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THE ECONOMIC TIMES

Vol. 1 No. 11 Wednesday 2nd September 1970 Price 50 cts.

OFFER FROM "TECHNOPROMEXPORT"

The Soviet Foreign Trade Organisation, Technopromexport has made offers to develop the country's power supplies and other specialized services for industry through a firm in Ceylon.

The offer includes the supply of motor cars, motor cycles and scooters in return for local export commodities which it has suggested could be within the scope of the existing Trade and Payments Agreement or given on a credit basis over an eight year period. Negotiations are now in progress.

HOW URGENT WERE THESE IMPORTS?

(By A Staff Reporter)

The Open General Licence (OGL) system which was operating until the United Front Government suspended it as soon as it came into power not only drained the country of valuable foreign exchange, but also spelt disaster to several local industries that aimed at import substitution.

Through this scheme the market was flooded with non-essential items. The tariff descriptions were so wide that it was possible for the unscrupulous importer to exploit the scheme. The items that should have been excluded under the various classifications were not specifically stated in most instances and this defect led to the abuse of the OGL scheme.

The existing protection to local industries disappeared as quite a number of products that were being turned out locally had to compete once again with their imported counterparts. Thus, the process of industrialization received a severe set-back.

For example, items such as safety pins, needles for sewing and knitting, scissors, pen-knives, table and kitchen knives forks and spoons and hardware products like locks and padlocks, hinges, and furniture fittings etc., had to face stiff competition as the imported products were cheaper than the locally manufactured products.

The main advantage of the scheme was that raw material flowed freely as administrative bottlenecks were eliminated. But whether all the imports under the scheme were really necessary is the question.

The table below shows the value of imports of some of the OGL items imported during the period August-December 1969 and from January to April 1970.

DESCRIPTION	Aug.-Dec. 1969	Jan.-April 1970	Total
Old Clothing & other textile articles	Rs.	Rs.	Rs.
A—Blankets	5,387	6,880	12,267
B—Other	890,417	734,563	1,624,980
Safety pins	41,529	57,200	98,729
Needles for hand sewing and knitting, crochet hooks and the like	22,849	8,528	
Scissors and blades therefor	58,986	118,084	177,070
Razor blades :			
A—Razor blade blanks	43,132	—	43,132
B—Other	30,309	27,475	57,784
Locks and padlocks and parts thereof of base metal	516,080	542,357	1,058,437
Bolts & nuts (including bolt ends and screw studs) of iron or steel, riverts etc.,	1,670,351	1,419,387	3,089,738
—Do— of Copper	85,777	80,784	166,561
Forks, Fish Eaters, Butter Knives etc., table and kitchen knives	45,216	35,493	80,709
Electric torches (excluding batteries) and parts thereof	710,971	321,438	1,012,409
Hand polishing stones, whetstones, oilstones, hones and the like	47,386	23,245	70,631
Door closers, Fittings for coach work, hinges—iron & steel, coffin mountings	120,701	250,298	370,999

(Source : Ceylon Customs Returns)

Steel products up in price

The prices of steel products have risen and were likely to rise, still further this year, states the Director of Government supplies in his latest Administration Report.

The Report adds that although there were all round increases in the tonnages of ferrous and non-ferrous metals manufactured in the U.K., the European Common Market, U.S.A., Japan, Russia, India. Australia, etc. demands for most of these materials, particularly steel and steel products, were so large that world market prices registered considerable increases and delivery periods lengthened.

FURTHER INCREASES LIKELY

Prices of steel and steel products such as mild steel plates, flats, structurals, tool steels, welding rods, etc. and those fabricated metal products such as fabricated structural steels, expanded metals, etc. registered increases ranging from 5 to 7 percent.

Prices of steel products for 1970 are likely to increase still further consequent on the British Steel Corporation proposing to raise their selling prices of various categories of steel by about 12 percent. Prices of non-ferrous metals such as copper, lead, zinc and tin which are used in considerable quantities continued to fluctuate in varying degrees on the London Metal Exchange.

TEXTILE CORP. GETS NEW AID OFFERS

The National Textiles Corporation may soon become the most heavily capitalised Corporation in the public sector, if offers of foreign assistance to set up two more mills are accepted.

With its two massive projects at Veyangoda and Thulhiriya its total capital of Rs.225 million brings it only next to the Rs. 270 million of the Fertilizer Manufacturing Corporation, and Rs. 325 million. of the Cement Corporation.

New offers have been made by China and Poland to set up two more spinning and weaving mills at Minneriya and Ambalangoda.

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U. S. backs tariff preferences as aid

The United States is optimistic that a tariff preference system will be implemented soon by industrialized countries to aid the less developed nations.

In an address to the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD) U. S. delegate Henry Brodie said preference will help increase exports of manufactured and semi-manufactured goods to pay for development.

He said the United States had urged other developed countries to adopt preference policies similar to that proposed by the United States - reduction to zero of traiffs on as wide a list of products as possible with no quantitatives restrictions. In the U, S. case. only petroleum and petroluem products, taxtiles and shoes would have been excluded from preferential treatment.

He expressed hope that the socialist countries of estern Europe will adopt similar concrete measures to increase their imports of manufactures from developing countres.

Reverse Preferences Opposed

The United States continues to oppose "reverse prferences," that is tariff reductions given by some developing nations to some European nations, Mr. Brodie told the board.

Prospects for rapidly increasing trade for developing countries seem good Mr Brodie said but " prospects for rapid increases in net aid flows, at least in the United States, are not brighy."

He noted, that in relation to gross national products, the transfer of U. S. resources to developing countries has fallen in recent years. Last year even the absolute total decreased.

VALUE OF INDUSTRIAL PRODUCTION UP

The value of industrial production registered an overall increase according to the latest statistics of production compiled by the Ministry of industries Total values of production for the last three years as follows

1967	1968	1969
Rs.(m)	Rs.(m)	Rs.(m)
1,082	1,358	1,650

For the first time however, one of the major sectors ,*viz.* chemicels showed a drop in production from Rs 143 m. in 1968 to Rs. 140 million in 1969.

Major increase were recorded in the following:

	1968 Rs.(m)	1969 (Rs.m)
Food, Beverages, Tobacco	521	624
Non-metallic, coal and Petroleum products	105	170
Textiles	185	208

MARKET. PRICES

COLOMBO

CLOSING PRICES 26.8.70

TEA (Rs.) Cts. Per lb.)

	BOPS low	BOPS high	B. O. P. Fs low	B. O. P. Fs high
Uva Teas	2-60	12-10	2-50	13-00
	1 at 12-50	1 at 12-75	1 at 13-25	1 at 13-30
	1 at 13-25	1 at 13-50	1 at 13-55	1 at 13-75 1 at 15-25
S/W High Growns	1-60	3-30	1-70	3-20
2 at 3-45	1 at 3-40		1 at 3-45	1 at 3-50
	1 at 3-95			2 at 3.35
Medium Grown	1-48	2 00	1-55	2-00
Small leaf Low Grown	1-30	1-58	1-35	1-68
Tea for Price	1-00	1-25	1-05	1-30
Leafy B. O. P.	1-25	1-75		
	F. B. O. Ps.		F. B. O. P. Fs	
Tippy Teas	1-35	1-60	1-38	6-05
	2 at 1-66		1 at 1-07	1 at 18-05

PRICES FOR THE WEEK ENDED 23.8.70

RUBBER (Rs. cts.—per lb.)

	Closing Quotations	Avg. todate 1970	Avg. Same Period 1969
RSS No. 1	87 1/4	93 3/4	104 3/4
RSS No. 2	81 1/4	89 1/4	101 1/4
RSS No. 3	79 1/2	87 3/4	99 3/4

COPRA (*Rs. per Candy*)

	High	Low
Estate Copra	No. 1. 235.00	228.00

COCONUT OIL (*Rs. per ton*)

	Sellers	Buyers
August	1425	1410
September	1425	1410

DESICCATED COCONUT (per lb.)

August and September .60 cts.

Prices for the week ending 22nd August 1970

Commodity	Buyers	Quotations	Export Duty
	Per lb.		
Cardamoms	27/00	29/00	40% on
C'mom Seeds	27/00	28/00	true F.O.B.
Cloves	18/50	19/50	value
Clave Stems	4/00	4/25	
Mace	unquoted :		
Nutmeg (Shelled) ..	4/50	5/00	
Nutmeg (Unshelled) ..	1/75	2/50	
Pepper (Black)	4/16		
Pepper (White)	5/50	Nom.	
Papain (White)	15/00	15/50	
Papain (Brown)	9/00	9/50	
Cinnamon H/1	3/40	20% on true f.o.b. val.	
Cinnamon H/2	3/35	-do- ..	
Cinnamon Quillings No.1 ..	2/75	-do-	
Cinnamon Quillings No.2 ..	2/50	-do-	
	Per Cwt.		**Export Duty**
Cocoa	Unquoted		40% on true f.o.b. value
Coffee	400/00		
Kapok (Clean)	175/00		
Kapok (Unclean) ..	37/00		
Croton Seeds	110/00		
Essential Oils	**Per Oz. lb.**		**Export Duty**
Cinnamon Leaf Oil ..	24/25		
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 ..	6/15	per lb.	

SUBSIDIARY CROPS — WEEKLY PRICE LIST POYA ENDING 23/8/70

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
Paddy-	
Samba	16/00
Other Varieties	12/00 — 12/50
Rice-	
Par Boiled	70/00 — 72/00
Country Rice No. 1	86/00 — 88/00
Country Rice No. 2	75/00 — 78/00
Samba Rice	108/00 — 110/00
Kora Rice	110/00 — 115 00
Maize-	*per Cwt.* 29/00 — 30/00
Pulses	
Red Gram (Toor Dhal)	40/00 — 45/00
Black Gram (Undu)	61/00
Bengal Gram	46/00
Green Gram	53/50
Bombay Cowpea	40/00
	Per Bushel
Millets	
Finger Millet (Kurakkan) ..	9/50
Sorgum	*Per Cwt.* 440/00 *per ton*
Soya Beans	700/00 " "
Spices / Condiments	*Per Lb.*
Mustad	6/50
Chillies	*Per Cwt.*
Dried Long	250/00
Dried Round	110/00
Dried Gff Grade ..	75/00
Goraka	75/00 — 80/00
Vanilla	15/00 *Per Lb.*
Tamarind	100/00 — 125/00 *Per Cwt.*
Nuts Cashew	— *Per Lb.*
Groundnuts	48/00 — 50/00 *Per 80 Lbs.*

TEA REPORT

Auction No. 33 was held on 25th and 26th August, 1970.

The total quantity offered was 7,088,376 lbs. comprising 3,717,586 lbs. Leaf Grades, 639,286 lbs. Dusts, 115,285 lbs. Reprints 122,463 lbs. Sundry Lots and 2,609,041 lbs. Ex Estate. Quality was generally similar to the previous week with some fine quality Uvas on offer. There was only a limited demand at much lower prices except for a few selected teas.

High-Grown Teas : With the exception of one or two top quality Brokens all others declined 15/30 cents per pound. BOPFannings also met much less demand and declined by about the same amount. Orange Pekoes held firm but Pekoes were considerably lower.

Uva Teas : Select best Brokens were about steady on last rates but there was more inquiry for the best BOPFannings on offer and prices improved appreciably. Others met less demand and prices were often much easier.

Medium-Grown Teas: Strong coloury, bright Medium Brokens declined 5/10 cents per pound with plainer sorts 10/20 cents easier. With very little demand for BOPFannings, teas were often neglected and withdrawals were numerous. Prices for all others declined 10/20 cents per pound. Pekoes were easier with Orange Pekoes about steady.

Low-Grown Teas : Small leaf sorts were easier with BOP's declining 5/10 cents and BOPFannings 3/5 cents. Leafy Persian Gulf types met a rather dearer market and could be quoted generally 3/8 cents higher. Orange Pekoes were in strong demand at dearer rates.

Tippy Teas : FBOP's were dearer. Small leaf Flowery Fannings were steady but the showy types were easier.

Off Grades : Except for Western and Uva Fannings which were dearer others came to an easier market. Low-Grown BM's and BP's advanced a few cents.

Dusts : Mediums were fully firm while all others were easier.

RUBBER REPORT
Week ending 23. 8. 70

RSS No. 1 opened 3/4 cent dearer at -85 3/4 cents per lb., but declined the following day to -84 3/4 cents per lb., recovered strongly once again in line with overseas advices to touch -88 1/2 cents per lb. during the latter half of the week, before declining somewhat to close at -87 1/4 cents per lb.

Approximately 405 tons of **Latex Crepes** were offered at the Two Sales held during the week under review, a slight increase of 42 tons compared to the previous week's total. At the First Sale best latex crepes improved by 1/2 cent per lb. whilst the F.A.Q. Offerings too were marked up by 1 cent per lb. Duller sorts were irregularly dearer, whilst the inferior types gained by 3 cents per lb. At the following Sale best latex & F.A.Q. types once again met with good demand and were marked up by 2 1/2 to 3 cents per lb. Duller sorts were once again irregularly dearer, but the inferior types declined by 3 cents per lb.

Approximately 156 tons of **Scrap Crepes** were offered, a slight increase of 5 tons compared to the previous weeks total. At the first sale, light brown scrap crepes showed a market improvement of 2 to 4 cents per lb, but the dark brown and darker sorts were 1 to 2 cents per lb. easier. Flat Bark too were quoted 1 cent per lb. lower.

At the following Sale light brown scrap crepes were irregularly easier, but the dark brown & darker sorts recovered by 2 cents per lb. Flat Bark however was once again marked down further by 2 cents per lb.

Approximately 6 tons of **Sole Crepe** were offered during this period, a decrease of 3 tons compared to the previous week's total. Continued covering demand for all thicknesses once again pushed values higher. One lot of 1/4" Smooth Sole Crepe consisting of 1120 lbs. achieved the very attractive price of Rs. 2/- per pound.

Commodity Commentary

Produce Report

Week ending 23. 8. 1970

Cardamoms : There were 84 lots totalling 7795 pounds of Cardamoms on offer this week as against the previous week's quantity of 6721 pounds, indicating an increase of 1074 pounds. Following keen demand and with more buyers present, the market moved up by about Rs. 1/50 per lb. for No. 1 quality to be quoted at Rs. 27/- to Rs. 29/- pre pound. Grades next to best too indicated an improvement and these were transacted at between Rs. 24/95 to Rs. 26/50 per pound. The highest price realised for the day was Rs. 38/10 per pound for Superior Quality cardamoms and the lowest transaction was done at -/50 cents per pound for inferior shells. A small quantity of cardamom seed was on offer and this was transacted at between Rs. 27/- to Rs. 28/- per pound.

Cocoa : There were 15 lots totalling 117 cwts. of cocoa on offer this week, as against the previous week's quantity of 77 cwts. indicating an increase of 40 cwts. Due to the lack of interest amongst buyers, no No. 1 quality cocoa was transacted and in consequence no quotation was made.

Pepper : 6 lots totalling 2328 pounds of pepper were on offer at the sale this week, the best of which was sold at Rs. 4/16 per pound, at which price quotation was made. 139 pounds of white pepper was sold at Rs. 5/50 per lb.

Coffee : 7 lots totalling 34 cwts. of coffee were on offer. An attractive line of Robusta coffee was sold at Rs. 400/- per cwt., at which price quotation was made.

Croton Seed : A small quantity of 1 cwt. 3 qrs. 12 1/2 pounds of croton seed was an offer and fetched Rs. 11/- per cwt. for quotation to be made at this price.

Export Duties : Ad valorem of 40% on the F. O. B. price on Cocoa and Cardamoms 20% on Cinnamon Quills and 10% on Cinnamon Chips.

How tea prices fared in 1969-70

PLANTATION INDUSTRY

Ceylon teas fared considerably better during the period January to July 1970 compared with the corresponding period last year. High growns in particular showed an appreciable increase in price in June and July 1970 at the Colombo Auctions in comparison to what prevailed last year. See details in Table below.

MONTHLY AVERAGE AUCTION PRICE OF TEA JANUARY TO JULY — 1969 AND 1970

	High Grown				*Medium Grown*				*Low Grown*				*All Teas*			
	Gross		*Nett.*		*Gross*		*Nett.*		*Gross*		*Nett.*		*Gross*		*Nett.*	
	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970
	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.	Rs. c.
January ..	1.89	2.04	1.77	1.87	1.49	1.53	1.48	1.51	1.50	1.40	1.49	1.38	1.64	1.65	1.59	1.58
February ...	2.18	2.18	1.94	1.96	1.49	1.62	1.47	1.58	1.45	1.38	1.44	1.37	1.72	1.72	1.63	1.63
March ...	2.20	2.28	1.96	2.04	1.40	1.69	1.38	1.65	1.35	1.37	1.34	1.36	1.67	1.78	1.57	1.69
April ..	2.14	2.20	1.91	1.99	1.33	1.58	1.31	1.55	1.35	1.37	1.35	1.37	1.61	1.74	1.52	1.66
May ...	1.70	1.85	1.58	1.76	1.18	1.55	1.17	1.54	1.31	1.41	1.31	1.41	1.41	1.62	1.36	1.58
June ..	1.41	1.75	1.36	1.69	1.11	1.47	1.10	1.47	1.30	1.35	1.29	1.35	1.27	1.53	1.25	1.50
July ..	1.50	2.07	1.40	1.93	1.18	1.66	1.16	1.62	1.26	1.37	1.25	1.37	1.32	1.71	1.27	1.64

Source : Messrs. Forbes & Walker Ltd.

A new lease for coffee

The Minister of Industries and Scientific Research, Mr. T. B. Subasinghe has decided to appoint a committee to investigate into the extensive cultivation of coffee.

The Minister will discuss this matter shortly with the Minister of Plantation Industry, Dr. Colvin R. de Silva. It is felt that coffee which had been grown extensively in the country earlier and destroyed due to disease could be revived and made a foreign exchange earner.

The Committee will consist of members of the various chambers of commerce whose assistance Mr. Subasinghe hopes to get in this venture.

TEA PLANTING SUBSIDY SCHEME

The progress made under the Scheme during 1969 which is reflected in the statement below, exceeded the targets laid down in the Agricultural Development Proposals 1966-1970, states the Tea Controller in his Administration Report for 1969 :

Issue of Permits (acreage covered) 5,000 (Target) and 9,310 (Actual)

Area uprooted (in acres) 6,250 (Target) and 8,049 (Actual).

Area replanted (in acres) 5,000 (Target) and 6,500 (Actual).

Subsidy Payments (In Rupees Million) 17 (Target) and 21.2 (Actual).

Subsidy Commitments (in Rupees Million) 18 (Target) and 33.7 (Actual).

The Report adds : The Ten-Year Development Plan (1959-1968) envisaged the replanting of 50,000 acres at the rate of 5,000 acres per year. Although this was considered modest when compared with over 20,000 acres expected to be replanted each year under the Rubber Replanting Subsidy Scheme, the achievements during the past years have confirmed the fact that the estimate of 5,000 acres per year was not unrealistic.

IMPROVEMENT

The initial response to the Scheme fell below expectations as there was some hesitance on the part of owners of estates at the outset to avail themselves of the subsidy due chiefly to the high cost of replanting. There was, however, a marked improvement in the response following the revision of the rates of subsidy.

The total area now participating in the Scheme is 54,500 acres. This represents approximately 9 per cent. of the total registered tea area of 596,415 acres. The total area uprooted for replanting up to the end of 1969 exceeds 47,000 acres, while the area actually replanted under the Scheme up to the end of 1969 was 33,428 acres. The total area of 33,428 acres replanted includes an extent of 336 acres replanted with tea seed.

* * *

ACREAGE UNDER TEA

The total area under tea cultivation in Ceylon on 31st December 1969 was 596,514 acres as compared with 597,490 acres at the end of 1968.

Although an area of 399 acres of new planting was registered during 1969, there was a reduction in the total acreage under tea as a result of revision of registrations by the exclusion of abandoned tea areas, according to the Administration Report of the Tea Controller for 1969.

FROM THE CHAMBERS

Small Industrialists complain

The Small Industrialists Association of Ceylon has submitted a Memorandum to the Minister of Labour pointing out the activities of certain subversive elements that are disrupting industrial production by causing labour unrest. Excerpts of this Memorandum are given below:-

"We Small Industrialists observe with anxiety that certain elements have set-about in spreading their vicious and destructive tentacles among the labour forces of the various Industries, inciting them into activities which had, as in the past, caused economic chaos.

The result of these destructive subversive activities by "ring-leaders" in power bids, have caused a sharp check in progress of our diverse Industrial Organisations. Notions as "Go Slow," "Strike" etc., are now being infused into the minds of workers who, hitherto, had been complacent, by such opportunists who seek power by "brainwashing" lesser men to their will in "Socialists" thories of impracticable and unrealistic nature.

Efforts for greater production, cost-reduction in the interest of the masses have now been threatened. Retard in production has been brought about with strained Employer-Employee relationship being advocated. This may have a counter-effect on the burning problem of Employment facing the Government, which rather than receiving the co-operation and boost from the Private Sector, on the other hand, result in the situation getting graver.

The Small Industrialists appeal to you, Sir, to take necessary action in declaring a set standard of minimum wages applicable to employees in the Industrial Sector. We are prepared to co-operate towards the implementation of this Report, by submitting our own analytical Report based on a referendum from Members of this Association. These Statistics submitted by us and co-ordinated with Administrative Analytical statistics and combined with Worker formulated ideas, after careful study, will result in the emergence of factual data which should be used for a precise and practical solution to this problem."

CEYLON AT FAO CONFERENCE

The 10th FAO Conference for Asia and the Far East is being held in Canberra (from 27th August to 8th September 1970). Mr. Gamini Seneviratne, Senior Assistant Secretary of the Ministry of Plantation Industries is representing Ceylon.

The Conference will, among other matters review the situation and prospects of food and agriculture in Asia and the Far East, with particular emphasis on the high yielding varieties of seed paddy that is now being used extensively in most developing countries.

SHARE MARKET REPORT

Conditions on the Share Market were once again slightly firmer for teas and easier for commercials, the other sections being quiet, according to the Colombo Brokers Association.

	Previous Price Rs. cts.	*Aug. 21* Rs. cts.	*+ or —* Rs. cts.
TEAS			
Glasgows	8.00	8.00**	
Maha Uvas	5.25	5.50	+ .25
Mochas		10.50	
Strathedens	8.25	8.50	+ .25
Strathspeys	7.00	8.00	+1.00
Keresias	12.50	11.00	—1.50
Uplards	5.25	5.50	+ .25
Upper Maskeliyas ...	14.00	10.00	—4.00
TEA-CUM RUBBER			
Kaluganga Valleys ...	3.50	3.50*	
Rayigams	5.00	5.00	
RUBBERS			
Biddescars	4.50	4.00	—.50
Ceylon Rubbers ...	17.00	17.00	
COMMERCIALS			
Asian Cottons ...	10.00	10.00	
B.C.C.'s	11.00	11.00	
Wellawatte Mills ...	6.25	6.25*	
Lambrettas	8.25	8.00	— .25
Hunters	3.00	2.00	—1.00
Muller & Phipps ...	5.25	5.25	
Hendersons	5.50	3.00*	—2.50
Millers	5.50	5.25	— .25

There was one change in Preference shares, B.C.C.'s 6% Part cum Prefs. falling from Rs. 7.25 in April to Rs. 7.00 and no business in Government loans.

The following were quoted ex-dividend :-

Ceylon Nutritional Foods Ltd., 23% Final on 14.8.70 ; Raigam Co. Ltd., 3 1/2% Final on 14.8.70.

New process waterproofs & lubricates leather

Waterproof leather that is unaffected by wear, washing or dry-cleaning, is now being produced in Britain.

The process—it makes even a leather umbrella possible—has been developed by a scientist at Leeds University north-east England. Footwear and clothes made from the new leather should be in the shops in quantity by 1972.

As well as waterproofing the leather, the "one-step" process lubricates it and makes it supple to handle. Up to now, these qualities have been added by a series of processes after tanning. With the new techniques, none of the natural properties of leather are lost. It still "breathes," absorbs perspiration and retains its comfortable feeling.

The scientist, Mr. Stanley Briggs, achieved his "first" by making the leather fibres themselves waterproof. His process is unique because it chemically bonds the waterproofing agent to the fibres so that it cannot be washed off or dissolved.

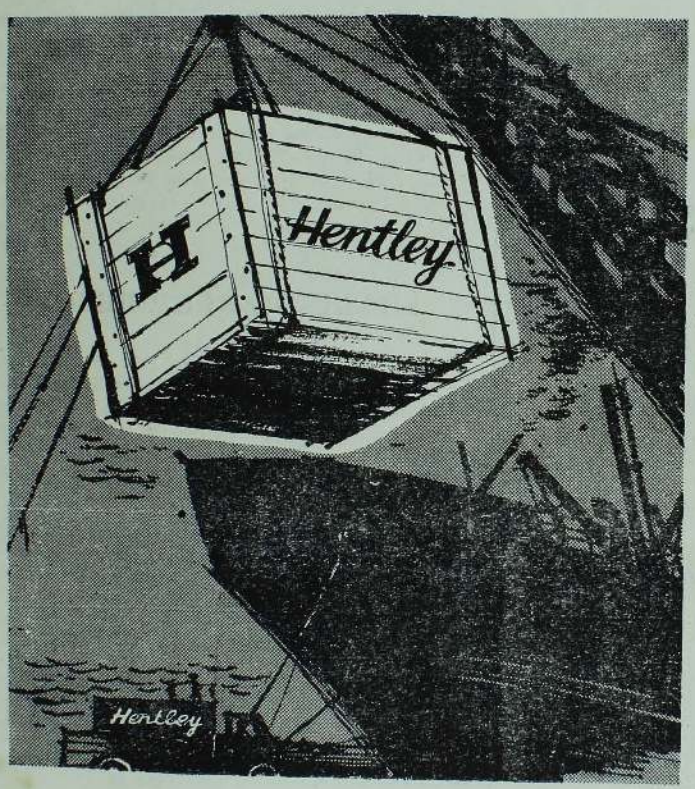
Waterproofing leather has been previously carried out by coating the fibres with a water repellant, such as silicones. Though this improves its wet weather performance, the repellants are only weakly linked, if at all, and dry-cleaning gradually removes them.

Leather treated by the new agent has remained strong and dry after 24 hours of a test simulating walking in heavy rain. Normal leather saturated in 10 minutes and even impregnated leather stood up to the test only for 1 1/2 hours. Dry-cleaning drastically reduced the performance of leather untreated by the process.

A MIDGET CAR

Toyo Kogyo Company, maker of rotary engine cars, has tentatively decided to produce and market by the middle of October its first midget passenger car using a rotary engine.

Circles close to the company said the midget cars, were likely to be a remodelled version of the company's present piston model Mazda Carol.



Hentley Garments open new foreign markets to Ceylon

Five years ago, Hentley Garments Limited pioneered the export of Ceylon-made shirts to Russia. Since this historic break through in the field of non-traditional exports, Hentley has been moving ahead in the opening up of new foreign markets for our country's products.

Hentley's achievements are significant of the high standards of workmanship and quality control in their factory.

Within recent times, international acceptance of Hentley Garments has opened the way to export in several other countries as well. Thus, shipments of Hentley Garments are now being consigned to destinations in Canada, U.S.A., England, Germany and Denmark, in addition to Russia.

The broad-based price range of Hentley shirts suits every pocket and is Hentley's contribution to the domestic market.

The substantial earnings from Hentley's Exports are Hentley's contribution to the Nation's economic recovery.

HENTLEY · Sold in Ceylon and Abroad

Hentley Regd.

HENTLEY GARMENTS LTD 10, Old Airport Road, Ratmalana.

GC 111137

SCIENCE AND TECHNOLOGY

NOW SHOE SOLES FROM PADDY HUSK

The Rubber Technology Division of the Industrial Development Board's Technical Services Centre (TSC) has through experiments enabled footwear manufacturers to utilize a local material—paddy husk—for fillers in compounds for the inner soles and platforms of shoes.

The usual fillers used for such compounds in the local footwear industry are carbon black, china clay and calcium carbonate, all of which have to be imported.

Such fillers are necessry to give the necessary cushioning effect and flexibility in the soles and platforms of shoes.

Using the traditional method. with imported fillers was found to be a waste of foreign exchange and also a waste of rubber and other resources.

Sheeting for such shoe components are in many instances moulded—a process which can easily be elminated, thereby saving much time and labour on the moulding capacities.

Trials carried out by the Technical Services Centre through a leading shoe manufacturer for using paddy husk as the main filler and evolving a method of self-vulcanising the sheets have proved successful.

Assisted by an extra fast accellerator system, the compound can be sheeted to required thickness off the mill and sheets could valcanize at room temperature.

MORE MAJOR STEPS

Another major step is the assistance now being given to the manufacture of Hawaiin style slippers—viz., the elimination of the problem of sandal straps breaking up shortly after use.

It has been found that the premature cracking of sandal straps centred mainly round the non-use of a proper anti-oxidant or over acceleration.

Early experiments at the TSC have shown that this problem could be checked. The Rubber Division's experiments have also now helped certain footwear manufacturers with the problem of toe irritations in rubber slippers. This problem it was found could be overcome by the use of nontoxic chemicals in the compound used for manufacture.

Divorced but not outcast!

All other things being equal, divorced men and women have better chances of getting married than single persons.

This is the quintessence of of a survey by an institute in Hamburg which specializes in "scientific partner selection."

The institute has killed the rumour that divorced people are the subject of social discrimination.

According to the official Statistical Yearbook for 1969 96 percent of all men in their 20s get married. But 99 out of every 100 divorced men of 25 years old marry again.

The picture is even clearer in the case of women, where 83 percent of the 20-year-old single girls get married, yet 96 percent of 25-year-old divorces marry again.

The figures emphasize the institute's point even more clearly in the case of older age groups.

And what does all this prove? The institute considers that, paradoxically, divorced people are really keen on marriage and family life. They know what advantages a married life can bring and have experience that can be used to avoid mistakes in a second marriage.

COMPANY MEETING REPORTS

The Economic Times regularly features Company Meeting Reports.

Annual Reports of Companies may be addressed to :

Editor, (Company News)
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(1st Floor.) 157,
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Colombo 10.

MANAGEMENT

Techniques of modern Management (7)

DIVISIONALIZATION

A company generally begins by having what is termed a 'functional' organization—with each of the principal functions, either line or staff, reporting to a top executive, probably a vice president, who in turn reports to the company president. But as the company grows, this organization may become increasingly unwieldy as chains of command get longer and longer.

Then a company may resort to what is known as *divisionalization*, which is a new way of dividing the work according to things dealt with. A division manager is appointed to take complete charge of both the production and marketing of a single product or group of products, and is judged not on the amount of production or the volume of sales but on the profit his division produces. His position is comparable, then, to that of the president of a smaller company, except that he's not responsible for raising capital. That's appropriated for him from the general company funds.

Occasionally divisionalization is by place ; that is, the division manager is given charge of all operations, including both sales and marketing, in a section of the country. This, however, is less common than divisionalization by products.

Divisionalization has several advantages. It brings major decision-making closer to the scene of action and enables the man in charge to concentrate his efforts on a single family of products. In addition, it relieves the burden on top management.

PROBLEMS

However, it introduces new problems. One of these may arise because some divisions sell all of their products to other divisions of the same company. How, then, are the prices to be set ? If the division manager is compelled to sell at a low price in the interests of the overall profitability of the company, it's hardly fair to judge him on the profit and loss statement. On the other hand, if he's permitted to charge his captive market whatever he wants to, his profits might be artificial so far as the whole company is concerned. One might say, of course, that the price should be the 'market price', but this may be difficult to determine because prices may be set by bidding, and outsiders are not likely to waste time preparing bids if they know they can't get the business anyway.

This problem, however, will affect only certain divisions, and in some companies there may be none that sell only to other divisions of the company. More serious may be the loss of control by top management, which may not know that things are going badly until something very unfortunate happens. Income statements that look good may conceal a variety of shortcomings. Pressure to show increased profits may lead divisions into such practices as letting plants and equipment run down, adding too many bad debts into accounts receivable, or short cuts of various kinds that may bring the whole company into disrepute. These practices are likely to show up in the income statement eventually, but perhaps not until a good deal of harm has been done.

REORGANIZATION

Often an organization has outgrown its current organization structure because many functions have been added as its size increased. So, thorough reorganization may be needed. But a company may reorganize to align the work more logically and lose more than it gains because of the general disruption entailed when old relationships are suddenly broken up and many people become fearful that the reorganization may leave them in a less favourable position than before.

Therefore it is generally recognized that reorganization should be as gradual as possible. If the present organization is not too unwieldy, the procedure recommended by the classicists is for the manager to chart the 'ideal organization', as he would like to see it if he didn't have to consider people at all and then gradually work towards it rather than introduce the changes all at once. For instance, a company may recognize that since advertising and sales serve the same purpose, they should be coordinated by a single marketing manager. But if the advertising manager and the company president, both would feel that they had been demoted if another layer of supervision was suddenly inserted between them and the top. For this reason it may be necessary to wait until some of the executives retire before making the change.

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Book Review

IDB STATISTICAL GUIDE 1969

Price Rs. 5/-.

Published by the Industrial Development Board

This publication holds out much promise if it is the beginning of an assignment. For in the field of statistics there is limitless scope. A handbook of statistics — particularly where data is up-to-date — fulfils an urgent need in the present context of rethinking and re-orientation of economic goals.

The I.D.B. Statistical Guide attempts to outline Ceylon's economic scene through figures, with the main focus on industry. Grouped under six broad sections — Land and People, National Product, Industry, Public Finance and Foreign Trade — these 72 pages of statistical tables on Ceylon's industry and economy should prove a ready reference on much data that has hitherto not been made availabe to the pubic in so convenient a form.

Some of its tables on national product, public finance, foreign trade and population have appeared in either Central Bank or Census and Statistics Department publications or in certain administration reports of Government Departments. But here we have them all updated and presenting for the first time an overall picture in a single publication giving a fairly comprehensive profile of the economy at a glance.

Many of the tables on industry too are sourced to two publications of the Ministry of Industries which obviously have been made available only within the Ministry for official use. These statistics on industry particularly with percentages of values worked out in most instances gives the reader a quick view of the state of any particular sector of industry.

A typical lament — from official committees, expert teams, economists, manufacturers and many sections of the public examining various aspect of Ceylon's economy — is over the paucity of up-to-date data and the yawning gaps in the basic statistics on which future planning could be done.

The cry was recently heard again when the Chairman of the Ceylon Association of Manufacturers Mr. N. U. Jayawardane in his annual Presidential Address seemed to utter in exasperation : " how inadequate are the available industrial statistics — for that matter, all statistics.....an essential pre-requisite is comprehensive and up-to-date statistics. If there is one effective area in which the present Minister of Industries and Scientific Affairs can make a positive contribution to rational development of industry, it is in the field of Industrial Statistics by ensuring that the necessary statistical data are collected on an accurate and a comprehensive basis, analysed meaningfully and made available promptly with the minimum time lag ".

The U. S. balance of payments and th

Our success in steering a course to a resumption of balanced growth is, of course, not only important for the United States. The state of our economy will directly affect world trade. The financial dimensions may be even more critical. International money markets are mainly dollar markets and sensitive to changes in our own credit conditions. The fluctuations in our balance of payments inevitably have a large influence on worldwide reserve and monetary developments.

I am particularly aware that, over much of the past year, the extreme tightness of money in our markets had strong repercussions on European money markets. Moreover, the strong demands for money in the United States tended to drain reserves from European central banks, limiting their capacity to deal with their domestic market pressures.

The massive flow of liqiud funds to the United States in 1969 — which probably amounted to a net of some $6 billion — more than covered the continuing deficit in other elements of our balance of payments. In fact, there was a sizeable increase in our own international reserves. At the same time, foreign official dollar balances by the end of last year had declined to the lowest level since 1963 — in individual cases, probably falling below desired or sustainable levels and contributing to a feeling of tighthers in national liquidity. In fact, partly as a result of these drains, the total reserves of the ten leading industrialized countries of the European Continent had declined at the end of 1969 to $28.3 billion, lower than five years earlier.

We are not misled by the inflow of short-term funds to the U.S. and the related strength of the dollar in the exchange markets. It is plain that our underlying balance of payments remains unsatisfactory, and improvement is a basic policy concern.

The primary source of the difficulty has been an erosion in our trade position over the course of several years. This, in turn, has been in good part another symptom of the inflationary strains.

TRADE SURPLUS

As recently as 1964, the United States had a trade surplus of $61/2 billion, roughly 1 percent of our then Gross National Product. Our surplus on all goods and services was even larger. Within five years, the trade surplus had slipped to under $1 billion, and our entire current surplus on goods and services was only $2 billion.

A current surplus of that size is simply not large enough to provide the transfer of real resources necessary to support over time the propensities of our business to invest overseas or our responsibilities for aid— even taking into account the growing flow of private long-term investment into the United States.

We do not — in our interest or that of the world — seek a solution to that problem of prolonging unnecessarily the direct controls on the outward flow of investment or in restraints on aid. Such restraints are not directed at the root of the problem, and we look toward the day when our position permits them to be further relaxed and dismantled.

Our growing earnings on private foreign investment — now running to $8 billion a year — will give us a head start toward a stronger current surplus. We would also, as security permits, welcome a reduction in the military burdens on our balance of payments, swollen by the Vietnam War. But the heart of our long-term strategy will need to be restoration of a large trade surplus.

We are, of course, deeply concerned that, inadvertently or otherwise, our exporters are sometimes placed at a disadvantage vis-a-vis foreign producers through differences in tax treatment, access to export credits, or trade restrictions. We will be working to remove these impediments and to equalize competitive conditions.

But we also recognize there are no short-cuts. The only solid foundation for a successful trade effort must be sustained, effective economic performances over a period of years at home.

I am not discouraged by the prospects. Historically, the performance of the American economy in terms of internal price stability, even after allowing for the inflation of recent years, compares favorably with other industrialized countries. Even during the past five years, our export growth has been remarkably steady after allowing for a contraction in important markets for our agricultural goods. Paralleling the experience of other countries, the effects of overheating have been most evident on the import side — and it is here that we should benefit most from the ending of excessive demand pressures.

Following an earlier bout with inflation, we managed to increase our trade surplus by almost $6 billion in five

PARTIAL TEXT OF REMARKS
By
PAUL A. VOLCKER
U.S. Under Secretary of the Treasury for Monetary Affairs to the American Chamber of Commerce in Brussels

The British Scene

NEW GOVERNMENT'S APPROACH TO THE ECONOMIC PROBLEMS

Suddenly, as the Americans would say, we have a brand new ball game. Most people in this country still tend to view the election result in the light of a major sporting upset, made all the more exciting by the discomfiture of the opinion polls. But it is of course much more than that. For if the new Conservative government is committed to anything by everything that was said during the campaign, it is committed to changing the background against which the British economy operates. Whether it can do so and how quickly remains to be seen.

By
M. H. FISHER
of the "Financial Times"
London

But the Conservatives fought the campaign on a programme of less government interference in industry and less government spending, cuts in taxation, the reform of trade union legislation, a switch to a variable import levy for agricultural products and, underlying all these, quite simply greater freedom of choice for the individual. It will inevitably take time to enact such a programme. But in the meantime, nobody should be in any doubt that the stated approach of the new government is different from that of the Labour party.

It must, moreover, be remembered that such changes in policy as are made will be carried through against the background of the negotiations for British entry to the European Communities and possibly, in the later stages, with Britain actually having achieved membership. Particularly if the talks do end in agreement, Britain in a few years time could be a very different place.

STRONG EXTERNAL POSITION

The first point to be made is that the external position is strong. Last month brought the publication of the first quarter balance of payments figures. On trade account, the surplus in the period January to March came out at £32m., marginally better than the outturn for the preceding two quarters. On invisibles, the surplus was £112m., down by some £30m. on the average of the third and fourth quarters of 1969. The shortfall here was largely the result of a drop in income from British direct investment overseas. The long-term capital account was in deficit by £25m., the capital surplus achieved in the middle two quarters of last year was exceptional and recognised as such.

The overall surplus thus came out at £119m, but this was only a fraction of the foreign exchange inflow. As Mr. Jenkins had already disclosed in his Budget speech, the total amount available for debt repayment and the strengthening of the reserves in the first quarter was no less than £1,086m. Over the financial year to end March, the total surplus came out at just over £600m., more than double the target which the then Chancellor had set himself a year earlier.

STATE OF THE SURPLUS

At the same time it does appear that since the end of March the surplus has been running off. There is nothing remarkable about that. After all, if Britain were to go on running a surplus of the magnitude of that in 1969-70, she would soon be accused of unneighbourly behaviour. In April, exports rose to a record level of £679m. but a jump in the import bill to £750m. (excluding U.S. military aircraft) produced after all adjustments a deficit of £10m. After taking into account invisible earnings this still left the current account of the balance of payments in substantial surplus.

The trade gap widened further in May, to £31m. Exports at £633m. came out at an erratically low figure, some exports being held back by a dock dispute at Southampton. Imports were £730m. but this total was boosted by the arrival of delayed imports from Canada and included two Boeing 747's which cost £18.5m. Only one more of these aircraft is due to be imported this year.

It would be totally wrong to conclude from these two months, let alone May alone, that the trend will go on deteriorating at anything like this rate. This is not the way economics work. That there will be some further increase in the import volume looks probable at this stage. But the rise in import prices is unlikely to continue. To cite but one important commodity, the price of copper has been declining sharply in recent months.

EXPORT ORDERS UP

And while on the export side there must be some uncertainty in view of the situation in the United States, export volume has held up well and, judging by the order books of the engineering industries, will at the very least go on doing so. Their export orders at the end of March were almost 20% up on 12 months earlier.

The main pre-occupation at this time is not the external side but the pressure on costs and prices at home. The Treasury is at the moment working on the economic forecast which is normally made at this time of year. (There are three such exercises every year.) But even in advance of the completion of that task it is apparent that the economy has not been behaving quite as the Treasury foresaw in February.

In particular the growth target which Mr. Jenkins set in the Budget at some 3 1/2 per cent now looks very much in question. At a first guess, and it can be no more than that at this stage, the rise in prices, faster than anticipated, has held down consumer purchasing power in spite of the rapid advance in incomes. It is possible also that the share of incomes taken by a sharply progressive tax system may perhaps have been underestimated.

NO CONSUMER BOOM

Preliminary figures show that gross domestic product in the first quarter of this year actually fell by about 1%. There was a decline in private sector investment and in stockbuilding while consumer expenditure, public sector spending and exports ran more or less level. Nor do the indicators available so far suggest that there has been much if any growth in the second quarter. There is certainly no sign of a consumer boom, companies are undoubtedly feeling the effects of the monetary stringency and neither the industrial production figures (that for April showed a small drop) nor the unemployment statistics suggest that economic activity has quickened.

The Treasury has not so far provided its own explanation why the economy has been so sluggish. In its latest monthly assessment, it points out that in the first quarter the monthly index of average earnings was some 2 1/2 to 3% up on the last quarter of 1969. But in the first four months of this year the retail price index rose by 3 1/2% though about a fifth of that increase was due to seasonal factors. The assessment goes no further than to say that "in April consumer spending may have been restrained by the extent of the increase in retail prices."

But if for the time being we accept the hypothesis set out above that the rise in prices has eaten sufficiently into disposable incomes to arrest growth so far this year, then this is clearly the major immediate problem facing the government. At this stage, it is primarily, and in view of past experience this is worth repeating, an internal problem.

RISE IN LABOUR COSTS

As the Treasury has again confirmed, the advantage gained through devaluation against Britain's main industrial competitors was largely intact at the end of last year. In the first quarter unit labour costs rose significantly and export prices were 1 1/2% higher than in the last three months of 1969. But the data for international comparisons is not yet to hand and it is known that some other countries, not least Germany, also found it impossible to contain export prices.

The question now is whether a seasonal slow down in the rise of consumer prices, which normally is seen at this time of year, together with the effect of the tax cuts in the Budget will provide the long-expected boost to consumer spending. Certainly without it there seems little prospect that the growth rate will rise markedly. Public sector spending is due to rise this year, though still at a slower rate than the original forecast for the economy as a whole. But a question mark must inevitably hand over investment at this stage.

MOVEMENT OF PRICES

Before the election the Conservatives had made it clear how they wanted to tackle the problem of slow growth and inflation. They had pointed out that the key was the movement of prices and this is where action had to be taken, through the reduction of taxes which directly raised prices — Selective Employment Tax has all along been bitterly opposed by the Conservatives — and through holding down prices in the nationalised industries.

If it were to work out as planned, higher output would help to contain production costs. But some of the dangers

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years. To be sure, world conditions were then favourable for our trade, and our own economy was not working to full capacity. But in the much larger world economy of the 1970's, I believe that a substantial trade surplus can be restored as the cornerstone of our balance of payments.

PAYMENTS POSITION

In the shorter run, I believe we must be prepared to see considerable swings in our payments position. The situation already appears to have changed markedly from last year. As a by-product of the relaxation of money market pressures in the United States, our banks have repaid some of the short-term foreign indebtedness incurred last year. The result is that, without any deterioration in our basic position — indeed, with some signs that our trade surplus is again growing — our official settlements accounts, at least temporarily, have turned toward a sizeable deficit following the surpluses of recent years.

In these circumstances, a short-run shift from surplus to deficit is not alarming. Some of it merely reflects the reflux of extraordinary year-end in-flows. The relaxation of money market pressures is no doubt welcome in some countries abroad, as well as in the United States. The principal official recipients of dollars in recent months appear to have been the United Kingdom and France. Those countries, in turn, repaid substantial amounts of debt, in large part to the United States. As a consequence, these months of sizeable deficit have probably added little to the sum of foreign official dollar holdings.

Nevertheless, these large shifts of liquid funds do point up a much broader question for the international financial system. Such volatility is not confined entirely to short-term funds, and certainly not to trans-Atlantic crossings. Recent experience is replete with examples of massive capital flows across national borders, sometimes for speculative reasons, but also in response to more normal market incentives.

The reasons are fundamental. National financial markets have grown both larger and more integrated. Transportation and communications are speedy and sure. Indeed, it is at least as easy — and probably substantially easier — for a New York bank to deal with its branch or correspondent in London today than it would have been for the same bank to deal with its Chicago or St. Louis correspondent twenty years ago.

The growth in the number of U.S. banks with offices in Brussels is one reflection of a world-wide phenomena. The number of branches and subsidiaries throughout the world of such foreign banks has reached some 400— quadrupling in the past fifteen years. There are about 100 offices of foreign banks in the United States. The rise of multinational corporations, with vast amounts of liquid funds at their disposal and close banking contacts in a variety of key markets, is another dimension. American-based companies alone now have some $50 billion of overseas assets.

(Contd. on page 11)

of such a course are clearly obvious. If the economy were now at the point at which it might be picking up steam of its own accord, tax cuts of any description which go beyond an equivalent reduction in government expenditure could conceivably superimpose a demand-pull inflation before the cost-push variety from which the country has been undoubtedly suffering has been contained. Yet there can equally be no doubt that the present inflationary spiral in which wage increases drive up higher prices and the higher prices in turn are cited as justification for new wage demands must be broken.

Just how this is to be done is a question which is not preoccupying the British Government alone. It is a problem which is facing virtually every government in the highly industrialised countries. And as has been demonstrated all too clearly in the United States, the time lags before anti-inflationary policies take effect these days have lengthened.

The Confederation of British Industry after its latest survey is in no doubt what the government's priorities should be. It wants action to stimulate investment and to hold down the rise in costs. All one can add to that is "and so say all of us." But the C.B.I. did not go as far as to make any firm proposals as to how these desirable objectives should be achieved. It left that to the Chancellor of the Exchequer. The fact that he is not alone in facing this problem — that the inflationary push is world-wide — may be some consolation. It certainly helps on the external side. But it does not make the problem any easier.

THE PLANTATION SECTOR AND ITS CONTRIBUTION TO THE CEYLON ECONOMY

The Plantation Sector continues to be the major source of our export earnings with Tea bringing in 57%, Rubber 16% and the three major Coconut products 16% in 1968. However, the retarded rate of growth of our major exports has been a matter of serious concern to the Government. Over the last eight years, their compound rate of growth was less than 2%

These major exports pose special problems of declining prices. In order to stem this falling trend in prices, producer countries have set up a joint study group for Rubber for the purpose of increasing productivity and reducing costs, and in the case of Coconut the producers have established an Asian Coconut Community, to promote research and marketing. In the case of tea there has been, for several years in existence, a joint marketing scheme, sponsored by all the producing countries and we are now moving towards a second international tea agreement. All these products are normally marketed through traditional channels and breakthrough into new markets has been of little significance.

TEA

Tea is our major export which provides around 60% of our export earnings every year. The fact that foreign exchange is today a crucial factor in our development plans should, alone, give the highest priority to measures to resuscitate the industry.

Due, perhaps, to uncertain Government policy, the industry has failed to replant at economically desirable rates or to modernise its factories which are now in a poor competitive position vis-a-vis the new African producers. One reason for the rapid expansion of the African tea industry is that the grower there receives the full world price which enables him to make a good profit thus justifying expansion whereas the Ceylon producer receives only the world price *minus* a large export duty and '*ad valorem*' tax appropriated by the Government.

The financial position of the tea industry is weak. Market prices fell slowly but almost continuously over the decade prior to devaluation in November, 1967. The average f.o.b. price per pound was Rs. 2.78 in 1957 and only Rs. 2.22 in 1967. It is reasonable to assume that the rise in the Rupee market price after devaluation was substantially off-set by the abolition of the tea export duty rebate and rise in the export duty of all teas. Both devaluation and the Foreign Exchange Entitlement Certificate Scheme increased production costs substantially. A survey done in April, 1968. shows that on an average selling price in 1967 of Rs. 1.73 per pound, direct production costs accounted for Rs. 1.50.

..In this case "direct production costs" related to all expenses pertaining to the production of the actual crop and the functioning of the estate, including the cost of transport to Colombo. The figure did not include capital expenditure, depreciation or agency management charges. When these additional indirect costs were added, there was nothing left to "plough back into development." The resulting decline in profits made share prices of Rupee Tea Companies fall by 10% between mid-1966 and end-1967. And by the middle of 1968 they had fallen by another 10% .

Though the acreage under tea has not shown any appreciable increase in recent years, there has been a very significant increase in production during this period. This increase in production has resulted mainly from the increase in the yield per acre. Statistics of the average yield per acre for the years 1955-1968 are as follows:-

Year	Average yield per acre in pounds
1955	671
1956	659
1957	697
1958	722
1959	713
1960	747
1961	775
1962	790
1963	825
1964	814
1965	848
1966	823
1967	829
1968	848

REPLANTING

The Royal Commission on the Tea Industry (S.P. XVIII of 1968) had great faith in replanting as a solution to the ills of the tea industry. Vegetatively propagated tea (V.P. or Clonal tea) is now planted on approximately 25,000 acres in Ceylon out of a total of 600,000 acres. V.P. tea gives yields, under normal production conditions, of two or three times the average yield of existing seedling tea. This is consistent with the results of numerous trials of clonal tea undertaken by the Tea Research Institute. The much greater yield of V.P. tea and the consequent reduction or unit production costs renders obsolete most, if not all, of the existing tea bushes.

By
F.D.C. WIJESINGHE,
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Economist, Central Economic Research Unit.

Although Government policy, as announced in October, 1968, was to aim at replanting 12,000 acres per annum, at a recent interview with the Permanent Secretary to the Ministry of Agriculture and Food, I was told that the whole question was being reconsidered in view of the generally depressed state of the tea market.

The Permanent Secretary made me understand, however, that replanting would not, in any case, be permitted to drop below 5,000 acres per annum.

Replanting with V.P. tea is expensive. It costs Rs. 4,000 to Rs. 6,000 an acre depending on terrain, accessibility, etc. It also implies the foregoing of production for the area under cultivation for a period of 1 1/2-3 years. It is therefore important that the most suitable areas are chosen. Decisions as to the suitability of location for replanting with V.P. tea require information on four aspects: (i) Technical production requirements of the plant, especially the influence of soil and climate on the quality of the product. (ii) Yields and production costs at different altitudes. (iii) Comparative returns from alternative uses of potential V.P. tea areas. (iv) Possible changes in the pattern of demand for teas of different qualities in markets likely to be important to Ceylon.

INTERNATIONAL AGREEMENT

An Internationa Tea Agreement has been negotiated. The Agreements calls for the withholding of 90 million pounds of tea from the expected quantity of tea available for export in 1970. Of the 1,311 million pounds that are being allowed as exports, Ceylon and India together will account for 928 million pounds. In the longer term, it was agreed that exporting countries should take the necessary steps to ensure that the increase in export supply should match the increments in demand, estimated to be growing by 13-15 million pounds per annum at present so as to maintain the hoped-for improvement in prices. The cut-back is expected to appreciate prices to the relatively modest levels prevailing in 1968.

(Contd. on page 11)

Peterson Report

Agricultural credit sales, Food-for-Work grants, and commodities provided for humanitarian purposes, all under the Public Law 480 program, are a significant part of U.S. foreign assistance. They also are an important element in our domestic agricultural policies.

The cost to the U.S. taxpayer of this assistance is far less than its value to the recipient. More than half the budgetary cost would be required in any event to support farm incomes in the United States.

There is likely to be a continuing need for P.L. 480 development assistance for some time to come. This program now amounts to approximately $ 1 billion a year. There are no reliable forecast of future needs ; but the outs look is for a continued increase in agricultural production in the developing countries, combined with an increase in agricultural production in the developing countries, combined with an increase in requirements arising out of population and income growth.

The P.L. 480 program accounts for only a small fraction of total consumption in these countries. While needs vary from year to year, depending on production policies and on temporary factors, such as the weather, it is assumed that the program will continue at a level of about $1 billion a year on an average.

The Department of Agriculture now administers the sales programs under the foreign policy guidance of the Department of State and should continue to do so. First priority should be given to encouraging agricultural production in the developing countries and to self-help policies. In administering the sales programs, the United States should recognize the need for developing countries to export agricultural commodities that they can produce efficiently. Competition from this quarter may hurt this country in the short run, but over time, income growth in the developing countries will make them better markets for those agricultural products that the United States can produce most efficiently.

Changes in P.L. 480 have provided for shifting the terms of assistance from local currency sales to dollar repayable loans. The terms for agricultural commodity loans should be consistent with those for development loans in each country. Both should take into account the debt-service burdens of the developing nations.

The Food-for-Work program, in the form of grant commodity assistance, is now administered by AID, partly in conjunction with the voluntary agencies. It is used in part to promote community development. The Task Force believes that this program should be administered by the proposed Institute and effectively coordinated with other social development programs.

Part of the local currency proceeds of credit sales agreements is available to borrowing nations for development purposes. Their use is subject to agreements reached with the U.S. Government. These funds should be made available, as appropriate, to supplement the programs of the U.S. Development Bank and the Institute.

This is the fifth instalment from the Report of the Task Force on International Development outlining the U.S. foreign assistanee programme in the 1970s, which had Rudolph A. Peterson, President, Bank of America, as Chairman.

AGRICULTURAL COMMODITY DEVELOPMENT ASSISTANCE

THE QUALITY OF ASSISTANCE

Over the past decade, most industrial countries have placed limitations on the use of their development assistance and have set terms for such assistance that have greatly reduced its value to developing countries. The most damaging of these practices are : the tying of development loans to procurement in the lending country, the promotion of exports by industrial countries on terms that lead to serious debt-servicing problems for developing countries, and the imposition of a wide range of cumbersome and costly administrative restrictions on lending.

If the United States were to act alone in changing many of these practices, it would yield trade and financial advantages to the other industrial countries, thus discouraging domestic political support for development assistance. Other industrial countries are in the same position. However, if all the lending countries acted together, they would minimize the cost to each of restoring more efficient procedures.

UNTYING DEVELOPMENT LENDING

Total bilateral development lending that is effectively tied to procurement in the lending countries is estimated at $2 billion—half from the United States and half from all the other industrial countries combined. This amount does not include agricultural commodity development assistance, or official export credits (which are necessarily tied), or technical assistance, supporting assistance, or budget subsidies. The restrictions in development lending are estimated to reduce the value to developing countries of these loans by about 15 percent—or $300 million a year.

The Task Force recommends that the United States propose that all industrial countries agree to unite their bilateral development lending—permitting the developing countries to use these loans for procurement from the cheapest source on a competitive-bid basis.

The balance-of-payments cost to the United States of this proposal is estimated to be relatively small. In any event, the full effect would not be felt until some years from now. It would be even smaller if United States improved its competitive position in world trade. The creation of new international reserves, which improves worldwide liquidity and was designed to help countries remove restrictions on trade and payments, provides further support for actions to untie development lending on a multilateral basis.

The Task Force recommends two actions that the United States could take alone:

—Permit goods and services financed under U.S. development loans to be purchased in all developing countries as well as in the United States. Latin American countries have recently been authorized to compete in the sale of goods and services under all U.S. development loans made in Latin America.

—Remove the procurement restriction in the U.S. investment guarantee program. This restriction unfairly impinges on the flexibility of U.S. investors, discouraging such investment without providing payments benefits to the United States.

BETTER DEBT RESCHEDULING ARRANGEMENTS

The current public and publicly guaranteed debt of developing countries is close to $50 billion—five times the level of a decade ago. The cost of servicing this debt has been increasing at the rate of 17 percent a year, or three times the rate at which the export earnings of these countries have risen. It is clear that these trends cannot continue.

The procedure up to now has been to reschedule the debt of countries about to default, usually as a result of extensive reliance on commercial credits or of financial mismanagement. The relief is short-term in nature and inadequate for dealing with the problem.

The debt situation for a number of developing countries, however, is long-term in nature and partly a consequence of loan terms the countries cannot handle. Keeping these countries on a short leash by emergency debt rescheduling operations does not show the necessary foresight. Countries with serious debt problems, in trying to avoid default, are likely to impose more internal and exchange restrictions and thereby intensify their future difficulties.

The Task Force recommends that the United States propose joint action— by the lending countries, the international lending institutions and the developing countries concerned—to devise a comprehensive strategy for dealing with this problem. This strategy should be put into effect to prevent an emergency—not to deal with one after it has arisen.

Over the decade ahead, joint action probably will be required to deal with the debt problems of perhaps five to ten countries. These countries now account for at least one-third of the outstanding debt. Such action should be initiated soon on a case-by-case basis. It should consist of an interrelated package that includes the following elements :

—The World Bank and the IMF should convene a meeting of representatives of the countries involved. These institutions should prepare debt-rescheduling proposals on the basis of the debtor country's long-term outlook—both for debt service and for export earnings.

—Each debtor country seeking debt renegotiation should demonstrate by its plans and policies that it is pursuing a coherent development program and appropriate fiscal financial policies.

—Bilateral government and government-guaranteed credits should be rescheduled over a long term. The international lending institutions should not be required to reschedule their outstanding loans. Rescheduling their loans would endanger the ability of international institutions to continue borrowing in capital markets.

—The IMF should be ready to provide standby credits as a part of this package. This would be useful for setting financial standards and for providing a transitional supplement to the countries' international reserves.

—Governments should agree on a ceiling for guaranteed commercial credits to a participating debtor country in any one year. Minimum maturities for these supplier credits should also be set by multilateral agreement.

—If agreement is reached on the above points, all bilateral lenders should agree to provide the most concessional term on new lending to the participating debtor country. These countries should also be given priority in receiving IDA loan .

In addition to rescheduling the debt of countries that already have reached or exceeded the limits of serviceable indebtedness, the creditor countries should design their assistance policies to keep other developing countries from facing debt difficulties. The best way to do this is for all developed countries to improve the terms of their development assistance.

ADMINISTRATIVE FLEXIBILITY

A large number of statutory and procedural requirements now make the administration of U.S. foreign assistance excessively cumbersome. An estimate prepared for the Task Force indicates that the equivalent of 700 full-time officials now is required to see that these regulations are followed.

Some of these restrictions reflect an attempt to use development assistance for foreign policy purposes that it never was designed to achieve. Others lead to an excessive multiplication of regulations. Often the complications arising out of these restrictions outweigh any intended benefits. However, some are designed to ensure good accounting practices.

A new approach to foreign assistance will provide an opportunity to make a fresh start. Procedural requirements and political limitations that are necessary for effective programs should be recast in forms that are manageable. Those that unnecessarily encumber the program and reduce its flexibility should not be carried forward.

In sum, the Task Force believes that legislation incorporating the proposals in this report should be based on the principle that administrators are accountable for achieving objectives. Restrictions on operation should be held to a minimum.

Japan's G.N.P. records gain of 12.5 per cent in 1969

Tokyo.

Japan's gross national product in 1969 totalled Yen 59,902.2 billion (166,395 million dollars), nominal or Yen 50,723.2 billion (140,898 million dollars), real. Its GNP in 1969 thus registered a sound increase of 17.3 per cent, nominal, and 12.5 per cent, real, over that in the previous calendar year. This was revealed by the Economic Planning Agency in its preliminary national income statistics for 1969.

As a result, national income per capita in 1969 rose to 1,289 dollars (Yen 464,040) from 1,122 dollars (Yen 403,902) in 1968. Its international position in the free world advanced to 15-16th place to equal that of Finland by topping Italy, Israel and Australia. It placed 19th after these three countries in 1968.

The growth of the Japanese economy (real) in 1969 declined slightly to 12.5 per cent from 14.3 per cent in 1968, chiefly due to the "creaping shadows of a business slump" in the January—March quarter and a slight slowdown of the gross national product in the October—December quarter under the impact of the tight money policy in operation since September.

The Japanese economy in 1969 as a whole, however, continued a sound expansion, according to the statistics. For instance, the surplus of the nation on current accounts in 1969 increased sharply by 94.3 per cent due to a brisk gain of exports throughout the year.

National income in 1969 also rose 16.3 per cent over the previous year to Yen 47,458.8 billion (131,800 million dollars) according to EPA.

* * *

PAKISTAN HAS 22,000 MULTI-MILLIONARIES!

Karachi

Each of the two thousand family, groups or individuals in Pakistan, control assets worth 50 million rupees (Indian Rs. 7.5 crores), according to the Karachi Chamber of Commerce.

Another 20,000 are said to be worth 10 million rupees each.

These disclosures were made against reported claims that the nation's wealth is concentrated in the hands of some 20 industrial families in a population of 120 million.

The President of the Chamber, said, however, that the 22,000 multi-millionaries did not include "persons deriving income from assets other than those from trade and commerce. Quite in contrast, Ceylon had only one individual resident whose income exceeded one million rupees in 1968/69, according to the latest report of the Commissioner of Inland Revenue.

BOOST TO BRITAIN'S STEEL OUTPUT

London

The British Steel Corporation plans to boost production capacity to 15,000,000 tons a year under a £265,000,000 development programme at Scunthorpe and Teesside, in north-east England.

The Scunthorpe plant will be the biggest steel melting shop in Britain and is scheduled to become operative towards the end of 1972. It will also be one of the world's most advanced industrial automation schemes.

This additional plant will be able to roll at least 3,000,000 ingot tons a year and will increase the existing annual steelmaking capacity at Scunthorpe to 5,300,000 tons.

The £77,000,000 Teesside development, linked with a new ore terminal capable of handling 100,000—ton carriers, will raise capacity there from 4,700,000 tons to 5,500,000 tons a year.

TRYING TO BREAK SWISS BANK SECRECY?

Bonn

West German tax authorities, convinced that as much as $350 million in revenue from German industry may be escaping each year into numbered Swiss Bank accounts, are hopeful of poking a hole in the curtain of Swiss Bank secrecy.

The instrument to be used, is a W. German Government investigation now under way into fiscal practises of some of Germany' biggest industrial firms.

SUCCESSFUL FIGHT AGAINST INFLATION

Madison, Wisconsin

The U.S. economy is successfully making the adjustments to a less inflationary situation and lower defence spending—the two simultaneous targets established by the Nixon administration.

This assessment was made by Paul W. Mccracken, chairman of the president's Council of economic advisers, in a recent address to the University of Wisconsin graduate School of Banking.

Defence spending, he noted, has dropped from 92,000 million dollars in fiscal 1968 to a projected 71,000 million dollars in Fiscal 1971. In addition, Federal expenditures for human resources in fiscal 1971, have risen to 41 percent of the Budget outlays, compared with 32 percent in 1968.

"We must strengthen further our programs for income maintenance and manpower training to minimize this heavy social cost of higher unemployment," he added.

BUSINESS NEWS

Leylands form International group

All overseas operations of the British Leyland Motor Corporation are to be brought under the control of a single new organisation.

Lord Stokes, chairman and managing director of BLMC, said that the aim of the single controlling body—to be known as British Leyland International—was to achieve greater efficiency from larger scale operations and the pooling of resources.

British Leyland has more than 50 subsidiary companies in other countries, including Canada, the United States, South Africa, Ghana, Kenya, Zambia, Australia, New Zealand, Switzerland, Beligium, Denmark, Holland and Sweden.

Last year the Corporation had sales of £970,000,000, of which £322,000,000 was earned outside Britain. Total production was over 1,000,000 vehicles.

Successful competition

Sales in the United States accounted for £98,000,000, while the Leyland Motor Corporation of South Africa had annual sales topping £50,000-000 for the first time.

The formation of British Leyland International was one of several new moves made last week by the Corporation as the latest phase of its plan to create an integrated group able to compete successfully with world rivals.

The new structure means centralised control for each of the three main world market areas with an overlord body to plan and use the Corporation's resources to the best advantage.

An increasing number of BLMC cars and commercial vehicles are now built or assembled in plants outside Britain. The Corporation's vast range includes Austin, Morris, Triumph, Jaguar, and Rover cars. Specialised knowledge gained by engineers on these vehicles will now be pooled on an increasing scale.

The British Leyland Motor Corporation itself was formed just over two years ago by the merger of the Leyland Group and the British Motor Corporation. The link-up brought together all the big independent British car manufacturers.

The first Yugoslav — American corp.

Irrespective of the specific features of the Yugoslav social system, of the socially owned means of production, and worker management, the Yugoslav market is open to everyone and foreign capital enjoys equal treatment with home capital.

This was what Bosko Tonev, Director General of the Yugoslav Agricultural Bank, told a journalist of "Tanjug Features." The subject of the talk was the signing of an agreement on the setting up of the first Yugoslav-American Corporation. On the Yugoslav side this undertaking was sponsored by the Agricultural Bank.

Who are the partners and what are the aims of this new Corporation whose formal headquarters will be in Nassau in the Bahamas, and its actual business centres in Belgrade and New York?

UNRESTRICTED CO-OPERATION

Mr. Robert Anderson represents the American companies belonging to the Yugoslav American Corporation in whose founding the capital of both sides have an equal share.

Once secretary of finance and assistant defense secretary in President Eisenhower's government, Mr. Anderson has during the past ten years or so made a name for himself as a leading American financier and businessman.

From the professional experts who accompanied Mr. Anderson to Belgrade, we learned something more about the interests which had moved the American partner to seek co-operation also in Yugoslavia. They openly admit that Yugoslavia attracts them, "because during the past few years it has become definitely receptive to technology, business association with foreign countries, and also possesses natural resources and the necessary man power."

UNLIMITED SCOPE

American businessmen estimate that if some Yugoslav production capacities are modernised, they will be able to count on large series of high quality products, which will be competitive not only on the American market, but also in other countries with which they are doing business. The scope of the Corporations activities, they say, will be unlimited.

They are counting equally on the import of Yugoslav farming products (mainly completely processed), products of the metal industry, and the channelling of American tourists to the Adriatic coast. Naturally this co-operation will include "exports" of American know how, as well as joint investments of capital in order to complete profitable Yugoslav production capacities and for the construction of new and modernly equipped tourist schemes.

The director of the Yugoslav Agricultural Bank Mr. Tonev said that the main aims of the Yugoslav partners in the Corporation were stabilicing and expanding exports to the American market and ensuring the accelerated expansion of enterprises joining in this business venture.

Actually Yugoslav businessmen have for some time been endevouring to ensure for themselves a secure position on the American market which is highly selective. There have so far been a number of societies in New York, however their capital was exclusievely Yugoslav and their scope of action restricted, having no organised support among American companies and in the business world. Therefore the forming of the mixed Corporation is the first serious step towards altering this situation on the overseas market.

The prospect of firmer links with American business circles has drawn into the Yugoslav part of the corporation some dozen large enterprises of which some are gigantic, even by world standards.

The latest Yugoslav laws have also regulated the question of free use of profits made by foreign investors, and they specially, stimulate reinvestment of profits in Yugoslavia.

EXPORT INTELLIGENCE

CANADIAN SHIRT MARKET IN DANGER

A surcharge of 2 US dollars on every shirt imported into Canada has been imposed by the Government of Canada — a move which could well signal the end of any further local shirts being exported to that country.

This was disclosed exclusively to the 'Economic Times' by Mr. R. N. Choksy, Managing Director of Hentleys, the only local exporter of ready-made shirts.

UNCOMPETITIVE

Mr. Choksy said that at a time when Ceylon-made ready-made shirts were just beginning to find a permanent place in the Canadian Market, which has a tremendous potential, comes a surcharge which would now make the local product 'very uncompetitive'.

Hentleys, however, was just able to beat the surcharge and export a consignment of shirts to Canada which earned for the country foreign exchange to the tune of Rs. 4.5 lakhs. But future exports are now at stake.

Ceylon's Commercial Attache in Canada, Mr. W. D. Soysa, in a recent report confirmed the potential that exists for ready-made shirts when he stated that "Ceylon shirts have aroused considerable interest among leading importers."

He stated further that several importers were so impressed with the quality of our product that they were even preparing to visit Ceylon to finalise contracts.

In view of the danger that now exists to this non-traditional money spinner it is imperative that the Ministry of Foreign and Internal Trade should step in and urge the Canadian authorities to remove this surcharge.

GOOD SCOPE FOR CASHEW

Cashew kernels have now become a regular item of exchange in India's trade agreements with U.S.S.R and several East European countries. This should prove of interest to cashew cultivators and would be exporters in Ceylon.

It would be possible for Ceylon too to conclude similar agreements if the country could produce an exportable surplus with the incentives now provided by Government.

It is reported that 22,970 tons of cashew kernels were imported from India by East European countries such as Bulgaria, Czechoslovakia, East Germany, Yugoslavia, Poland and the U.S.S.R., during the period April '68 to March '69.

Total world exports of Cashew nut kernels during the same period were 80,000 metric tons of which India's share was 63,700 tons.

Besides the East European countries, the major buyers of Indian cashew were U.S.A. 29,860 tons ; Britain 2,386 tons ; Canada 2,169 tons and Australia 1,978 tons.

Market for m'factured rubber products

There exists a good demand for industrial products manufactured from natural rubber in several African, Middle East and European countries, according to information reaching the I.D.B.'s Marketing and Export Promotion Centre.

Among the products for which there is good export potential and the country's from which there have been inquiries are :

Rubber bands — France, Mauritius, Australia.

Rubber rings for game of quoits — Kenya.

Rubber hoses — Mauritius, Australia, Kuwait, Iran.

Rubber pipes — Abu Dhabi, Austria.

Surgeon's latex gloves — Sweden.

Rubber syringes — U.S.A.

Rubber belts — Nigeria.

Rubber industrial gloves — Mauritius.

Sponge rubber — Kenya.

Vee belting — Saudi Arabia.

Rubber mangles with plain/riddled rollers — Britain.

Export Opportunities

A business house in U.S.A. is looking for exporters of the following Ceylon products :-

Sarees — of cotton, silk or wash and wear fabrics ; Womens wear-blouses, scarves, stoles, etc ; Mens wear — all types of shirts etc.; Belts of hide — animal or reptile ; Handloom furnishings — bedcovers, linens, table linens ; Carpets-mats and rugs; Copper and brassware, Ivory and ebony carvings, Handicrafts, novelties and curios of all types ; Jewellery and gift items ; Childrens products — clothing, toys, furniture, etc.; Furniture that can be shipped "knocked down" with the necessary hardware and instructions for the customer to assemble it himself.

This inquiry has been received by the I.D.B.'s Marketing and Export Promotion Centre from **H R. Hoehmann Co., Import-Export, 233 Germonds Road. West Nyack, N.Y. 10994, U.S.A.**

This firm has asked for assistance in finding exports from Ceylon which could be used in their mail order catalogue.

Under this novel export scheme suppliers will ship direct to individual customers who will be found by this business house. Remittances to the suppliers will be made by H.R. Hoehmann Co. not by the customers once this firm has received the shipping invoice. The advantage of this scheme for local suppliers is that they need not have very big quantities of their goods available to enter the export trade.

All manufacturers are requested to contact the firm's President, Mr. H. R. Hoehmann direct giving all particulars of their products.

Calcium Carbide

With the long tradition of carbide production, the Democratic People's Republic of Korea exports every year a large quantity of calcium carbide to many countries in the world.

The Democratic People's Republic of Korea is very rich in the raw material resources such as limestone, anthracite and power needed for the production of carbide.

High-quality raw materials are used for the carbide production. namely the limestone is a high-purity one containing over 53 per cent of CaO and less than 1.2 per cent of MgO; and used is the anthtacite with less than 5-7 per cent in the volatile content and 82-84 per cent in the fixed carbon content.

The modernly-equipped chemical plants, relying on such abundant domestic raw material resources, turn out an enormous quantity of carbide, increasing its output every year.

In this way, the Democratic People's Republic of Korea not only meets the ever-increasing home demand for carbide but also exports a large quantity of carbide every year.

This carbide is of high quality. So, the overseas demands for it are growing day by day.

Specification :

Acetylen gas yield 250 l/kg. min

Grain size 25 — 50, 50 — 80, 25 — 80 mm

Packing: in drums of 100 kg or 250 kg net each

Korea Chemicals Export and Import Corporation

Address: Central District, Pyongyang,

Democratic People's Republic of Korea

Cable Address: "HWAHAK" Pyongyang.

THE PLANTATION SECTOR...

(Contd from page 7)

There is one point that needs comment. At the Rome Conference consumer countries indicated their willingness to support measures designed to strengthen the tea market. The United Kingdom Delegate, voicing the views of the consumer group, stated that his delegation would only support a formal International Agreement provided the price objective remained as it was at Mauritius, i.e. the achievement of 1968 prices in 1970 through the export cut-back. This condition stipulated by the U.K. Delegation appears too rigid and may possibly cause trouble later on. The U.K. Delegation stated that their Government felt obliged to reserve its position on an international agreement until the price objectives of such an agreement on a long term basis were clearly stated.

According to the U.K. Delegation, the British Government cannot envisage its being prepared to accept any measures which are either intended or likely to result in prices higher than the 1968 level. It should be remembered that the 1968 London auction prices were the lowest in 15 years. Today producers might be prepared to listen to these views but if prices pick up in 1970 and if the agreement proves to be workable, producers are bound to seek a higher long-term price goal. This could cause problems in the implementation of a permanent agreement if the U.K. means what it says.

RUBBER

As already stated, rubber provides 16% of our export earnings. In the future the outlook for our rubber will be determined primarily by the competition from synthetic rubber. The available data on costs of production seems to imply that natural rubber possesses some competitive advantage over synthetic rubber by cost reductions obtainable through higher yields from new clonal varieties, together with improved production practices including the better use of fertilizer. The industry should be capable of expanding its sales but at competitive prices which will continue to decline. Here, again, Ceylon must intensify its current programme to raise productivity through replanting. About half of the total acreage under rubber of 570,000 acres had been replanted by 1966. The present target rate of replanting is 20,000 acres per annum.

Rubber prices have been encouraging in the recent past RSS No. 1 which was 37 cents a pound in 1938 was at the level of 88 cents (average) in 1968. This had risen to Rs. 1.12 per pound in August 1969, although there had been a slight fall in prices towards the latter part of the year.

Rubber has a good future provided efforts are made to increase production, reduce costs and improve the over-all efficiency of cultural practices. The position we must aim at is to strengthen the natural rubber industry to a point where we can consider natural rubber and synthetic rubber as complementary products. This position will depend on cost of production, the technical quality of the product, its method of presentation and the availability of markets.

According to Dr. O. S. Peiris, Director of the Rubber Research Institute, "Natural rubber occupies an economically sound position at present because of the development of new high yielding clones, our vigorous policy of replanting uneconomic rubber and sound plantation practices evolved over the years. However, the other side of the story must not be overlooked—if we continue to put up for sale natural rubber of uneven quality, visually specified in undesirable sizes and shapes, then synthetic rubbers will give us serious competition."

The export of coconut products also constitutes 16% of our total export earnings. The average f.o.b. prices of all three coconut products — coconut oil, copra and desiccated coconut — have been higher than they have ever been in the past decade. The higher level of export earning was due both to an expansion in the volume of coconut exports and to the higher level of prices that prevailed in the international markets. The higher prices resulted from several factors, *viz.*, increased demand in European countries, a short fall in Philippine copra production and curtailed shipments of palm kernels and palm oil from Nigeria due to political unrest.

Since the coconut industry of Ceylon depends largely on overseas markets, its prosperity naturally ebbs and flows according to the supply of and demand for coconut oil and other coconut products in the world market. It is therefore essential that, apart from increasing coconut yields and reducing costs of production the quality of our coconut products should be maintained at a high level if it is to continue to withstand competition from other producing countries in overseas markets.

Finally, I would like to point out that many owners of uneconomic tea and rubber lands, particularly in the low and mid-country areas, would be well advised to replant their uneconomic fields in coconut. This, of course, must be after competent technical advice has been obtained. It is clear, however, that the subsidy which will shortly be announced for replanting uneconomic tea and rubber lands with coconut must prove a strong incentive to this form of crop diversification

U. S. Balance of payments

(Contd from page 7)

Large and closely-integrated markets mean that funds will move quickly and in volume in response to relatively small incentives. Sometimes these international shifts will help support domestic or balance of payments objectives; but often they will appear to be working at cross-purposes with national policies. Thus, questions are posed, both for the independence of national policies and for the international monetary system.

EURO—DOLLAR MARKET

You will note that I have managed to talk about international money markets without specifically mentioning the Euro-dollar market. The sheer efficiency of that market the growth of internationally mobile capital. But it seems to me the current focus on Euro-dollars is misleading to the extent it emphasizes one particular channel. The basic problem is much broader. Even if we could somehow imagine that the Euro-dollar market were swept away, I have no doubt that the ingenuity of bankers and traders would develop other mechanisms so long as the basic convertibility of currencies is maintained.

International money markets tend to equalize credit market conditions in different countries, forcing a kind of rough and ready co-ordination of one element of national economic policies. At the same time, the need for a more thoroughgoing coordination of policy objectives and instruments becomes more pressing. Otherwise, the source of the imbalance will remain, and the flows will become so large and chronic as to destroy the basis for their financing.

The Common Market countries are in the process of facing up to these questions in the most direct way—as part of a deliberate effort to achieve a closer monetary unity. But, in more general terms, the issues are relevant to the relationships among all industrialized countries.

Considerable progress has already been made on the financing side. There have been basic innovations in developing international reserve and credit facilities, including the decision last year for managed reserve creation through SDR's with economies and markets growing rapidly, even in this area the job cannot be considered complete.

Nevertheless, the problems are still more difficult in the area of policy co-ordination. Here, it is less a question of new techniques than the delicate problem of reconciling external needs with domestic objectives and the retention of freedom of action internally. Answers suitable within a relatively cohesive and limited group, such as the Common Market, cannot necessarily be applied beyond that group. Yet, the need plainly extends beyond such groups.

I have no desire to minimize the efforts of the past decade to achieve a better reconciliation of policies internationally. I spend a good deal of my own time in meetings aimed precisely at that problem. But this experience also illustrates the inherent difficulties of achieving better co ordination given the differing economic circumstances and structures, and domestic policy objectives of individual countries.

It is precisely these difficulties that have raised the question whether a limited degree of greater flexibility in exchange rates might not provide a means for better reconciling the desired independence of national policies with the broader stability of the international financial system as a whole.

I would emphasize the basic premises on which international discussions of this matter are proceeding. We are considering evolution, not revolution, within the basic elements of the Bretton Woods system. Specifically, discrete changes in exchange parities would remain the rare exception for industrialized countries and not the rule. Exchange rate decisions would continue to be taken at the initiative of individual countries. They would also remain matters for international consideration, and thus should fall within accepted "rules of the game." No formulas could replace the decision making process, nor are nations willing to leave their exchange rate entirely to the market processes —or establish a band so wide around a nominal parity that many of the elements of a system of freely floating rates would exist.

Perhaps more important is the question of whether a series of very small changes in parity, within accepted limits, might in specific instances help some countries, consistent with internal goals, to maintain a better equilibrium in their basic external payments position over time. The effort would be to avoid the disturbance associated with delayed and sizeable parity changes in response to a large, accumulated disequilibrium. If so, can criteria be developed that help to the appropriate timing and use of such flexibility?

Finally, some have urged more willingness to experiment with methods of moving from one parity to another in those instances when a sizeable change may become necessary. The German experience last year with a transitional float points in this direction

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Editorial Department (1st Floor), 157, Jayantha Weerasekera Mawatha, COLOMBO-10

Wenesday, 2rd Sept. 1970

Housing . Problem And Urban Decay

The failure on the part of successive Governments to tackle the country's housing problem purposefully and effectively has contributed largely towards the emergence of urban decay which manifests itself in many forms—the most apparent of which is the problem of urban dwelling.

The housing problem has grown acute over the years, causing the Commissioner of Housing to point out forcefully in his recent Administration Report that: "The shortage of houses in Ceylon has assumed alarming proportions. Apart from the backlog, there is a need to build steadily and regularly sufficient number of houses to keep pace with annual increase in population The ever increasing problem of shanties in towns, especially in the city of Colombo, is another indication of the acute shortage of housing in Ceylon, *Housing has to be viewed as an urgent national problem and should not be allowed to deteriorate any further.*"

In the light of this indictment it is heartening to note that the new Minister of Housing and Construction means business. He has got down to the crux of the problem viz., to accelerate the building process as far as the lower and middle class housing needs are concerned. In this shift in emphasis or reorientation of housing policy, he has displayed his awareness of the problem involved and has thus hit the nail on its head. If only any previous Housing Minister had this insight the problem would have at least been arrested long ago.

In this context the present emphasis on low-cost housing should contribute immensely towards a final solution. Also, the Minister's assurance to would be private sector housing investors that their profit motive is appreciated and that the Government would not clamp down on it provided they do not exceed reasonable limits, will be very welcome. Thus, we hope that the Minister's clarion call to the private sector to pull its weight in solving this pressing problem in accordance with Government policy would not go unheeded

The provision of adequate housing is regarded as not merely a social necessity, but also of immediate relevance to the economic growth of a nation; for without adequate shelter of the required hygenic standards, the health, efficiency and even morale of the people are bound to suffer—which in turn must retard the pace of economic growth.

It is indeed tragic that the housing requirements of the nation received scant attention from previous Governments despite the seriousness of the problem. But now that the United Front Government has decided to grapple with the problem it is hoped that the Government would receive the fullest support and co-operation of landlords and private sector investors who have the capacity (by way of financial resources) to make a significant contribution towards solving this national problem. In turn the investors would expect the Government to play fair by them.

The recent utterance of the Minister of Housing and Construction that he is a scientific socialist and not a sentimental socialist should provide the requisite guarantee the private sector seeks.

Better quality & lower prices needed for most local products

SAYS DIRECTOR OF GOVERNMENT SUPPLIES

The Director of Government Supplies comments that high prices, poor quality and bad delivery and service still continue to characterise the performance of a considerable section of the domestic industries. But, by and large, there appears to be a growing awareness among local industrialists of the importance of quality control and fair dealing in the marketing of their products.

On the pretext of increases in production costs more and more firms appear to have jumped on the band waggon and upped their prices much more than in proportion to such increases. This has been particularly so where a monopolistic element is present; and it has been very difficult and at times not possible under these conditions to obtain reduced prices even by negotiation.

Need for quality control

Poor quality of the products are mainly due to the fact that the manufacturers concerned to not subject their products to rigid quality control in their own factories or obtain the services of recognised testing bodies such as the Ceylon Institute of Scientific and Industrial Research, Bureau of Ceylon Standards, Research and Testing Laboratories and other Advisory Services.

These are the view of the Director of Government Supplies Mr. S. A. P. Rupasinghe, on our locally manufactured products in his latest administration report. He adds that *these comments however, should not be recorded as a condemnation of local products for, over a wide range of industry a large number of these products are of good quality and reasonably priced and efforts to improve their quality further was in evidence.*

Patronage

The Department of Government stores purchased over Rs. 22 million worth of local manufactured products, during the last financial year for use in the public sector.

The Director of Government Supplies adds that his department has consistently extended its patronage and preference to local products.

With the accelerated growth of industry in recent years and the expansion of the activities of the Government in various fields, larger quantities of local products will be procured for Government use, and it is for the industrialists to ensure standard quality at reasonable prices.

Revitalising the rural economy

The root causes for the underdeveloped state of our economy could be traced back to the collapse of the traditional village economy and the failure of other sectors to absorb the overflow of manpower from the rural areas. Herein stems the reason for the most pressing of Ceylon's problems—the unemployment problem, said Mr. Hector Abhayawardane, Chairman of the People's Bank at a recent seminar.

Among other points he made on this subject were:

*It is vitally necessary to accord the highest priority to employment in the development strategy of new Government.

*The existing malaise in our economy was due to a number of reasons, the most important being the collapse of the traditional village economy and the dependent relationship of our economy to that of the developed countries, particularly in the West.

*A number of factors were responsible for creating a situation in which wealth accumulated in the hands of persons in urban areas and those bordering the villages at the expense of villagers. The result inevitably is the shrinking of the village economy which in turn fails to sustain the large numbers growing up in villages. Hence, the exodus to the cities.

*The urban economy too, however, was not in a state of good health. The problems faced by the urban economy are manifold, chief among them is the spiriting away of wealth abroad.

*There was also no genuine industrial production carried out in this country.

Any solutions to the problem however, must be based on the remedy to arrest the decay in our villages.

Asian countries adopt Declaration of Progress

Delegates to the Asian productivity congress 1970, have unanimously adopted a declaration "for social and economic advancement of Asian countries and for building up a progressive, just, equitable and prosperous society."

The Declaration was approved at the closing session of the Asian productivity organization's four-day congress. It also called for "The need for closer regional co-operation through greater social, cultural, educational, economic, trade and technological exchanges among asian nations."

Some 250 delegates from 14 member countries and observers from international organizations participated in the meeting.

Earlier this month the organization's Governing Body designated the year 1970 as "The Asian productivity year" and adopted as the year's Motto "rosperity through Productivity" and "Quality and Reliability."

The Tokyo congress resolved that the productivity drive in the region during the 70's should be accelerated with "Determination and Vigor."

Plastics at London's design centre

The part played by plastics in the design of many widely differing products is the theme of an exhibition to open at London's Design Centre next month.

The aim of the six-week exhibition is to provide industry with an insight into the potentials of plastics and to give the general public an opportunity to appreciate the impact the industry is likely to have on everyday life during the next decade.

Central to the exhibition will be case histories of how plastics were used in the design of 14 products on show. They range from tableware, cutlery and furniture to a system for fixing door and window frames, a vital component in a loom, and a roller bearing cage. The problems facing designers and engineers in the plastics field will be featured, as well as some ideas for plastics in the future.

The exhibition, which opens on 16 September, is being organised jointly by the British Plastics Federation and the Council of Industrial Design with the support of the Plastics Institute. To coincide with the event, a series of special seminars and lectures is to be held for industrialists, retailers and builders to discuss the uses of plastics.

Printed at Albion Press Ltd, 157, Jayantha Weerasekera Mawatha, Colombo 10. for Semal Publishers, Maradana, Colombo.