by the public.

Leaf Tobacco

The drought at the end of 1968 and in the early months of last year has reduced expected production by some 25% and it is now unlikely that the crop will exceed 6.5 million pounds. Stocks of redried leaf will, however, be adequate to meet domestic sales estimates.

Leaf staff continue to advise farmers on all aspects of crop production. Experiments have been, and are being, undertaken to ensure that the recommended techniques, particularly the quantity and type of fertilizer, are in line with up-to-date international practice and produce not only the most acceptable tobacco for our manufacturing interests but also an attractive financial return to the farmer.

I must emphasise, however that there are areas in Ceylon which, while capable of growing a high yielding tobacco crop, cannot produce that qua-

lity of leaf now demanded by our consumers. Leaf from these areas has a high chloride content; it has an undesirable aroma, and unsightly appearance and a very poor rate of burn. There is no cultural remedy whatsoever for this problem; the only solution is to abandon attempts to produce flue cured tobacco there.

Manufacture

The increase in demand over a period of three years, amounting to nearly 26% or 576 million cigarettes per annum, has placed a severe strain on personnel and plant in your Company's factories. The swing to Filter Tipped manufacture has imposed the greatest strain. We have made the best possible use of the plant already installed, and a second shift is operating. This has produced problems of management and manning. However, our newly formed training establishment has managed to overcome many of these problems. Orders for some additional plant required to meet anticipated demand have been approved by Planning and Exchange Control authorities.

Finance

Additional purchases of locally grown leaf tobacco and the increased cost of raw materials due to the devaluation of the Ceylon Rupee and the FEEC scheme have absorbed the surplus cash balances of previous years, but it has been possible to obtain adequate overdraft facilities from the Company's bankers.

Trading profit at Rs. 21,520,000 appears very satisfactory. Taxation on profits and dividends amounts to Rs. 13,551,000 of 63% of the trading profits, leaving Rs. 7,969,000 for appropriations and carry-forward. Your Board considers that higher transfers to Reserves are warranted this year and Rs. 1,500,000 has been set aside to Fixed Asset and Stock Replacement Reserves and Rs. 1,250,000 to General Reserve.

Two interim dividends of 35 cents per share, less tax, and 40 cents per share, less tax, have been declared on the increased Share Capital of Rs. 56,250,000, to which reference was made in last year's Report. Your Directors now recommend a final dividend of 60 cents per share, less tax, making a total distribution of Rs. 1.35 per share, less tax, for the approval of the members at the Annual General Meeting to be held in September.

CHAMBER NEWS

"The Government should take immediate steps to stop the import of printed cloth into the country" said, Mr. J. G. Fernando, President of the Ceylon Textile Printers Association, at a Special General Meeting of the Association convened to consider what action should be taken in regard to the suspension of printing, by the Lanka Salu Sala Ltd.

"What should be considered," said Mr. Fernando, "is the fact that the import of bleached material, for printing in Ceylon, would give an added impetus, to the employment question. The Textile Printing Industry, has been accepted by the Government as a "Job Intensive Industry."

Referring to the statement made by the Chairman, Lanka Salu Sala Ltd., Mr. Douglas Perera, where it was alleged that a large amount of cloth had stock piled due to bad printing, Mr. Fernando, said that the printing of cloth done in Ceylon, was done by hand. It was done by people who had all been locally trained, and by an industry that had not been given any form of assistance in the allocation of basic machinery required for the processing of cloth after printing. "The cloth that had stock piled at the Lanka Salu Sala Ltd.," said Mr. Fernando, "was not due to bad printing, but due to the issue of lib of foreign printed material to the Salu Sala dealers, just before the elections.

What is required is a completely new approach to this question, from the point of view of the marketing methods that should be adopted. The Lanka Salu Sala should, match its competition in the Pettah, and push forward with a more aggressive policy, in regard to credit to the Salu Sala Dealers. A 30 million Rupee credit system, that has been in force in the Pettah with the Outstation cloth dealers, should be matched and if necessary bettered." He said that at the moment, with the experimental use of bleached cloth, for local printing, a work force of almost 4000 people are employed. Stopping the import of printed cloth, with a view of printing them locally, the employment opportunity in this industry will be doubled or trebled.

The Secretary, Mr. G. Jayasinghe, speaking said, that it was time that Government took a deeper look at Industries like this, with a view to fostering them.

"The entire Textile Printing Industry in Ceylon, in my opinion does not have a capital outlay of even 2 million, but yet over 4000 people are employed by it. Even if a percentage of the cloth imported at present, is stopped, this Industry could expand in capacity, and easily absorb WITHIN A FEW MONTHS, an equal number of people in addition to what is being employed at present."

Classic Rise to Fame and Fortune

BUSINESS NEWS



One day in 1705 William Fortnum, newly arrived in London to seek his fortune, called at a small shop not far from the Royal Palace of St. James and asked for lodgings. Hugh Mason, the shopkeeper, let him a room. Fortnum set out to find work.



He found a job beyond his expectations, as a footman at the Palace. Wearing a fine gold-braided livery, he waited on Queen Anne. Thus began an association between the names of Fortnum and Mason, and the British Royal Ramie which has continued till today.



Among Fortnum's privileges was permission to sell the Palace's partly used candles. He went round collecting them every night. Mason sold the candles in his shop. Soon the two were selling quite a lot of other things to the Palace.



When Fortnum retired from Royal service he and Mason opened a grocery shop in Piccadilly. The ex-footman knew the taste of the rich and elegant. They could always get what they wanted at Fortnum and Mason's. There was always a line of carriages outside the shop.



Charles Fortnum, William's grandson, also entered the Palace service, becoming a footman and later Groom to the Chamber of Queen Charlotte, wife of King George III. At the same time he helped his partner John Mason in the shop, sometimes still wearing his livery.



Gradually the business grew. The name Fortnum and Mason came to stand for the choicest of foods. Tall ships tied up in London docks, bringing spices and teas from the East. Carriages met them at the quayside to take bales and boxes back to Piccadilly.



During the Napoleonic wars Fortnum and Mason's sent private food supplies to British officers serving with the Duke of Wellington's armies. Many an officer sat in front of his tent eating hams, tongues, butter and cheese sent from Piccadilly.



When William Parry, the British explorer, was travelling by dog sledge in the Arctic regions in the early part of the 19th century he took a large supply of Fortnum and Mason's sweetened cocoa and with him to fortify himself and his comrades against the cold.



The firm not only fed the officers but succoured the sick troops in the Crimean War. Queen Victoria herself sent an order to the shop for the urgent dispatch of a huge consignment of beef tea to Florence Nightingale, the heroic nurse, for sick soldiers.



The romance of the firm's early history is recaptured every day today. Each morning a carriage arrives at the splendid modern store in Piccadilly and out step two men dressed like the original Mr. Fortnum and Mr. Mason. They guide customers throughout the store.



The famous pair—in the shape of two four-foot-tall figures sculpted in bronze—also make a "personal appearance" every hour on the store's great chiming clock fronting Piccadilly. Emerging from two pavilions, they bow gravely to each other.



The modern stores deals not only in food, but in fashion, furniture, china, glass, antiques, jewellery. It has personal export customers all over the world. It gets some strange requests. A woman recently came in and asked for kippers to be sent to a friend in Israel.



Busiest time in the millinery department comes in summer when women flock there to buy hats, many specially created for them, for events like the races at Ascot, the rowing regatta on the River Thames at Henley and the Wimbledon tennis tournament.



All is bustle on Derby Day the great day of the British horse racing calendar. Then, from early morning, a stream of elegant cars draws up outside the store and chauffeurs hurry in to collect specially prepared hampers containing the lunch to be eaten on the famous Epsom course.



The visitors' book contains the names of customers from all parts of the world. To keep up the Fortnum and Mason tradition, now going back more than 260 years, the visitors sign with a quill pen. The book reads like pages from a world directory.



The stores sends sugar to India, confectionery to many countries. A regular supply of diabetes' chocolate wafer biscuits goes to a Sultan in the Far East. Christmas puddings for the United States of America and other countries are made in the two-floor kitchen.

Shipping & Aviation

JAPAN MAINTAINS LEAD IN SHIP-BUILDING

Japan retained the world's foremost position in launching news ships in fiscal 1969 ended in March this year for the 14th straight year, Japan's Transport Ministry said, last week.

The launchings in the year under review totalled 8,344,000 gross tons, or an increase of 2 per cent, over the previous year. However, the 1969 figures accounted for 48 per cent. of the total launchings in the world. According to the check-up by the transport Ministry, fresh orders for new ships in fiscal 1969 marked an all-time high of 13,270,000 gross tons for both domestic and export ships.

Of the fresh orders, 4,677,000 gross tons were for domestic

ships, and 8,593,000 gross tons for export ships. The value of the new ships ordered in the year amounted to yen 959,700 million, exceeding the previous high of Yen 710,300 million for 11,534,000 gross tons marked in fiscal 1966.

LARGE OUTLAY FOR PORT DEVELOPMENT

An outlay of Rs. 2800 m. is envisaged in the Fourth Plan for developing 10 major Ports of India. A separate allocation of Rs. 200 m. has been made for assisting State Governments in improving minor and intermediary Ports.

NEW AIRPORTS

Yugoslavia will welcome the coming tourist season with two new airports. The Rijeka Airport was open on the Island of

Krk at the beginning of May while the first aircrafts are to land on the runway at Ohrid early this month. Both airports are equipped with the most recent equipment for guiding aircrafts by means of which the landing of aircraft at night is made possible as well as in heavy meteorological conditions. Big types of aircraft which are today used in international air transport can also land on both airports.

The airport located in the vicinity of Tivat, a place on the Montenegrin Littoral, will be reconstructed soon and open for air transport early in Autumn.

The Pristina Airport will be closed soon. It will be reconstructed to receive big types of aircraft. This airport too will be equipped with the necessary installations for radio navigation and telecommunication by means of which air transport at night will be made possible.

Such a rich network of airports both in the coastal and

continental regions of the country will promote air transport which means that guests from abroad, who increasingly display interest in Yugoslav tourist centres, will be able to reach Yugoslavia easily and comfortably.

LONDON AIRPORT TO HAVE "ELECTRONIC EYES AND EARS"

New information about how aircraft perform in different conditions — particularly during automatic landings in low visibilities — will be gained from a landing measurement system to be installed at London's Heathrow Airport, one of the world's busiest air terminals.

It will be the first operational installation of a new £100,000 system and follows two years of development and trials by

the makers.— Elliott Automation Radar Systems, and the British Ministry of Technology's Blind Landing Experimental Unit.

The system, expected to come into operation within the next year, consists of a network of optical, infra red and seismic sensors located under the final approach path and along the actual runway. These will provide automatic high-accuracy measurement of an aircraft's flight path, its speed and the actual point where it touches down, together with the distance it needs to pull up.

"The new system is able to 'see' aircraft passing in low visibility when tracking cameras would not operate. It will provide not only essential safety information on the performance of aircraft but also the ground aids it uses".

PEGASUS REEF PROJECT

Stage - two of Ceylon's five-star Rs. 19 million Pegasus Reef Hotel is expected to be completed ahead of schedule by December this year.

This stage provides for 142 rooms at a cost of Rs. 127,000.

The first - stage of the Hotel which is situated in Hendala has 150 bed rooms, each with its own balcony and attached toilet facilities. It was ready for occupation in November last year.

The foreign exchange component of the entire project is Rs. 14 million.

Local Skills

Construction work which commenced in March last year, is being done by McAllister Contracting Company Ltd., of Winnipeg, Canada.

The contractors are making every effort to make maximum use of local painters, designers and craftsmen with an idea of making this five-star hotel complex, a stimulating gallery of their work.

The site of the Pegasus Reef Hotel comprises two blocks of freehold land approximately 29 acres in extent, with a beach front of 2,000 feet.

The Hotel is so named because the beach is sheltered by a partially submerged sandstone reef about 200 feet from the shore. The word 'Pegasus' incorporated in the name distinguishes it as a hotel in which BOAC has a major investment and interest.

The site for the Hotel was chosen not only for its scenic attributes with palm trees, water and a view, but also for its proximity to Colombo (and to sea port) and the Katunayake airport.

The Company's association with B.O.A.C., Ltd., is designed primarily to promote tourist occupation of the hotel, and its association with Fortes (Holdings) Ltd., which is a hotel and catering organisation of international repute, is in order to secure expertise in management and provision of catering services.

TOURISM

Main Features

The principal features of the Hotel include:

- * Guest Bedrooms.
- * Public Rooms — In the Entrance Hall will be incorporated various shops, for the convenience of guests. BOAC will maintain an office; hair-dressing and banking facilities will also be available. The restaurant will extend to a terrace, and together with a Guest Lounge and Cocktail Bar will face the sea.
- * Service Rooms.
- * Staff accommodation.
- * Services — The entire building will be air-conditioned. Telephone and radio will be installed in every guest room.
- * External work — The provision of a fresh-water swimming pool of 4,000 square feet, with a terraced surround containing a refreshment bar.
- * Beach Facilities — A private tropical beach will be a special feature of the project. Improvements to the reef will ensure safe bathing and like amenities.
- * Atrium — An Atrium with exotic plants will be another special feature. It will have a display of Ceylon plants of the season — orchids, anthuriums, crotons, hibiscus, and even tea plants.

The local promoters of the Hotel are Mr. and Mrs. J. L. M. Fernando, while the Company at present consists of eleven Directors, of whom five represent BOAC., A.C. Ltd.'s interests, and one Fortes (Holdings) Ltd.'s interests.

The Directors who represent BOAC., AC Ltd., and Fortes (Holdings) Ltd., have wide experience in the hotel, catering and airline business. Fortes participation in the capital structure of the Company is of immense benefit, both in the field of management as well as the introduction of customers.

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Some Guide-lines in Port development

Circumstances within the last decade have combined to force a review of the economic operations of ports. Technological change in shipping has brought about the introduction of container and unitised ships to carry containerised and unitised general cargo. These ships and their specialised cargo-handling requirements have necessitated considerable port investment in new berthing and cargo-moving facilities.

This revolution in shipping general cargo has also caused closer integration of sea and land transport (via the common unit of transport—the container). Ship owners have increased their commercial interests in road transport to maximise gains from faster through cargo transport. The average size of new buildings of bulk carriers and tankers has greatly increased, requiring deeper port approaches and larger accommodation. Bulk handling rates have been improved by the introduction of more efficient bulk-handling equipment in ports.

Apart from the quality of port investments, changes in trade flows have caused changes in the volume of port trade and traffic, requiring increases in port facilities. Consequently, in the 1960's, governments have become much more closely concerned with the costs

and conditions of shipping their export and import trade and with minimising port costs and maximising cargo output in ports.

Criteria for Development

The most common approach to the development of ports, and that adopted in the past by port authorities, is what would currently be called the Operations Research approach. Port projects are evaluated on this basis, by studying current and forecast cargo volume and shipping traffic flows in a period together with the distribution of shipping calls over the period so as to calculate port and berth usage. If new projects are being contemplated (because of the need to service new types of vessels like container ships), calculations need to be made about the expected volume of trade suitable for containerisation, the frequency and duration of shipping calls, throughput of containerised cargo, and so on. Such calculations of non-monetary quantities can be programmed.

Against possible increases in operational efficiency it is then possible to discount estimates of future port revenues receivable, net of operating costs, by the interest rate on loan capital, and deduct initial capital costs. Under current pricing systems the result is

unlikely to be a positive value (few port authorities cover their total costs out of revenue), but there will at least be some indication of the extent of public subsidy required. It is possible to compare different systems (e.g., container versus conventional) on this basis.

Social Costs and Benefits

But there are clearly all sorts of social costs and benefits and externalities involved in port development and operations. Governments and port authorities and their advisors have become increasingly concerned over these. The technique of project evaluation is the same as for calculating private costs and benefits, but in this case it is necessary to include social costs and benefits and discount them back by a social rate of discount. Discounting this way allows a comparison of the opportunity cost (or alternative uses) of expenditure on port projects with expenditure in other public sectors assuming the funds are under the control of the central government.

The same technique can be used by port authorities in ranking projects within the port's domain. There are all sorts of intellectual problems in assigning values to the intangible social benefits and costs involved. For port authorities faced with the choice of

investing or not, the solution has to be pragmatic. There are parallel examples available — cost/benefit studies of the Channel Tunnel, of water resource systems in the United States, and of the underground railway in London. Social costs are easier to estimate, but social benefits are usually so varied, diffuse and intangible as to allow few general principles to emerge for use elsewhere.

By

P. E. STONHAM,
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In theory, one is concerned to calculate any improvement in the use of domestic economic resources. In the case of ports, improved use of foreign resources (e.g., through lower operating costs of foreign-registered vessels) may result in some benefit being transmitted to home traders (through possibly lower freight rates and improved cargo delivery speeds) as well. Social benefits from port investments will necessitate assigning a monetary value to the following broad changes, if they occur; improved cargo delivery times, increased productivity of port labour and capital facilities, improved returns to home-registered shipping through lower operating costs and in-

creased revenue-earning ability per unit capacity. The calculations can be no more than ad hoc estimates of the monetary value of social costs and benefits.

There remains the almost impossible task of estimating the significance of social welfare preferences on projects whose economic value is subsidiary to such considerations as national prestige (elaborate passenger terminals perhaps).

Problems of Port Authorities

Port authorities face very difficult investment decisions. It is not surprising that most authorities tend to make their decisions on the basis of contacts with shipowners. Since shipowners make their own capital decisions on the basis of their estimates of trade flows, it seems reasonable that port facilities should adapt to the changing requirements of traffic and cargo flows. In some cases, the social costs of inadequate investment may be very obvious — congestion of ships in port, even causing shipowners to impose surcharges on freight.

But as well as hazarding estimates of the social costs and benefits in port investment, port authorities have additional pragmatic problems. Although port investment is normally considered a passive activity, in the sense that it is intended to cater for current or expected

changes in trade and flows, many port authorities are now considering the possibility of competitive investment.

There is little doubt that ports can compete with themselves for traffic and actively seek new trade. A black ban put on container handling by labour in Tilbury docks diverted, with much difficulty, the created container trade to Britain and Australia to Fremantle port in 1969. Since port calls are less economic than container shipping, the currently strong competition among ports in the general cargo trade to acquire designation of a major container terminal. The place of competitive investment depends to some extent, on geographical location. It is very strong among ports on the eastern seaboard of the United States, but less marked among the distant general cargo ports of Australia. This sort of investment also depends on the cost of obtaining reliable forecasts of trade flows.

In fund-raising, it is clear that unless funds are raised on a commercial basis, at market rates of interest, there is an element of subsidy involved in utilising money transferred from public funds on commercial terms. The economic cost of this includes its opportunity cost, and this must be deducted from social benefits expected and still yield a net benefit than investment

TRENDS IN A CHANGING CEYLON

The social revolution of 1970 in Ceylon has been much commented on. It has been idealized as well as sharply criticised at least in some of its consequences. It came upon the nation as an unexpected avalanche that took everyone involved in it by surprise — even those who were carried to power by it were initially unaware of its depth and dimensions.

Those who opposed it took an even longer time to appreciate its meaning in terms of Ceylon's social evolution and the yearning for the realization of certain human values by a major section of the population.

The revolution of 1956 attempted the realization of certain human values such as the dignity of the common man, the demand by the peasants for greater social benefits, the restoration of the ancient religious and cultural traditions, the respect for the workers and their rights. The legislation and administrative changes after 1956 were directed towards realizing such aims.

A Clear Change

To some extent the period 1956-1970 saw the fulfilment of such values; it also tended to overshoot the mark and lack

the measured temperance which human affairs require. In other directions the country suffered, the economy was crippled, and the people began to shift their allegiance to other leaders. The General Election of May 1970, indicated a clear change in the country's public opinion — at least among the marginal voters who determine the results of elections.

What were the aspirations of the Ceylonese people in 1970? Was the change of government a very significant event in our country's modern history? Did it mean a reversal of the 1956 revolution, or a continuance of the 1956 trend on a mere moderate key? How are the aspirations of 1970 being realized? Are the people obtaining the benefits they hoped for?

Two and a half years after April 1956, there was much theoretical discussion and reference to the social revolution of 1956; but with the passage of the same period since 1965, there is little public discussion of the meaning of May 1970. Perhaps there is a silent revolution that is taking place in the country since then. People may be maturing in the processes of democratic living, or

they may be seething with disappointment and discontent.

Human Values

What are the human values involved in the trend of perspectives and events since 1956? Are men happier and the country more integrated? Has human dignity been more respected, truth more honoured and justice better realized? Or are social divisions being en-

Point of View

By

VICTOR KARUNARATNE

larged and the economic power of capital being entrenched by stricter discipline and larger tax concessions? Has Ceylon moved away from the "Socialist camp" to the "Western powers"?

It would seem that the General Election of 1970 marks a significant stage in the history of post-Independence Ceylon. At the election, the people through a majority vote opted for a line of development that expressed itself somewhat differently from the decisions of 1956 and 1965.

By 1965 the gains of 1956 seemed to be accepted by all political parties, and the forces that led to the 1956 revolution seemed to have worked themselves out. They had more or less exhausted their dynamism; or rather they were beginning to tell on the masses. There were accusations of corruption in public life, just as prior to 1956, political and personal freedoms seemed to be endangered, and national unity itself seemed to be seriously at stake.

Aspirations

In 1965, the aspirations of the majority of the people seemed more about economic recovery rather than on accentuating the pace of social change. The options in the field of social relations were also in favour of greater moderation rather than the energetic espousal of the causes of one class or racial group.

In 1965, the Ceylon economy had reached a point of stagnation owing to the dangerously low position of our external assets, the reluctance of foreign countries to help us, the sense of insecurity within the country that discouraged investment and the continuing conflicts

between capital and labour, majority and minority racial and religious groups. A sense of frustration seemed to be setting in on the people of the country in spite of the great social achievements of the 1956 revolution.

The meaning of the option of 1965 may perhaps be understood as part of the balancing operation of democracy itself. The country seems to be seeking a balance between East and West, Left and Right, capital and labour, majority and minorities.

It is now more than ten years since the social revolution of 1956, and we may therefore, ask ourselves how the country has evolved since then. More specifically, how have human values been respected and realized during this period? It should be noted that speaking of the country by and large, our views can at this stage only be rather subjective evaluations on limited data.

National Unity

It may be said that, at least on the surface, there is a much

greater degree of understanding and a spirit of collaboration among the different racial and religious groups of the country. The country is not clearly overtly divided today on the basis of race, language, culture or religion. These divisions have been soft peddled during the period since 1965 and in the process reduced in their intensity.

There is very much less sense of frustration among many of the groups of the pluralistic society. The sense of belonging to the Ceylon nation has definitely grown among persons who some time back may have felt less appreciated here.

It remains to be seen how deep this communal harmony is. However, so long as it is an invaluable help in the forging of national unity, it is a great credit to the government of the Ceylonese people that democratic solutions to these burning issues are being evolved over the decades.

Stability

The period since 1965 has also witnessed the stabilization of the value of political democracy. There is a greater sense of political freedom in the country. There is at present no accusation that democracy may be

THE ACCOUNTANT'S FUNCTION IN DEVELOPMENT

One of the difficulties of developing countries is that of obtaining accurate information about their own economy and in using it to the best advantage. Adolf Enthoven, who is both an accountant with long business experience and an economist, discusses some of the ways in which modern economically oriented accountancy can help, and makes some practical suggestions in this analysis.

Accurate economic information is necessary for every nation; certainly as necessary for developing as for developed countries. And since accounting statements, drawn up in the right way, cover the entire field of economic analysis, the necessity is felt throughout the economy.

Corporate reports serve the individual enterprise, consolidated statements of the banking system and flow-of-funds accounts portray the national monetary and financial structure, while the national accounts are used to shape a country's over-all economic policy. Governments look at the aggregates to decide fiscal, monetary, and other foreign and domestic economic policies. All these types of data have a common denominator — the accounting statement, and the question is how such information can most accurately serve these economic needs.

opportunities elsewhere if the allocation of economic resources is to be improved in the economy. Because of the long-term nature of port investments and the hidden social benefits, port authorities are normally obliged to raise concessional public finance. Very few general cargo ports are able to finance new investment out of retained earnings.

Pricing Policies

Port authorities must also consider their pricing policies in relation to new and existing capital services. Port charges are believed to have got well out of line with any rational system of raising revenues and relating prices to costs, and many authorities and their advisors are currently reassessing the structure and level of their charges.

The major omissions a real failure to relate charges to user demand—it is considered that shipowners are frequently subsidised in their operations by low charges — and a failure to relate charges to the social costs of port facilities. In theory, a system of marginal cost pricing, including marginal social costs, is the optimum. (Contd. on page 9)

proximate danger. The Press is relatively free and unhindered: the strictures on some papers being the exception. Tolerance of persons and opinions seems greater.

Ceylon has moved towards the acceptance of the values of political liberty, religious tolerance and respect for some of the related human rights. At an international level, too, there is a greater acceptance of Ceylon as a country in which democracy and the rule of law prevail.

In developing countries, financial statements for agriculture, industry and commerce, for sectors of national production and consumption, and for movement of goods and services are often deficient. In the introduction to *Professional Accounting in 25 Countries*, a valuable study published earlier this year by the American Institute of Certified Public Accountants, it is observed that "... in some countries the standards expressed through legal or professional channels represent more of a statement of goals than achievements, and the reader must consider whether practice conforms to precept. He should be aware that such conformity does not always exist."

The Introduction stresses that a well-developed accounting profession cannot exist in a vacuum, but is dependent on a business and financial climate which creates a demand for its services. While it is undoubtedly true that a highly evolved, competent, and respected profession will be better able to live up to its desired standards if the economic system is well matured, we face the fact that in most nations of the world the economies are either at a standstill or in transition toward economic progress. Accountancy tends to be very rudimentary in many of these countries — yet it is badly needed.

It is needed, to play a double role in economic development. First, effective accounting is a prerequisite to the efficient use of capital invested. Second, accurate and informative accounts create an atmosphere of confidence for the flow of capital investment, and thus encourage not only savings, but the effective use of savings. Both roles are important in a nation's economic programming and the national accounting on which that programming is based.

Accountancy in the Public Sector

The importance of financial data in the preparation of national accounts is obvious, and in highly developed countries good accounting practices play an important part in making such data available. It is the lack of those basic financial data that makes the compilation of national accounting data one of the most difficult statistical problems faced by developing nations. Accordingly, the co-operation between the economist and accountant in such countries should be very close.

The accountant's function in national accounting is not only to secure better information from the basic economic

units and to assess the analysis, classification, and description of the accounts, but above all to look at the financial data, not in isolation, but against the background of the entire economy. Accountants should be concerned that information gathered on inventory valuation, depreciation, and capital goods is genuinely related to the realities of the national economy.

A country's economic planning is, of course, closely tied to its national accounting. Making decisions in economic planning is a process that relies heavily on the information gathered at the grass roots of public and private activity. When the financial information

BY
ADOLF J. H. ENTHOVEN

accumulated at the industry or other sectoral level is inaccurate or unrealistic, as it so often is, the development program for such a sector is likely to be distorted. This is especially unfortunate when the sector plays an important role in the economy.

Proper cost accounting within an industry is needed not only to measure the efficiency of the individual business but also to compare the efficiency of different industries. Cost accounting, in testing the relationship between prices and costs, sheds light on the combination of the various factors of production. It can also help to locate the causes of major discrepancies between similar units, and thus serve as a basis for correcting these discrepancies. For determining a country's import policy a clear view of costs and cost components is essential. Accurate public accounts and effective national plans cannot, in short, be prepared without what may be called economically educated modern accountancy.

... and in the Private Sector

The role of the accountant in the private sector, which in developing countries is likely to be relatively weak, although no less important, is perhaps less obvious, and it is for that reason that I emphasize it here.

Efficient management needs accurate and up-to-date data on a company's financial status, on the results of its operations, and on the availability of inventories and production capacity, as a basis for its own decision making and future policy. In turn, corporate reporting and disclosure of information to the financial community plays an important part in instilling confidence and interest in investors and in stimulating the development of

capital markets. Necessary loan and equity capital is not likely to be forthcoming either from domestic or foreign sources unless investors or lenders have a good idea of the status and prospects of the enterprise. And foreign sources are often very important. The underdeveloped nations depend for a high proportion of their capital formation on the inflow of foreign investments, but foreign investors want the same kind of significant, accurate, detailed information that they are accustomed to obtain in their own countries.

It is just in the developing countries that capital formation for productive use most needs to be enhanced. Too often personal and even company savings are exported or plowed into unproductive activities, so that sound, effective capital markets cannot develop. Although part of the cause may lie in the country's monetary or fiscal policies, which are often an actual deterrent to good accounting practice, many countries have no proper capital market for mobilizing such savings precisely because there is no financial reporting of a nature to give confidence to investors.

In the absence of risk capital, companies in underdeveloped areas have to rely heavily on bank loans, often at high rates of interest, or on self-generated financing. Yet it is risk capital that is badly needed. New enterprises often cannot get off the ground because of the shortage of such capital. Governments frequently have to step in to make good the shortage, thereby unduly increasing public control of private enterprise, to the further discouragement of potential private investors and entrepreneurs.

The accounting profession in developing nations can thus do much to stimulate confidence in the private sector and to help to mobilize sterile savings. The adoption of economically sound and realistic accounting techniques and auditing procedures for all sectors, as well as co-operation with financial institutions (banks, stock exchanges, etc.) and semipublic agencies, would be a great help toward this goal. Successful private investment will breed more private investment.

Internal Organization

The accounting system in an organization should, of course, state the proper balance sheet values and measure profit ac-

curately. But a modern accounting system will go far beyond this kind of book-keeping. It will facilitate the evaluation of efficiency, productivity, and growth. Such evaluation is vital for both operational and planning purposes; it provides the true role of modern "managerial accounting."

The lack of a well-organized general and cost accounting system, with adequate procedures and internal controls, is one of the great weaknesses of most organizations in developing nations. Accountancy, as an independent and management function, can help to make these other functions more efficient.

A good cost system can give management a clear classification of costs, identify non-operating costs, and appraise the efficiency of the organization's departments and sub-units. Such knowledge of each industry, division, or department is required for the correct allocation of scarce funds and resources to those segments that are most important for the enterprise and the whole economy. For the individual organization in the developing nations, precise knowledge of costs is particularly important because costs tend to play a greater role in setting sales prices than they do in a fully competitive market economy.

Inventory controls and calculations of the productivity of capital equipment are other important determinations which accountancy can help to make. Sometimes, technologically advanced machinery is obtained for a labour-intensive industry which could produce more effectively with less up-to-date equipment. In such instances the purchase of the right machinery would not only benefit the purchaser but might have the advantage of conserving precious foreign currency.

The developing nations are in dire need of new industries, and international organizations such as the World Bank and the International Finance Corporation already assist extensively in providing loan and equity financing to these countries. In preparing and appraising such projects, the need for qualified accountants is great. Countries that seek access to the world's money markets must be fluent in the language of these markets, and that language is accountancy.

Peterson Report-III: U. S. Foreign assistance programme

The Task Force believes that more reliance on international organizations should be built into all U.S. policies relating to international development — whether they concern development assistance, debt rescheduling, tying, trade, investment or population. This is basic to the new approach to foreign assistance we recommend.

A predominantly bilateral U.S. program is no longer politically tenable in our relations with many developing countries, nor is it advisable in view of what other countries are doing in international development.

The issue for the present, however, is not whether U.S. development assistance should be bilateral or multilateral. The United States needs both, since it will be some time before the industrial nations are willing to provide all development assistance through multilateral channels and before the international organizations have the capacity to take on the entire responsibility. Even now, however, long-term development can be made essentially international in character.

Experience shows that an international organization such as the World Bank, with no political or commercial interests of its own, is able to obtain good results from the investment it makes or encourages. Furthermore, bilateral assistance programs are themselves more effective when carried out under the leadership of these organizations and in a multilateral environment. Moving in this direction holds the promise of building better relations between borrowing and lending countries.

The Task Force recommends three actions on the part of the United States:

It should rely heavily on international organizations to work out programs and performance standards with developing countries and should provide most of its assistance within that framework. This will mean a fundamental change in the conduct of U.S. bilateral programs.

It should provide the necessary increase in resources, on a fair-share basis with other member countries, to permit the international development organizations to increase their current lending within the next few years as fast as their capabilities and the tested needs of the borrowing countries permit.

It should join with other members to strengthen the capabilities of these international organizations and to build more coherence into their operations.

The World Bank Group and the regional lending institutions now account for more than half of total official development lending. This lending is only a part of the total resource flow to developing countries, but it is a key element. It gives international organizations a basis for taking primary responsibility for setting the strategy under which all donors provide assistance to developing countries.

Operation of an International System:

Under an international system of development, international agencies would assume primary responsibility for analyzing conditions and poli-

cies in developing countries, for establishing close working relations with appropriate officials in these countries, and for determining total capital and technical assistance requirements and the policies necessary for effective use of investment resources. This would set the framework for the bilateral assistance programs of the United States and other industrialized countries.

To do this, the international organizations will have to take a less parochial view of their mission. They will need to have wider representation abroad and more flexible lending policies, without lowering standards. They will have to give increasing attention to the management, social, technical, scientific cooperation, and popular participation aspects of development. Finally, they will have to be diplomatic, flexible, sympathetic, and persuasive — but prepared to say no and to withstand political pressure from both the creditor and the borrowing countries.

The World Bank and the International Monetary Fund (IMF) are well along on this course. In Latin America, the Inter American Development Bank and the OAS Inter American Committee for the Alliance for Progress have begun to move in these directions. The other regional institutions too are beginning to gain some experience.

The United Nations development Program (UNDP) has been very active in preinvestment surveys and in a variety of technical assistance programs. It has missions on a worldwide scale and has recently reexamined its role and performance. With necessary reorganization, the UNDP would have the potential for exercising greater responsibility for technical assistance in an international system.

Furthermore, as these organizations expand their operations, they will have to prepare for a parallel buildup in their control procedures so as to assure continued high operating standards. Also member governments will have to become more fully involved in the work of these interinternational agencies.

It will take time and sustained support from the member countries for the international organizations to assume the leadership role. It is not necessary that the same international organization assume primary responsibility in every country. The World Bank group can now exercise such

leadership in the major developing countries, as well as in many others. Eventually, the regional organizations and the UNDP could assume this role in individual countries. A clear decision by the United States to rely on international organizations for this purpose, and action to support this decision, would spur the pace of the entire process.

Financing:

The international organizations could roughly double their present rate of lending — from \$2.5 billion a year to \$5 billion a year — over the next several years while continuing to follow sound practices and maintain high standards. The judgment takes into account the capabilities of these organizations, the current international investment climate, the increasing availability of sound development projects, better planning and performance in both public and private sectors of the developing countries, and estimates of the level of foreign investment and bilateral assistance.

The actual rate of expansion would depend on demonstrated need and assurances on the effective use of funds.

This increase in lending would require an increase in U.S. funding from the current rate of \$500 million a year to roughly \$1 billion a year, assuming, as we should, no increase in the U.S. share in financing these organizations. In addition, there would be a need for the United States and other member countries to subscribe additional callable capital, enabling these organizations to increase their borrowings in the capital market. This callable capital would require U.S. budgetary outlays only in the event that these international organizations de-

international organizations defaulted on their bonds.

An increase in International Development Association (IDA) lending is critical to establishing an international framework for development. In view of the debt-servicing problem in a number of the developing countries, concessional lending on IDA terms is badly needed. Furthermore, IDA lending is the foundation for international participation in some of the major development programs.

The current level of country contributions to IDA is \$400 million annually. The Pearson Commission recommended that

these contributions be increased to about \$1 billion a year by 1972 and \$1.5 billion by 1975. The Task Force recommends that the United States takes the lead in supporting these suggested levels of financing. The U.S. share would be 40 per cent of the total.

The Inter-American Development Bank (IDB) should be able to expand its rate of lending over the next few years by perhaps 50 per cent — or, to indicate rough magnitudes, from \$600 million a year to \$900 million a year.

The Task Force also believes that the United States should support current initiatives to open membership in the IDB to other industrial nations. At present, the United States is the only industrial country member, and this makes for an awkward relationship. Since the Bank now borrows and obtains funds in Canada, Europe, and Japan, opening up its membership would both give it greater assurance of capital from these areas and make far more healthy relationships within the organization.

The Asian Development Bank is gaining experience and expanding its operations. It will be able to take on very large responsibilities in any postwar development effort in Southeast Asia.

The United States is not now a member of the African Development Bank, nor are other industrial countries. This country should work with other industrial countries to strengthen this Bank and eventually to provide it with financial support.

Four subregional lending institutions now exist: The Central American Bank for

Economic Integration, the Caribbean Development Bank, the Andean Development Corporation, and the East African Development Bank. The United States is not now a member of any of these, but its policy, which the Task Force supports, is to assist such organizations through U.S. development loans.

The capabilities of the industrial countries for contributing to international development in general will be facilitated by the increase in international reserves made possible by the creation of Special Drawing Rights.

Co-ordination:

Bringing coherence to work of international development organizations is essential to the success of the new approach to foreign assistance we recommend. The various international institutions do not now make up a system. A wide area of overlapping and sometimes competing responsibility exists. The same is true for the individual programs of the industrial countries. Furthermore, the work of other organizations, such as the IMF, the General Agreement on Tariffs and Trade (GATT), and the Organization for Economic Cooperation and Development (OECD), could be focused more effectively on international development.

Complex Problem

This is a complex problem, involving a number of international agencies and many governments. Several proposals have been advanced to begin the process of creating an effective international system. What is important now, however, is to bring high-level attention to the problem.

The Task Force, therefore, recommends that this issue be raised with heads of selected governments — in both industrial and developing countries — and with heads of the major international organizations. Constructing an effective international system and establishing international development priorities in concert with others would do much to advance what must be a global enterprise.

(To be continued)

JAPAN'S NEW MEASURES TO STABILIZE PRICES

TOKYO

The Government decided at a meeting of Cabinet Ministers concerned with formulating measures for coping with rising prices on a policy of actively decontrolling imports, particularly foods, for the purpose of stabilizing prices and people's living conditions.

As to 18 of the items on the residual import restriction list and scheduled to be controlled by the end of fiscal 1970 (items still undecided), the Government decided to include many of those which have a close bearing on daily living, such as lemon juice, margarine, shortening and colour film, in its future import liberalization moves.

With regard to the decision made on April 22nd by the same meeting of Cabinet Ministers as to widening the ceiling of import restricted commodities to 2 per cent of their domestic consumption, the latest gathering decided to enforce virtually all such quotas by the first half of the current fiscal year with the

exception of such as rice and weapons. It also decided to present pertinent legislation to the next Diet session for revising the Customs Tariff Law for enabling advancement of the Kennedy Round of tariff cuts.

The Cabinet Ministers also decided the following measures for improving the distributing system:-

Firstly, use of public facilities, such as roads, parks, schools and apartment complexes, for enabling producers of vegetables and grower organizations directly to sell their products to consumers.

Secondly, employment for car ferries for bringing in vegetables to city areas from southern Kyushu.

Thirdly, promotion of well-planned shipments and direct delivery of vegetables, meat, eggs, fish and frozen foods by producer co-operatives to consumer welfare co-operatives. Fourthly, assignment of special express trains from around the end of the current fiscal

year for transporting potatoes and onions from Hokkaido to city areas.

(Japan Economic Journal)

ADB ASSISTANCE FOR KABUL INDUSTRIAL PARK

Manila

The President of the Asian Development Bank (ADB) has agreed to send a technical assistance mission to Afghanistan to help in the project preparation for a 400 acre industrial park in Kabul for possible financing by the ADB.

The main objective of establishing an industrial park in Kabul is to promote rapid development of small-scale industries. The cost of the technical assistance provided by the Bank's consultants is estimated at 44,000 dollars.

PAKISTAN'S ECONOMIC GROWTH

Paris.

The Consortium of Governments and Institutions interest-

port developments high in investment priorities when cheap labour is readily available, although at lower operating efficiency. It is this structure of factor availability that is causing hesitation among port authorities in developing countries to invest in elaborate container facilities. The Port of Singapore is one exception, but a large part of its trade is intermediate trade in manufactures, very suitable to containerisation, and since the economy is very open, speed and low costs of its international trade are of great importance.

The composition of ocean-borne trade of many developing countries is not altogether suitable for unit and container transport. Exports are mostly bulk, and although imports contain a higher proportion of general cargo (like manufactures) suitable for containerisation, the imbalance of general cargo trade decreases the advantages of introducing container ships into the trade.

For most developing countries, the penetration of export markets, reducing shipment costs and speeding export deliveries are more important than cost gains on the import side. Yet the gain from utilising general cargo would be weighted more towards foreign exporters than home exporters with the present composition of trade.

Inland road and rail transport is characteristically underdeveloped in developing countries. Development plans place emphasis on encouraging export trade and thus port-orientated trade, and are likely to raise port investment high-



ted in development assistance to Pakistan, noted the "Considerable Progress" Pakistan has made in economic development in the past five years.

The meeting was attended by representatives of the government of Belgium, Canada, France, West Germany, Italy, Japan, The Netherlands, Norway, Sweden, the United Kingdom and the United States.

A press release issued by the World Bank also said: "Norway's attendance for the first time as a member of the consortium was welcomed. The International Monetary Fund, The Organization for Economic Co-operation and Development, The United Nations Development Programme and Switzerland, sent observers.

"The Government of Pakistan was represented by a delegation led by Mr. M. M. Ahmad, Deputy Chairman, planning commission.

On the agenda for the meeting were four major subjects: a review of recent economic developments and of issues confronting Pakistan as it moves into the fourth five-year plan period that began on July 1, 1970, a review of Pakistan's demographic situation and family planning programme, the presentation by the World Bank of a program for the accelerated development of East Pakistan's agricultural and water resources, and a review of Pakistan's aid requirements for the current fiscal year that began on July 1, 1970.

SELF-SUFFICIENCY IN KEROSENE

New Delhi

India is to achieve self-sufficiency in Kerosene production by the end of 1970. No imports thereof are planned for the next year.

While Kerosene consumption is increasing, indigenous production has been rising at a faster rate. During 1969 about 2 1/2 m. tons of both the superior and inferior Kerosene was produced. Imports are expected to be slashed at about 300,000 tonnes in 1970.

With the stabilisation of production at the Madras refinery, and an increased output at the Barani and Koyali Refineries, indigenous Production is expected to meet the entire domestic requirements by 1971, when the country's

requirements are estimated at 3.6 m. tonnes.

STRONG TOTAL U.S. VEHICLE DEMAND

New York

Despite high interest rates and tight money conditions, total new vehicle demand in the United States should be in the range of 11.2 to 11.5 million units in 1970, compared with 1969's record setting retail sales of 11.5 million passenger cars and trucks, according to Thomas A. Murphy, treasurer of the giant General Motors Corporation.

Total vehicle sales worldwide could establish an annual record in 1970 of approximately 28 million units, Mr. Murphy added.

Mr. Murphy outlined several reasons why General Motors continues to believe there will be a strong demand for cars and trucks in 1970. "There is reason to be hopeful that current economic trends may foreshadow a reduction in inflationary pressures in 1970 and establish a firmer foundation for growth in later years," he explained.

JAPANS FIRST NUCLEAR-POWERED VFSSEL

Tokyo

The 8,350 gross ton "Mut su" Japan's first nuclear powered vessel, was given a trial run in Tokyo Bay recently. It was the first of a series of tests to be conducted before the ship is delivered to its owner, the Japan Nuclear Ship Development Agency.

Since the ship is not equipped with a nuclear reactor yet, the trial run was conducted with auxiliary diesel engine. The test was conducted for about three hours. Official trial runs will be conducted off the coast of Tateyama, Chiba Prefecture, in the presence of Transport Ministry officials.

The ship will be opened to the public at Harumi Pier in Tokyo.

Construction of the "Mut su" commenced at the Toyosu yards of Ishikawajima-Harima Heavy Industries in November 1968. It is scheduled to be completed in January 1972.

(The Japan Times).

PORT DEVELOPMENT....

(Contd. from page 7)

But if the ideal is not attainable, through administrative difficulties and problems of measuring costs, it is possible that existing systems could be improved by weighting ships' charges more heavily towards time and berth occupancy than the present capacity basis. It might also be desirable to separate ship and cargo charges more clearly.

There is a further need for simplicity, not only are port charges scarcely based on economic rationale and incentives, but they are usually very complex and differ between ports. The correct level and structure of port charges also implies decisions about how far private costs should be covered and whether consumers' surplus should be transferred to ship-owners. Incorrectly set charges can also incur social costs, e.g., traffic congestion and cargo delays.

Ownership and Labour

The ownership of ports is mixed. Most are nearly completely controlled by central or local governments or city administrations, others have a higher private participation, and yet others, particularly bulk-handling ports, may be wholly privately owned. In the general cargo ports there are a number of opportunities for leasing and renting public land and port facilities. These opportunities have increased with the advent of containerisation of general cargo, and there are good organisational reasons for permitting the whole transport chain to be co-ordinated. At the same time, since the

social costs and benefits of port activities are so important, public control on the major part of investment decisions seems essential.

Many port authorities face a particular problem in the accelerating changeover from labour — to mechanical — handling of cargo imports. The containerisation of general cargo is intensifying the trend in industrialised overseas trading countries, in high-wage countries the substitution of mechanical cargo-handling methods for labour — intensive methods reduces the long-run average total cost of cargo-handling, as well as speeding up rates of cargo-handling and ship turnaround. But at the same time technological change in port operations is causing a severe social problem of the re-employment of port labour, even though retained labour is likely to achieve higher wages and acquire increased skills.

Containerisation in Developing Countries

While most of the facets of development apply to ports in developing countries, there are some particular problems involved. Technological change in shipping and cargo-handling is encouraging the substitution of capital for labour in port operations, but this shift in factor proportions is not suitable for developing countries short of capital, whose comparative resource advantage lies in the supply of relatively cheap labour. In countries which are short of capital, it is not easy to rank capital-intensive

MANAGEMENT

THE CHALLENGE OF ORGANIZATION

As soon as a man becomes a manager, he must become an organizer. For unless he organizes the work of his subordinates, they will be getting in one another's way and even counteracting one another's efforts—to say nothing of the fact that the way he organizes the work has a great deal to do with the effort his employees put into their jobs.

Organization has been called 'a system of communication,' and it has been defined as 'co-ordination.' It is both, but a more fundamental definition is given by James D. Mooney, a former vice president and member of the Board of Directors of General Motors, in his book, *The Principles of Organization*: 'Organization is the form of every human association for the attainment of a common purpose.' This definition is more inclusive than the other two, for we need communication mainly to ensure that everyone understands what the purpose is, what his part in achieving it is, and why it is to his advantage to help achieve it to the best of his ability. Co-ordination, in turn, is necessary to ensure that each person contributes to the common purpose without lost motion.

There are two schools of thought on organization—what is sometimes known as the 'classical,' 'traditional,' or 'management process school' and the social science or behaviourist school. The concepts developed by the first group are based on company experience and logical common sense. Those developed by the second are drawn from findings of sociologists and psychologists, often arrived at through experimentation with companies and other groups.

Since both sets of theories are to some extent based on experience, it might seem that there is no reason why there should be any quarrel between them. Yet considerable differences sometimes develop in discussions on the subject of organization. The classicists have evolved certain principles of organization, which they believe offer general guides for the organizer, while some behaviourists claim that these guides are not only useless, but actually detrimental to good organization.

One reason is that the two schools of thought have been asking different questions—and, of course, the answers you get depend upon the questions you ask. In general the classicists have asked: What work must be done if an enterprise is to achieve

its objectives? Which activities should be combined into a single job? Which jobs may be co-ordinated by a single executive? The behaviourists, on the other hand, have tended to ask: What do people want from the organization? How do they react to one another as they work in groups? How do the various groups interact with one

another? How can we organize people so that their jobs will afford them satisfactions other than their pay packets?

Now it is obvious that the answers to the second set of questions have a decided bearing on the answers to the first. An organization of people is not a machine, and just because the parts are fitted together in what seems like a very logical order, it will not necessarily function as it is supposed to. Each individual has his own goals, which may or may not be in line with the purposes of the organization, and these goals—and the ways in which he sets about reaching them will certainly be influenced by the interactions within the group in which he finds himself and by the interactions of his group and other groups in the organization.

Classicists, however, have never denied the usefulness of psychological and sociological findings. They believe that these can provide valuable insights for the manager, both in determining the style of direction he adopts and in fitting the pieces of his organization together. But they do believe that in developing an organization structure, he

Now what, exactly, are some of the various theories?

The classical theories

The classical theories are easier to enumerate because they include several distinct principles, or suggestions, since the classicists don't consider them immutable principles but rather guides to be used as the occasion requires.

Objectives

The first of these is that there are objectives for the organization as a whole, and for the holder of each position in it. This is, perhaps, a real principle, in that it holds true in every situation. There is no reason for a formal organization of any kind to exist unless people can accomplish something by working or acting together that they cannot accomplish separately. Even a group organized entirely for social purposes has an objective other than organization itself: for example, to run social events that none of the members could swing alone, or to provide for regular meetings so that members will find it easier to get together.

Specialization

The second principle is that specialization is needed, and here it is the degree of specialization that the manager must concern himself with, for specialization is well established in modern industry, and the complexities today are such that it would be impossible to operate without it.

Sweet news for chocolate makers

From cocoa bean to chocolate in half an hour—this is the sweet news offered to chocolate makers by a British research association. The association's technologists have established a pilot plant which successfully cuts down the process of chocolate making from the present time of several days to a mere 30 minutes!

The process, now being demonstrated to industry at the association's laboratories, cuts out the expensive and time-consuming process called "conching," basic to traditional methods of chocolate manufacture. And the plant needed is smaller than that now in use.

The old method of chocolate making begins with the roasting of the cocoa beans in their shells. Then the shells are removed, the kernel or 'nib' separated out and ground into a paste. Sugar is added and the mixture refined before conching—a long mixing that may take days to complete and whose effect is still not understood.

Wide Interest

In the new process the nib is produced first, then ground to the particle size needed for

the finished chocolate. The paste or liquor is then roasted. Heat exchange is far more efficient and no heat is wasted in roasting the unwanted shells.

At a temperature around 150 degrees Centigrade, excess moisture is "flashed" off and roasting goes on for between six and 15 minutes, depending on the blend of beans used. Unwanted flavours are removed by spraying the liquor while it is roasting.

Finally, it is cooled, sugar added, and refined.

RUBBER RETREADING PLANT

Research carried out at the Ceylon Institute of Scientific and Industrial Research (CISIR), has proved the economic use of oil extended rubber compounds (OENR) for retreading of passenger cars.

A Ceylonese commercial firm has now started on this venture. These tyres are said to provide better resistance to skidding.

SYNTHETIC PAPER PROCESS

A leading pulp company in Japan recently said it had developed a new method of making synthetic paper which reduces processing and lowers cost.

The method involved creation of numerous air bubbles in a film of some artificial resin of the polyolefin group. Such resin may be of different types such as polypropylene.

Products made with the new process were said to be excellent substitutes for art paper, other coated quality types of paper and continuous paper slips for use of electronic computers.

SCIENCE AND TECHNOLOGY

Flick a switch & double your plant growth

Plants may soon be made to grow twice as fast as they normally do by the simple flick of a switch. Experiments carried out by the British Electricity Council have shown that an electric growing room can cut 34 days off the traditional 12-week growing period for tomato plants.

A prototype growing room suitable for horticulturists has been developed by the Council in conjunction with the University of Manchester.

Growth is speeded by subjecting seedlings to some eight

kilowatts fluorescent light. In one test tomato seeds were germinated within a week with the growing room lights switched on 14 hours a day for 15 days. This was followed by six days under a mercury iodine lamp. As a result, seeds sown at the end of December were planted out in mid-February—a saving of 34 days compared with traditional methods.

Minor revolution

Mr. Frederick Procter, in charge of Britain's Electricity Council's horticulture developments, said: "We believe growing rooms could cause a minor revolution in horticulture within the next 10 years.

"A six-bench growing room capable of producing 3,000 plants at a time could be produced commercially for around £700. "This capital cost would easily be recovered in the extra plants that could be produced. In addition, we have found that growing rooms produce better and stronger plants. Seedlings are uniform in size and do not need grading."

Mr. Procter sees growing rooms being used for a wide variety of plants, including tomatoes, lettuce and other vegetables planted in beds.

Udderly Fantastic!

The average yield of milk-recorded herds in England and Wales has increased from 893 gallons a cow in 1957-58 to 949 gallons in 1967-68, according to the Milk Marketing Board.

British Friesians were again the most productive breed with an average yield of 1,011 gallons per animal, an increase of 7 per cent over the 949 gallon average of all recorded cows.

Highest butter fat content was the 5.02 per cent of Jersey milk which was nearly one third higher than the 3.87 per cent of the milk from all recorded cows.

A survey by the Board has shown that the percentage of cows milked in parlours in England and Wales has gone up from 26 to 40 during the past three years. Hand milking is still to be found on a tiny minority of farms—but only 27 out of 10,750 herds in the survey were milked by hand.

Manufactures: A dynamic element in developing countries' exports

Riding on a wave of world trade recovery, developing countries boosted their exports by about 8% in 1968. Coupled with a rise of about 1% in unit values, this means that the export earnings of developing countries actually increased by some 9% compared with a rise of only 3% in 1967.

World trade as a whole expanded by 11%. Although the total export growth of the developing countries did not keep pace with this over all trade rise, it is significant that in manufactured products, the developing countries scored a more rapid export increase than was registered for total world trade in this category.

These are some of the world trade trends analysed in GATT's annual report, International Trade 1968, issued recently.

The main reason for the expansion of exports from the developing countries was the resumption of economic growth in the developed areas, the report concludes. More specifically, it points to three factors that have boosted the export earnings:

- * The demand for imports of raw materials by the developed countries.

- * The rise of export unit values, which seems to have accelerated during the first half of 1969.

- * The growth of exports of manufactures (products covered by SITC sections 5-8, excluding non ferrous metals).

Raw material demand and price fluctuations have tradi-

tionally governed the trend of developing countries' export earnings. But the growth of exports of manufactures is relatively new and is highly significant; the GATT report examines it at some length.

Since 1959, developing countries' exports of manufactures have grown steadily. They rose at an average annual rate of 12.3% between 1960 and 1967, and estimates point to a 20% increase in 1968. This is substantially faster than the growth of these countries' total exports. Reflecting this, the share of export earnings from manufactures in the total export earnings of developing countries rose from 8% in 1955 to 14% in 1967, and probably to almost 16% in 1968. As a result, such exports have begun to have a distinct effect on the trend of the total export earnings of the developing countries.

Another encouraging sign noted in the report is that since 1963 the rate of expansion of manufactured exports from developing countries has been consistently higher than that of world exports of these products, and far higher than the growth of manufacturing production in the developing countries themselves. In 1962 the developing countries' exports of manufactures represented 3.8% of total world exports in this category. In 1968, the proportion had risen to approximately 5%—despite the fact that total world exports of these products have

been growing at the average annual rate of more than 11% since 1962.

Increasing role

Internally, exports seem to be playing an increasing role in the manufacturing sectors of the developing countries. Between 1962 and 1968, according to the UN index, manufacturing production in developing countries rose by an average of 6% a year, while exports of manufactures were rising by 16%. Although no solid figures are available, the GATT Secretariat estimates that in 1968 the export increment could have accounted for something like 10% of the total production increment in this sector. The percentage varies widely from country to country. The highest ratios are found for instance in Hong Kong and the Republic of China.

Although the growth rate of developing countries' export earnings was very high in 1968, it was lower than that of world trade generally. This discrepancy has been one of the most stable features of the evolution of international trade since the end of World War II. The result has been a further decline of these countries' share in world trade, from 18.7% in 1967 to 18.2% in 1968—compared with 30% in 1948. But the growing importance of manufactures in the total exports of developing countries should increasingly influence this trend in the future.

Main impetus

Geographically, the progress of developing countries' exports was more even in 1968 than in previous years. Among the developed country markets, the main impetus came from increased import demand in the United States, Japan and the Federal Republic of Germany. Sales to these three countries rose by 13%; the increment accounted for over 50% of the total increase in developing countries' exports.

Exports to the Eastern trading area, which had made rapid progress between 1957 and 1965, but had shrunk between 1966 and 1967, advanced in 1968, but by only 5%. This trade has not yet regained its 1965 level.

Export Intelligence

Non-traditional exports earn more

Ceylon earned Rs. 17 million more from the export of non-traditional products in the first five months of this year compared with the corresponding period last year.

While in the period January—May 1969, these exports accounted for Rs. 69 million, in the same period in 1970, Rs. 85 million was earned.

Main Products

Among non-traditional products mainly responsible for Ceylon's impressive record during this period were: ready-made shirts; children's garments; shoes, handicrafts; electric lampshades; rubber toys; coir products and exports of State sponsored Corporations.

Canned B'fruit for export?

Canned breadfruit could possibly earn valuable foreign exchange for the country, according to plans being made by the Marketing Department.

A spokesman for the Department told the 'Economic Times' that preliminary steps carried out to can breadfruit on a commercial scale have been successful.

These experiments have revealed that canned breadfruit could be kept for as long as two years.

The Marketing Department hopes to start production in this field shortly and commence regular exports by early next year.

Encouraging response

The spokesman added that samples of the product have already been sent to prospective importers in Jamaica and the United Kingdom.

The response to these samples have been very encouraging and the chances of foreign exchange being earned from the export of canned breadfruit could soon be a reality, he further said.

Local ekel brooms for U.K.

Laksala, the handicraft shop run by the Department of Rural Development and Small Industries will export its third consignment of ekcel brooms to the United Kingdom.

This order is for 4,000 ekcel brooms which will earn for the country foreign exchange to the value of Rs. 9,000.

EGG CARTONS WANTED

A Canadian firm, Messers S.D. Import/Export of 42 Birchmount Road, Scarborough, Ontario, is interested in importing a very large volume of styrofoam egg cartons.

Ceylon's Trade Commissioner in Canada, Mr. W. D. Soysa, has contacted the Director of Commerce regarding this trade enquiry. He adds that the minimum quantity of cartons should be around 50 to 80 million annually.

All cartons must have the country of manufacture printed, stamped or moulded in the bottom of the carton. The dimensions are 11 1/2" in length, 4" in width, and 3 1/4" in height, with the holes for the eggs 2" in diameter at the top, slanting to approximately one inch at the bottom.

He has suggested that this enquiry be passed on to prospective suppliers who should furnish C.I.F. Toronto prices to the Canadian firm.

ANTIQUES WANTED

A collector of antiques from Texas, U.S.A., has requested the Marketing and Export Promotion Division of the I.D.B. to find suppliers in Ceylon.

The potential buyer states: "By antiques I would qualify my interest to any art objects of any category that are at least one hundred years old, rather than very ancient objects that would come under the classification of National Treasures. I am particularly interested in Jewellery if made before 1870."

Further information may be obtained from the Industrial Development Board.

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Ceylon Ceramics Corporation,

55, Rosmead Place,
Colombo-7.

Export opportunities

These firms are interested in importing the following products from Ceylonese exporters:

Ceramicware:

Droste Boutique,
P O Box 11094,
Johannesburg.
Roger E. Goetze,
P.O. Box 6587
Washington, D. C. 20009
(Statuettes).
Detty Philipps.

Deauti by Dettie,
9680, Chapman Avenue
Gorden Grove,
California, U.S.A.

Five Continents,
P.O. Box 5771,
Russon, Arizona 85703
U.S.A.

Copperware

Eagen Antique Shop,
612, Amsterdam Avenue,
New York N.Y. 100032
U.S.A.

Indian Craft Imports
1186, Broadway, Room 205,
New York N.Y. 10001
U.S.A.

Curios
Angelo Amoruso,
Via Luigi Bodio 10,
Rome, Italy.

Desai Enterprises
P.O. Box 9787
Nairobi,
Kenya.

Mary Tsiqa
Philippa 5,
Saloniki

Greece.
Glovecraft Distributors Ltd.,
117, Miranda Avenue
Toronto—19, Ontario.

THE ECONOMIC TIMES

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UNEMPLOYMENT AND ECONOMIC GROWTH

The Government is today confronted with its most gignatic problem which is undoubtedly the problem of unemployment. According to a recent survey conducted by the Ministry of Planning the Government will have to find nearly 500,000 additional jobs by 1973, not taking into consideration the existing backlog of over 400,000 unemployed persons. In addition there is also the question of underemployment which calls for urgent attention.

The rapid growth in population has no doubt aggravated the situation, but the crux of the problem is that the rate of economic growth has not been fast enough to absorb the increasing workforce.

According to a recent report the Minister of Irrigation, Power and Highways has drawn up a plan in which he envisages to provide jobs for 320,000 youth. This is said to be an independent scheme which has no relation to any proposals that might emanate from other ministerial sources.

We have no doubt that any scheme that purports to solve the employment problem should be very welcome. But this is a national problem that has to be solved in conjunction with all ministries involved in the development process. A well co-ordinated plan could be more favourable than any plan that has been drawn up in isolation. There are several economic factors involved in the process. And these factors must be viewed from all angles with the Ministry of Planning and Employment at the helm.

The unemployment problem cannot be solved by waving a magic wand. It calls for a long-term solution which must necessarily be based on the country's overall economic development programme. The fact that unemployment figures have been mounting is one indication that the development process itself has lagged behind. Hence, it is imperative that the tempo of development must be stepped up.

The solution does not lie in merely providing jobs for the jobless. Employment must be geared toward production—it is essential that productivity should increase correspondingly. If through the implementation of a "crash programme" 320,000 persons are found employment (assuming that sufficient funds are available) it would mean that more money would be pumped into circulation thus increasing the country's money supply. There will also be a demand for more goods. The new demand that has been created as a result will have to be met either through increased production or more imports. But our foreign exchange situation does not permit the latter course. Therefore, if domestic production does not increase sufficiently a host of problems would crop up. As a result of supply not meeting demand scarcities would arise. Too much money would be chasing too few goods giving rise to all the problems associated with inflation.

There are several other economic implications that the unemployment problem entails. Ad hoc solutions could create new problems and the remedy might prove to be worse than the disease. The main criterion should be to ensure that production keeps pace with the new employment opportunities that are created.

It must also be appreciated that the country's banking and financial institutions are not sufficiently geared to ensure that in a mixed economy like ours the private sector could increase output in the short-run to meet the new demand arising from the greater propensity to consume.

We might, perhaps, repeat that the prime consideration should be to accelerate the development process. With economic development the unemployment problem might even solve itself.

Tea Prices at London Auctions Improve

While the average net price fetched by all elevational teas showed an appreciable increase at the London Auctions, the price at the Colombo Auctions has been on the downward trend in the first five months of this year.

The price of tea at Colombo which stood at Rs. 1.60 per pound in January and had moved up to Rs. 1.66 per pound in April, declined to Rs. 1.58 per pound in May. High Grown teas fell from Rs. 1.87 per pound in January to Rs. 1.76 per pound in May.

Medium Grown and Low Grown however, showed a slight improvement moving up from Rs. 1.52 per pound in January to Rs. 1.54 per pound in May and Rs. 1.38 per pound to Rs. 1.41 per pound respectively.

The average monthly price of Ceylon tea at London recorded a steady improvement as shown below:-

| | 1969 | 1970 |
|----------|--------|--------|
| | Sh. d. | Sh. d. |
| January | 4-0.5 | 4-4.0 |
| February | 3-7.5 | 4-3.1 |
| March | 3-6.3 | 4-4.9 |
| April | 3-7.6 | 4-5.9 |
| May | 4-0.8 | 4-9.4 |

RUBBER

Prices of all grades of rubber showed a downward trend in the period under review.

The Colombo Market Price for R.S.S. No. 1, which was Rs. 1.05 per pound in January dropped to .92 cts per pounds in May. R.S.S. No. 2 which opened at Rs. 1.00 per pound in January declined sharply to .88 cts per pound by May. The price fetched by R.S.S. No. 3 in the Colombo Market also dropped from 98 cts per pound to .86 cts per pound.

C'NUT PRODUCTS

The Market price fetched by Ceylon's major coconut products also tumbled in the first five months of the year. Copra prices fell from Rs. 263.38 per candy to Rs. 235.49 per candy, while coconut oil prices dropped from Rs. 1,578.33 per ton to Rs. 1,416.25 per ton. Desiccated coconut prices also registered a similar trend falling from .71 cts per pound in January to .59 cts per pound in May.

U. S. Motors sold to Communist China

An Italian sale to Communist China of large dump trucks with American-made motors is consistent with recently relaxed U.S. trade regulations, the State Department says.

A Washington newspaper reported that the trucks would be manufactured by the Roberto Perlini Company of Italy. The newspaper said the trucks would have General Motors engines.

The State Department statement said in part:

"The United States Government has received a trade inquiry from an American firm and an Italian firm concerning inclusion of American-made engines and spare parts in certain Italian-made dump trucks for delivery to Communist China.

"The American supplier and the Italian manufacturer have been notified that the U.S. Government has no objections."

Bank expansion in India

The rate of branch expansion has gone up almost 3 times since the 14 major Commercial Banks were nationalised on July 19, 1969.

Till the end of June 1970 i.e. in 11 1/2 months since the Nationalisation of Banks, Public Sector Banks had opened new offices at an average of 127 p.m. as against 48 in 1968 and 40 in the first half of 1969. Last month alone about 230 new offices were opened. Currently Public Sector Banks are opening about 140-150 offices every month.

Nearly 2/3 of the new offices opened since July 1969 are located at Rural Centres with a population of less than 10,000. On July 18, 1969, the proportion of Rural Branches in the total number of offices of the Public Sector Banks was 23% (about 17% for the 14 Nationalised Banks). By June 1970 the proportion had gone up to nearly 30% (25% in the case of the 14 Banks). During the period July 1969—June 1970, the Deposits of Public Sector Banks (excluding Inter-Bank Deposits) went up from Rs. 38,743 m. to Rs. 43,605 m.,

an increase of Rs. 4,362 m. compared with Rs. 4,419 m. during the corresponding period of 1968—69.

India's exports exceed planned target

Indian Exports during May 1970 recorded a substantial gain of about Rs. 90m., pushing up at the same time the overall growth rate to 4.8% in the first 2 months of the current year. Exports at Rs. 1191.1 million, compared to Rs. 1,100.9 million during May 1969 have boosted the growth rate to an encouraging 3.2%.

This is the fifth time in the last 13 months that Exports have pierced the 7% annual increase in earnings stipulated in the Fourth Plan, the other four months being April, June and December 1969 and January 1970. Imports in May 1970 at Rs. 1276.3 m. were lower by Rs. 42.7m. than imports during May 1969.

Synthetics sale may be nationalised

The Government is likely to take over the distribution of synthetic textiles manufactured by private sector industries.

A proposal to lay down that all synthetic textile manufacturers should sell their finished goods to the Lanka Safu Sala is now being actively considered by the Minister of Foreign and Internal Trade, Mr. T. B. Illangaratne.

New Ceramics Product

The Ceylon Ceramics Corporation will shortly make a major contribution towards the betterment of rural sanitation when it popularises a new product it is bringing out—namely squatting pans complete with trap for water-sealed latrines.

First in Asia

This project will be promoted in the rural areas through a DHS aided latrine scheme.

Once this scheme comes into full operation, Ceylon will be the first Asian Country with such advanced sanitation facilities.