

# THE ECONOMIC TIMES

Vol. 1 No. 15

Monday 2nd November 1970

Price 50 cts

## Call to patriotic citizens abroad

The Finance Minister proposes to set up a Special Fund into which the remittances of Ceylonese employed abroad may be credited. These monies will carry a rate of interest comparable with the Commercial bank rate for fixed deposits.

The Minister expects such Ceylonese to remit a minimum of £. 10 a month to enable the country tide over its foreign exchange problem. There will however, be no right of repatriation of such monies.

Patriotic citizens are called upon to pay heed to this call and thus help the country to overcome the problems that spring from the acute scarcity of foreign exchange. The Finance Minister is confident that the response would be good.

# BUDGET: Savings & Investment the keynote

BY OUR FINANCIAL CORRESPONDENT

DR. N. M. PERERA, THE MINISTER OF FINANCE, HAS HAD THE DISTINCTION OF PRESENTING CEYLON'S FIRST "HOME MADE" BUDGET: A BUDGET MASTER TAILORED TO MEET THE COUNTRY'S INTERNAL REQUIREMENTS. THE CUSTOMARY GUIDANCE AND DICTATES OF THE WORLD BANK HAVE BEEN POLITELY BRUSHED ASIDE AS THE BUDGET SPEECH CLEARLY INDICATES.

The 1970-71 Budget aims at more capital formation, increased productivity, creation of more employment opportunities, accelerated development through an expansion and diversification of the export sector, and the greater utilisation of domestic resources towards achieving these ends. The new programme lays the foundation for the building up of a socialist society in which the private sector too will have a distinct role to play, but the leading role will necessarily be in the hands of the State.

A characteristic feature of the new Budget proposals is the demonetisation scheme. By this means the state will gain additional income tax revenue as the tax net-work will widen and bring to book the large number of tax evaders. Demonetisation will however, increase inflationary pressures though not to the same extent as the creation of new money. Idle money will thus be activated and in the context of price control

and import restrictions a situation can arise where too much money would be chasing too few goods.

### KEYNOTE

The danger of inflation could be minimised if a greater portion of the hoarded money is deposited in the banks so as to increase the level of bank deposits and enable Government to divert these funds for development purposes.

Savings and investment form the keynote of the new Budget. Dr. Perera has been compelled to introduce a compulsory savings scheme (applicable to all persons with an annual income of over Rs. 6,000 except those in the income range Rs. 6,000-12,000 who will be paying an additional 2 p.c. to the E.P.F.), in addition to voluntary savings

through incentives like doubling the Post office savings interest rate from 3.6 to 7.2 per cent, because of the high propensity to consume.

The success of the Budget will depend largely on reducing the propensity to consume as against the propensity to save. It is also essential to ensure optimum utilisation of the resources raised. As Mr. Felix Dias Bandaranaike said very succinctly: "If what had been obtained in various ways was eaten up at the end of the year, then the Budget would fail." It is in this context that the Finance Minister has called for more austerity in the interest of future generations.

### BUSINESS TURNOVER TAX

The changes introduced in the Business Turnover Tax will most probably send up the prices of a wide range of consumer goods from cosmetics and kitchen knives to ready-made garments and canned food products. Jewellery, wooden furniture, confectionery, electrical appliances and apparatus, suit cases and travelling bags are some of the other items affected by the increased rates. Petrol goes up by 25 per cent on each grade.

The reductions are in respect of the business of Assembling or manufacturing motor lorries which goes down from 25 per cent to 5 per cent. The rate in respect of aluminium, brass and enamel ware manufacture exclusively by manual labour has been reduced from 15 per cent to 3 per cent. The rate in respect of handlooms manufactured by business other than co-ops. is reduced from 5 per cent to 1 per cent.

Commercial and business circles have generally welcomed the budgetary proposals as not being too harsh. In fact the 12 per cent ceiling on Company dividends is the norm that is declared by most Companies—it seldom exceeds this. The 65 per cent ceiling on income tax has not been changed. These measures serve as incentives for more private sector investment.

After making Allowance for sinking Fund Contributions and amortization payments the overall Budget deficit for 1969-70 (Revised) amounts to Rs. 1144 and Rs. 1442 for the Financial Year 1970-71.

## BUDGET ISSUE 1970-71



## Balance of payments crisis

"Ceylon's balance of Payments in 1969, as in the past years continued to be the most vulnerable sector of our economy," commented Dr. N. M. Perera in the course of his budgetary review of the country's economy.

The Finance Minister added that adverse trends in the world economy in terms of both commodity prices and the cost and availability of financing facilities, were aggravated by short falls in the volume of some of our exports.

### SHORT-TERM BORROWING

The consequential drastic restriction of the country's import programme was averted only by recourse to short-term borrowings, which in turn is the major causative factor of the current balance of payments crisis.

The deterioration in the balance of payments witnessed in 1969 has continued this year. The value of exports in 1970 estimated at Rs. 2008 million represents only a slight improvement of Rs. 9 m. 1969. But when compared to the original foreign exchange budget forecast of Rs. 2,100 m., it represents a decline of Rs. 92 million.

### TRADE DEFICIT

Total value of merchandise imports is estimated at Rs. 2007 m. This is Rs. 46 m. less than the value of imports in 1969. The trade deficit is thus expected to be Rs. 599 million as compared with the deficit of Rs. 744 m. in 1969.

When the deficit in the services Account of Rs. 99 million and the net payments on Capital Account of Rs. 579 m. are added the total resource gap will be approximately Rs. 1277 million.

### Food subsidy up

The Food Subsidy bill for the financial Year 1970-71 goes up from Rs. 361,800,000 in 1969-70 to Rs. 377,000,000 on increase of Rs. 15,200,000 over the previous year made up as follows:—

	Rs. million
Subsidy to consumer	377.0
Subsidy to Paddy Producers	203.0
Subsidy on local red onions	8.5
Subsidy on dhal	4.5
Subsidy on imported red onions	1.0
	604.0
Less Profit on Sugar, flour etc.,	227.0
	377.0

### Revenue and Expenditure

The total estimated expenditure of the Government for the financial Year 1970-71 amounts to Rs. 4,202.9 million as compared with the revised estimate of Rs. 3,999.0 million, in 69-70 thus showing an increase of Rs. 203,000 over the previous year. Total revenue on the other hand shows a decline of Rs. 213,000 in 1970-71. Details of Expenditure and Revenue for 1969-70 and 1970-71 are as follows:—

	1969-70	1970-71
Revised Est.		
Rs. m. ted	Rs. m.	Rs. m.
Total Expenditure	3,999	4,202
Total Revenue	2,733	2,520
Total Recurrent Expenditure	2,818	2,823
Total Capital Exp.	790	1,379

## In this Issue

	Page.
* Techniques of Modern Management:	6
* Global News:	7
* Industrial Possibilities from local raw materials:	8 & 9
* Changes in Japan's Economic Diplomacy	8
* U.S.S.R. National Day Special Supplement:	10-15

# MARKET PRICES

## COLOMBO CLOSING PRICES 1.11.70

TEA (Rs. Cts. Per lb.)	Approximate range of prices (including teassold Ex-Estate)			
	BOPS		B. O. P. Fs	
High Grown	1-45	3-15	1-45	2-81
2 at 3-55	1 at 3-30		1 at 2-86	1 at 2-91
1 at 3-35	1 at 3-50	1 at 4-10	1 at 2-95	1 at 2-96
Uvas			1 at 2-95	1 at 2-96
1 at 3-35	1 at 3-50			
Medium Grown	1-35	1 70	1-35	1-85
Small leaf Low Grown	1-31	1-55	1-37	1-58
Tea for Price	1-00	1-30	1-00	1-35
Leafy B. O. P.	1-23	1-57		
	F. B. O. Ps.		F. B. O. P. Fs	
Tippy Teas	1-35	1-58	1-38	6-85
	1 at 1-63	1 at 1-65	1 at 7-05	1 at 8-40
				1 at 17-35

## PRICES FOR THE WEEK ENDED 25.10.70

FUBBER (Rs. cts.—per lb.)	Closing Quotations	Avg. todote 1970	Avg. Same Period 1969
RSS No. 1	81 1/4	91 3/4	1043/4
RSS No. 2	75 3/4	87	101 1/4
RSS No. 3	73 1/4	85	100
COPRA (Rs. per andy)			
		High	Low
Estate Copra No. 1.		248.75	248.00
COCONUT OIL (Rs. per ton)		High	Low
October		1575	1550
Ndvember		1575	1550
DESICCATED COCONUT (per lb.)			
October and November	63 cts.	Closing price	

Commodity	Prices for the week ending 25.10.1970		Export Duty
	Buyers Quotations	Per lb.	
Cardamoms	23/00	25/-	40% on true F.O.B. value
Cloves	26/00	23/50	
Clove Stems	4/00	4/50	
Mace	8/50		
Nutmeg (Shelled)	5/00	5/25	
Nutmeg (Unshelled)	3/00	3/25	
Pepper (Black)	4/95	5/00	
Papain (White)	15/00	15/50	
Papain (Brown)	9/00	9/50	
Cinnamon H/1		20% on true f.o.b. val.	
Cinnamon H/2	3/50	-do-	
Cinnamon Quillings No.1	3/50	-do-	
Cinnamon Quillings No.2		-do-	
Cocoa	Per Cwt. Unquoted	Export Duty 40% on true f.o.b. value	
Coffee	240/00		
Kapok (C'can)	125/00		
Kapok (Unclean)	39/00		
Croton Seeds	110/00	115/00	
Essential Oils	Per Oz. lb.	Export Duty	
Cinnamon Leaf Oil	No transaction		
Cinnamon Bark Oil			
Citronella Oil Estate Quality		10%	
Citronella Oil Ordinary			

## SUBSIDIARY CROPS—WEEKLY PRICE LIST POYA ENDING 29/10/70

The undernoted quotations are the Wholesale Buyers Prices paid in Co'omto 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	13/00	
Rice-		
Par Boiled	70/00	
Country Rice No. 1	85/00	
Country Rice No. 2	80/00	
Samba Rice	107/00	
Kora Rice	112/00	
Maize-	per Cwt. 45/00	
Pulses		
Red Gram (Toor Dhal)	40/00	4500
Black Gram (Undu)	61/00	
Bengal Gram	46/00	
Green Gram	53/50	
Bombay Cowpea	40/00	

## TEA REPORT

Auction No. 42 was held on Saturday 31st October, and Sunday 1st November, 1970.

The total quantity offered was 7,361,805 lbs., comprising 3,998,408 Leaf Grades, 854,374 Lbs. Dusts, 15,741 Lbs. Reprints, 114,925 lbs. Sundry Lots and 2,394,098 Lbs. Ex. Estates. Quality compared to last week's offerings showed a slight decline for both Western and Uva teas. There was much less demand for all teas except in the lower price range.

**High-Grown Teas:** Best Broken were irregular and with the exception of a half dozen or so of the top quality teas, prices declined between 20 and 50 cents. Plainer kinds were 10/30 lower. BOP annings were also easier showing declines between 10/30 cents. Leaf Grades also met less demand and were easier.

**Medium-Grown:** Thick colour Broken were 15/30 cents easier with lower quality types showing falls between 5 and 15 cents. BOP annings were easier to a lesser extent generally showing declines of between 5 and 15 cents.

**Low-Grown:** There was quite a good demand for all Low-Grown types although small leaf BOP's and BOP Fannings were 2/5 cent lower. Leafy Grades suitable or the Persian Gul were strong and 5 cents dearer in the lowest price range.

**Tippy Teas:** F-BOP's remained firm. Small Leaf Flowery annings were few cents easier but showy types met a stronger and dearer Market.

**Off-Grades:** Fannings were generally about 5/15 cents lower except for a few select best liquoring lines. Broken Pekoes and BM's continue

# Commodity Commentary

in strong demand and were fully firm.

## RUBBER REPORT

Week ending 28th Oct., 1970

World Rubber Markets showed a fairly steady undertone this week. The SINGAPORE MARKET opened lower in sympathy with overseas advices and fluctuated narrowly till mid week when it was strengthened by short-covering and seller reserve to finally close on a quiet steady note. The LONDON MARKET passed a quiet and featureless week though following Eastern advices closely. The closing tone was steady with terminal values showing an increase of 1/4d., per pound up on balance up to mid 1971. The NEW YORK MARKET showed an upward trend for Sheet in general due to better demand latterly in the East. On balance London and Singapore improved by 1/6d. and 7/8 dollar ct.

**Sheet:** RSS 1 opened the week at 83 1/4 cents which level was maintained till mid-week. There being no local factors to influence this price (Export Duty remaining at the minimum of 3 cts.), the market then followed the rising Singapore quotation and at the end of the week touched 86 1/2 cts. — a price previously reached on 20th September. Approximately 101 tons of sheet rubber were sold by Members of our Association of which 65% consisted of No. 1 Sheet.

**Latex Crepe:** There were 501 tons of Latex Crepe on offer at the two sales held during the week, showing a

decline of 33 tons on the previous week's figure. At the opening stages of the first sale (522,010 lbs.) there was good demand for the No. IX and No. I Crepes but towards the close these were slightly easier and showed losses of -0/1/2 to -0/1/2 cents for the IX's and -0/1/2 cent for the No. I Crepes. Duller sorts and Off Grades were more or less unchanged. At the subsequent sale there were 602,389 lbs., of Pale Crepe on offer. Again very good demand was encountered in the earlier stages but pressure slackened latterly with the Pale Grades losing further ground and these were quoted one cent lower. Duller sorts and off grades however improved by about -0/3 to -0/5 cents per pound.

## Low Tea Prices

Commenting on the fall in tea prices recorded last week, a leading brokering firm stated: "The extent of the fall in the Market was surprising and could not just be attributed to declining quality. In the main there appeared to be two reasons for it, the first, affecting High-Grown Western teas, was that South African Buyers appeared unusually quiet and North American orders were small.

The second, affecting [a much wider range of plainer and medium teas was that U.K. Buyers were also less active and undoubtedly a major cause of this has been the rapid rise in the London Stock figures. Much larger quantities of Indian teas are now in the pipe line or on the Market as a direct result of the opening of the new Auction centre at Gauhati and the new Port of Kandla for shipments of tea. This over abundance of "spot" tea will no doubt right itself in the course of the next three months by which time there will be little or no tea shipped from North Indian Ports.

quality transacted at Rs. 391/- per cwt., for quotation to be made at this price.

**Pepper:** One lot weighing 50p pounds of off-quality pepper was on offer and this transacted at Rs. 4-50 per pound. No quotation was made.

**Nutmeg:** One lot weighing 1,399 pounds of shelled nutmeg was on offer and was withdrawn for lack of suitable bids.

**Kapok:** One lot weighing 1 cwt., 2 qrs., 18 lbs., of this commodity was on offer but was withdrawn for the lack of suitable bids.

# Produce Report

Week ending 25th Oct., 1970

**Cardamoms:** There were 8547 pounds (131 lots) of Cardamoms on offer at the sale this week, as against the previous week's quantity of 9,219 pounds, showing a decrease of 672 pounds. Prices fluctuated mildly on all grades and at the close of the sale No. 1 quality was quoted at Rs. 23-00 to Rs. 25-00 per pound — an improvement of -50 cents per pound on the previous week's quotation. Those below best and off-grades were firm at Rs. 21-50 to Rs. 22-50 per pound and Rs. 13-00 to Rs. 18-00 per pound respectively. Seeds traded at Rs. 24/- per pound. The highest price paid for the day for superior quality

cardamoms was Rs. 35-00 per pound and the lowest Rs. 4-00 per pound.

**Cocoa:** There were 35 lots totalling 206 cwt., on offer, showing an increase of 139 cwt., on last week's figure. The market was dull and inactive. No transactions for No. 1 quality was made and the market remained unquoted. Grades next to best fluctuated mildly and these traded at Rs. 220/- to Rs. 230/- per cwt., with the ark and poorer grade remaining unchanged as previously at Rs. 190/- to Rs. 200/- per cwt. No garblings or shell cocoa were on offer.

**Coffee:** 6 lots totalling 57 cwt., were on offer when best

Millets	B	Perushel
Finger Millet (Knakkann)	Per Bushel	11/00
Sorgum	Per Cwt.	440/00
Soya Beans		700/00
Spices / Condiments		Per Lb.
Mustard		108/00
Chillies		Per Cwt.
Dried Long		480/00
Dried Round		300/00
Dried Off Grade		150/00
Goraka		105/00
Vanilla		15/00
Tamarind		250/00
Nuts Cashew		Per Cwt.
Groundnut		65/00

# Budget proposals—

## Plantation Sector

A policy of purposeful intervention by the Government in the plantation sector, which is today preponderantly an area of private enterprise, will be adopted. The main areas in which each intervention is contemplated are as follows:—

- \* Problem of prices — steps will be taken to protect and improve prices paid by importers in association with other producer countries where possible.
- \* Long-term tea agreement proposal.
- \* Tea auction system in Ceylon and London.
- \* Activities, commissions and charges of Agency establishments.
- \* Differential freight charges on all local products.

**Tea Subsidy Scheme :** To ensure a speedier expanded programme of replanting, all tea estates will be required to formulate and notify the Government of the programmes of replanting for the next five years. Necessary legislation empowering the Government to compel tea estates where necessary to undertake the development of their holdings will be enacted.

Tea estates which do not evince interest in developing their estates will be liable to be taken over by the State. Government will direct and guide the estates in the selection of areas for replanting so as to obtain maximum yield.

Tea factories will be required to maintain their machinery and equipment at the required level of efficiency. For this purpose the Government will in future enforce strictly the provisions of the Tea Control Act.

The target for investment in tea factory development during 1970-71 is Rs. 14 million and the outlay of Government by way of subsidies on these projects is estimated at Rs. 4 million for this period.

**Rubber :** The following measures are to be adopted in order to develop and improve the rubber industry:—

- (1)—replanting of low-yielding areas with high yielding clones with special emphasis on suitability of soil and climatic conditions;
- (2)—observing improved standards of maintenance by the increased uses of fertilizer in particular, and by improved extension services;

(3)—conversion of rubber areas to alternative crops considered more suitable in relation to soil and climatic conditions;

(4)—establishment of modern factories for the production of rubber according to technical specifications and presented to the consumer in forms similar to that of synthetic rubber.

### Replanting

It is planned to step up the replanting target to 15,000 acres during 1971. It is also proposed to establish close co-ordination between the extension and advisory activities of the Rubber Research Institute and Rubber Control Department so that estate owners and smallholders should be given the necessary assistance by these two agencies to draw up and execute a planned programme of replanting their entire seedlings areas within the replanting cycle of 35 years.

### Fertilizer Subsidy

In order to increase the productivity of rubber smallholdings and small rubber estates less than 100 acres in extent, the Government proposes to introduce a Rubber fertilizer Subsidy scheme on the same lines as the Tea Fertilizer Subsidy scheme. Under this scheme, fertilizer will be issued at half the cost to owners of rubber smallholdings and small rubber estates.

There will be greater State intervention to ensure that long term planning is carried out both in the state sector and the smallholdings sector at levels of productivity which at present show considerable room for improvement.

### ★ ★ Agriculture

The agricultural implementation program for 1970-71 envisages *inter alia*, a production of approximately 80 million bushels of paddy. Towards this end, the following measures will be applied:—

(a)—Farmers who pledged to surrender their rice ration books in the event of non-payment of cultivation loans will hereafter be required to undertake the sale of sufficient paddy under the Guaranteed Price Scheme, to cover these repayments.

(b)The—G.P.S. itself is being reorganised to ensure that the guaranteed price reaches the actual producer, to maximise the quantity of paddy purchased by Government to improve the quality of locally milled rice that is given under the rice ration scheme and to reduce appreciable waste that now occurs in storage, milling and transport.

(c)—The organisation to achieve these objectives will be the Paddy Marketing Board vested with the monopoly of purchasing paddy. It will also have wide powers with regard to milling, processing and storage.

(d)—Steps are now being taken to make Ceylon Fertilizer Corporation the sole-importer of the major nutrients of fertilizer.

## BRIDGING THE DEFICIT

In presenting his revenue proposals for the financial year 1970-71 the Finance Minister pointed out that the original estimates for 1969-70 envisaged a deficit of Rs. 961 million, the revised estimates however, indicated an overall deficit of Rs. 1,144 million made up of a shortfall of Rs. 101 million in revenue and an increase of Rs. 82 million in total net expenditure. The resources envisaged to bridge the original deficit yielded only an estimated Rs. 735 million.

Accordingly, a further sum of Rs. 409 million had to be found to finance this revised deficit. Thus bringing the total sum to be financed by borrowing from the banking system to Rs. 493 million. However, Rs. 96 million of such resources raised went towards settling outstanding food bills incurred in previous financial years.

The net amount of bank financing solely on account of

the operations of the 1969-70 financial year is therefore Rs. 397 million. But the amount originally estimated was only Rs. 84 million.

The increase in the overall budget deficit for 1969-70 was anticipated by the previous Finance Minister to increase from Rs. 961 million to Rs. 1,067, as Rs. 90 million in respect of Public servants salary increase was not taken into account in the original estimates. The Budget Speech for 1969-70 stated: "when the increase in personal emolument's bill is taken into account the revenue surplus referred to earlier will change into a deficit of Rs. 90 million and the total Budget Deficit will increase to Rs. 1,067 million."

### 1970-71

The Finance Minister's proposals to bridge the overall deficit of Rs. 1,442 in 1970-71 are as follows:—

	Rs m	Rs m
Overall Deficit		1,442
Non-expansive sources:		
Domestic non-bank Sources	275	
Commodity Aid Counterpart Funds	450	
Project Aid	133	
Less 15% U/Exp.	20	113
		838
From Tax proposals		604
		271
		333
Non-tax proposals:		
EPF increase rates	35	
Companies and Sur.tax	105	
Increase in Govt. Securities	30	170
		163
Aid to be negotiated from socialist countries		75
		88
Deficit		88

The deficit of Rs. 88 million will be financed from the banking system.

## Tea prices reach a new low in 1969

Tea prices in 1969 were the lowest in the last eight years. Mr. C. S. Ratwatte, Chairman of the State Plantations Corporation, states in his annual report of the corporation for 1969, which was issued last week

The corporation launched on a big crop diversification plan and estates in cashew were opened at Kondachi (100 acres) and at Mankerni (100 acres). The Kondachi plantation has now been completed.

In 1968, the corporation managed 15 estates and four factories. The estates were

under three categories: (1) Those planted by the corporation, (2) those taken over from the Land Commissioner, and (3) those purchased by the corporation under the instance of the government from the Commissioner of Inland Revenue. Rubber estates under the corporation had been fully replanted.

The corporation last year made a gross profit of Rs. 519, 980-69 cts., on a capital investment of Rs. 38,122-111-38 and employed nearly 8,000 workers.

### SHARE MARKET REPORT

The Share Market was quiet throughout the week and the volume of business very small, according to the Report of the Colombo Brokers Association.

	Previous Price	Oct. 27	+ or -
	Rs. Cts.	Rs. Cts.	Rs. Cts.
TEAS			
Nyanzas	13-50	7-50	-6-00
Uplands	5-50	5-50	
RUBBER			
Moneragallas	3-25	4-25	+1-00
COMMERCIALS			
Cold Stores	15-00	15-50	+0-50
Ceylon Tobaccos	17-00	16-50	-0-50
Browns	10-50	10-50	
Collettes	9-00	9-00	
Commercial Banks	8-50	7-25	-1-25
Carsons	11-00	11-00	

There was no business in Tea-cum-Rubber, Preference Shares and Government loans.

The following were quoted ex-dividend:—  
Clumes Estates Co., of Ceylon Ltd., 15% Interim on 23-10-70  
Hunter & Co. Ltd., 7% Final on 23-10-70. Pure Beverages Co. Ltd., 7% Final on 23-10-1970.



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Size 9-11 Rs. 9.90  
Size 12-1 Rs. 9.90  
Size 2-5 Rs. 11.90  
Size 6-10 Rs. 12.90

**Bata**

# CRASH EMPLOYMENT PROGRAMME: THE PROS AND CONS

"Along with the problem of the high cost of living, unemployment demands an urgent solution to fulfil the aspirations of the thousands of young men and women for whom life will lose all meaning unless they find a useful place in our society" — Budget Speech.

These were the first words in the Budget Speech in which the Finance Minister, Dr. N. M. Perera, laid bare the financial policies of the United Front Government. The solution to this twin problem requires a very long term programme which would as the Finance Minister pointed out, require the full efforts of all the people of this land. "I require sacrifice on the one hand and a massive productive effort on the other."

How far the Budget has tried to solve this problem in the context of the constraint laid down by the external situation requires a full review of the whole budget. However, what strikes us most in this effort, particularly the solution to the unemployment problem is the Crash programme announced by the Finance Minister. As the Table below shows it envisages the employment of nearly 100,000 people in the various sectors of the economy.

## EXTRAORDINARY

What is extraordinary in this is that instead of leaving employment creation to the natural growth of the economy in response to various economic policies, the crash programme first tries to bring in about 100,000 people into productive employment by giving them work and through it to create productive increases and thus create further employment.

This employment programme is in addition to the creation of job opportunities a budget usually generates.

The crash programme of employment therefore tries to bring about growth and employment at once, recognizing the fact that economic policies in the underdeveloped countries take a long time to make their impact in view of the large number of bottlenecks mostly of an institutional nature.

## SIMILAR STRATEGY

The programme, however, is not entirely new the previous government too had similar plans though on a less elaborate scale. The previous government had a similar strategy when it organized the "Land Army" and the National Youth settlement scheme. The scheme laid emphasis mainly on the agricultural sector. The new crash programme on the other hand embraces a larger area of activities and sectors. It also envisages an investment of over Rs. 485 million. During the next financial year the government hopes to spend nearly Rs. 200 m., to get the scheme started. It also plans to give employment to youths from graduates to unskilled labourers.

The very magnitude of the investment and the high returns that are expected of it

require an analysis taken by itself though of course the rest of the Budgetary proposals will have a large impact on the success of the scheme.

In the Budget Speech the Finance Minister in introducing the scheme says:-

"The employment programme presented could be considered under two broad categories. One part of the programme seeks to revitalize the rural economy, set up the necessary institutions and initiate

## By A Staff Writer

programmes which will expand the resource base in the village, provide for better use of existing resources, and generate new employment. The complex of new institutions in the village which will mount this programme will constitute of a new Government Administrative Centre for the local authority area, a Local Development Council drawn from personnel in the elected institutions in the village, a Rural Bank probably attached to the multipurpose co-operatives, the cultivation committees, a Cultural Centre, and a Productive and Management Extension centre.

The second part of the programme consists of projects which would have to be organized and administered at the national level and they cover apprenticeship schemes development projects in selected crops, in construction, fisheries, etc. For the implementation of these projects, it would be necessary to set up a number of organizations which operate as development enterprises, each being regarded as a specific project with a given objective. Some of these projects such as the Coconut Development Project, the Horticulture Project, etc., will reach out to the village, and in selected areas form part of the local programme. The major portion of the programme is in the productive sectors. It will have, on the one hand, selected activities with a high potential for import substitution, and will, on the other, establish new export sectors."

## INHERENT DANGER

In a country like Ceylon where the propensity to consume is very high and also where the propensity to import is high there is always a danger inherent in the introduction of such an enormous sum of money into the economy. It would in the absence of sufficient increase in productivity lead either to price increase or build pressures in the balance of payments or both. The major point to look for is whether the proposed scheme would increase productivity and growth. Growth is essential because if the scheme is to be a success in generating a continuing addition to employment the scheme should lead to growth in those sectors where the scheme applies. If the scheme produces a stationary or even a falling rate of employment it would then peter out into

one other adventurous scheme which has ended in failure.

It is not being too pessimistic to analyse the scheme in this manner, though it could be said that the previous government was rather pessimistic about extending their scheme on an islandwide basis.

The Land Army of the previous government was formed to develop the infra-structure of the rural sector particularly in the agriculture sphere, and also to assist in food production. The National youth scheme was also similar in content. Therefore the difference between the present short term employment plan and the previous plan seems to be that while earlier scheme was limited in its application the present one covers all sectors and also embraces the whole island, giving emphasis to the rural sector.

## INFLATIONARY FEARS

The fear of inflation was probably why the previous government did not give the scheme its full support. There were built in clauses in the earlier scheme to guard against an excessive rise in effective demand. The land army youths, for instance, were paid only half their due wages, the other half being banked or sent to a saving institution. It also enforced military discipline so as to ensure substantial productive gain. The scheme however was carried out on a small scale so that even if there was a productive increase it was not felt in the rest of the economy to act as a catalyst for development. This scheme has now been abandoned.

## RESOURCE MOBILISATION

The theoretical framework for this type of investment plans exist in most of the recent writings of those specialized in the study of underdeveloped countries. These writers emphasise the mass mobilization of the productive resources—in this case labour.

Since there is a surplus of labour this labour power could be used productively for capital formation, even if the method of production that is made use of is primitive in nature. It would be better to create some form of capital formation rather than keep the excess labour unemployed. Keeping the excess labour unemployed has its own cost since the economy has to bear the burden of their consumption, though their consumption may be at a subsistence level. The mobilization of this unemployed resource for productive efforts it is said would therefore create enough surplus for investment.

## "SAYS LAW"

The danger in this scheme has also been identified. The danger is that if the mobilization of excess labour leads to a higher level of consumption, then the economy is forced to bear this excess burden with all its attendant repercussions. This is true because most of the labour that is mobilized

are at the subsistence level of consumption and any increase in the income would automatically be reflected in the demand for goods and services. This means that "Says law begins to operate. If there is no surplus production to absorb this increase in demand it would have to be absorbed in price increases,

unless of course there is a vigorous savings campaign to divert all this excess demand into savings secondary burden is that this increase in demand might be for imported goods or goods having a high import content. This type of situation is bound to add to existing burden on the Balance of payments.

Contd on page 5

## SHORT-TERM EMPLOYMENT PROGRAMME (1970-71)

	Total Estimated Cost	Estimated
	1970-71	1970-71
	(Rs m)	(Rs. m)
1. Ministry of Planning and Employment—	458.5	200.0
(i) Graduate training scheme	16.5	10.0
<b>Employment Target 5,000</b>		
(ii) Divisional Development programmes	100.0	60.0
(a) Improvement of rural infrastructure roads, water supply, electrification, marketing centres, public buildings and related items.		
(b) Rural housing;		
(c) Small scale projects in—Agriculture, animal husbandry, fisheries, forestry, minor, irrigation, reclamation, Small industry handicraft.		
<b>Employment target 25,000</b>		
2. Ministry of Irrigation, Power and Highways: Acceleration of selected irrigation projects under construction	15.0	15.0
<b>Employment target 4,000</b>		
3. Ministry of Industries & Scientific Affairs National Apprenticeship Scheme b	13.5	5.0
<b>Employment target 10,000</b>		
4. Ministry of Finance: Programme of Supervised credit for self employment	7.5	7.5
(a) Expenditure will be incurred by the Ministries listed only after obtaining a "Allocation" from the Ministry of Planning & Employment.		
(b) This scheme will be financed through a cess on Industry. Rs. 5m. is allocated for initial expenditure.		
5. Ministry of Plantation Industry:		
(i) Coconut development programme—	52.5	20.0
(a) Accelerated replantation 25,000 acres		
(b) Animal husbandry 30,000 acres		
(c) Interplanting 10,000 acres		
(d) Expansion of fertilizer programme		
<b>Employment target 10,000</b>		
(ii) Cocoa development programme—		
Acreage 20,000	50.0	10.0
<b>Employment target 5,000</b>		
(iii) Cashew development programme		
Acreage 40,000	56.0	10.0
<b>Employment target 5,000</b>		
(iv) Natural silk development programme		
Acreage 10,000	35.0	7.0
<b>Employment target 10,000</b>		
6. Ministry of Agriculture and Lands		
(i) Horticultural programme		
Phase I—Acreage 10,000	10.0	7.5
<b>Employment target 5,000</b>		
(ii) Livestock programme		
<b>Employment target 5,000</b>	10.0	7.5
(iii) Subsidiary food crops programme		
Acreage 10,000	25.0	12.5
<b>Employment target Stage 1—5,000</b>		
(iv) Market gardening programme		
Acreage 5,000	5.0	5.0
<b>Employment target Stage 1—5,000</b>		
7. Ministry of Fisheries		
Fisheries development programme	40.0	8.0
(a) Coastal fishing		
(i) Accelerated mechanisation programme—		
250 mechanised boats		
500 Outboard motors		
(ii) Housing; (iii) Roads; (iv) Markets		
(v) Training and extension centres.		
(b) Inland fisheries		
(c) Brackish Water fisheries		
<b>Employment target 3,000</b>		
8. Ministry of Cultural Affairs		
Programme for extension of cultural centres	10.0	7.0
<b>Employment target 2,500</b>		
9. Ministry of Housing and Construction		
(i) Low cost housing programme	12.5	7.0
2,500 units.		
(ii) Crash programme for undergraduate hostel accommodation		
<b>Employment target 3,000</b>		1.0

# Budget Proposals:

## Capital Expenditure

Capital expenditure of the Government as shown in the Estimates cannot be strictly defined. It is categorised under Votes 3, 5 and 7.

Vote 3 provides for capital expenditure on General Administration Services, such as construction of office buildings, purchase of vehicles, etc., capital contribution to International Organisations, Sinking Fund contributions and repayments and the repayment of Public Debt.

Vote 5 provides for capital expenditure under Social Services, such as construction of school buildings, hospitals and the purchase of vehicles utilized for social services.

Vote 7 provides for expenditure of a capital nature or programmes or projects of economic development. In fact funds collected under this Vote alone that could in effect be clarified as capital expenditure that would contribute towards direct economic development.

Contributions to the share capital of State Corporations is shown under Capital Votes. In the case of those Corporations whose main source of funds is the budget, separate grants are provided for capital expenditure.

In view of the reallocation or re-grouping of Departments under the various Ministries it is not quite possible to identify strictly those Ministries that have been granted increased or decreased allocations over the previous Financial Year.

The total capital expenditure of the Government for 1970-71 amounts to Rs. 1,379,101,381 as compared with Rs. 1,116,663,109 for the previous Financial Year, thus showing an increase of Rs. 262,438,172.

This substantial increase is mainly the result of the allocation of Rs. 200 million to the Ministry of Planning and Employment for utilization towards solving the unemployment problem in the country — (See feature article on Page 4)

The Ministry of Irrigation, Power and Highways capital expenditure Votes has also been increased from Rs. 43,952,177 in 1969-70 to Rs. 332,342,139 for the current Financial Year. This is mainly due to the Minister's Vote for economic development i.e., Vote going up from Rs. 69 in 1969-70 to Rs. 235 million in 1970-71. However, certain Departments under the Ministry gets reduced allocations, viz., Irrigation Department from Rs. 90 m., Under Vote 7 in 1969-70 to Rs. 38-8 million in 1970-71; Land Development Department from Rs. 21 million in 1969-70 to Rs. 2 million in 1970-71.

The tables below show the comparative details of capital expenditure in respect of the more important Ministries engaged in development work for the Financial years 1969-70 and 1970-71.

(Remaining Tables in next issue)

## MINISTRY OF PLANNING AND EMPLOYMENT

Minister	Vote—3	Vote—5 (1970—1971)	Vote—7	Vote—3	Vote—5 (1969—1970)	Vote—7
..	—	—	201,487,500	—	—	466,675

## MINISTRY OF IRRIGATION POWER AND HIGHWAYS

	Vote—3	Vote—5 (1970—1971)	Vote—7	Vote—3	Vote—5 (1969—1970)	Vote—7
Minister of Irrigation Power and Highways	2,072,510	3,969,920	235,309,774	—	—	69,400,020
Irrigation Department	10	—	138,843,205	550,010	—	90,000,000
Land Development Department	—	—	2,355,000	—	—	21,500,000
Electrical Department	700,000	1,500,000	200,000	1,500,000	—	200,000
Department of Highways	—	316,610	23,938,210	—	500,000	76,200,000
Commissioner Agricultural Corps.,	—	—	—	189,217	—	—
Water Supply & Drainage Dept.,	320,010	12,816,890	—	343,010	15,139,920	—
TOTAL	3,092,530	18,603,420	300,646,189	2,582,237	15,639,920	257,300,020
GRAND TOTAL	(Votes—3, 5 & 7) Rs.	322,342,139	GRAND TOTAL (Votes 3, 5 & 7) Rs.	43,952,177		

## MINISTRY OF INDUSTRIES AND SCIENTIFIC AFFAIRS

	Vote—3	Vote—5 (1970—1971)	Vote—7	Vote—3	Vote—5 (1969—1970)	Vote—7
Minister of Industries & Scientific Affairs	—	9,013,878	103,887,180	—	1,587,305	165,000,000
Geological Survey Department	—	—	561,500	—	—	220,000
Department of Meteorology	826,925	—	—	396,000	—	—
Department of Small Industries	—	—	4,812,355	—	1,600,000	8,639,842
TOTAL	826,925	9,013,878	109,261,035	396,000	3,187,305	173,859,842
GRAND TOTAL	(Votes—3, 5 & 7) Rs.	110,087,960	GRAND TOTAL (Votes 3, 5 & 7) Rs.	177,443,147		

## MINISTRY OF FINANCE

	Vote—3	Vote—5 (1970—1971)	Vote—7	Vote—3	Vote—5 (1969—1970)	Vote—7
Treasury	15,000	—	—	70,000	—	—
Customs	1,620,000	—	—	608,275	—	—
Excise Department	132,000	—	1,547,510	180,000	—	1,141,410
Public Debt	248,601,297	—	—	184,210,752	—	—
Miscellaneous Services	50,000	20,000,000	13,118,618	2,584,900	15,000,000	9,783,000
TOTAL	250,418,507	20,000,000	14,666,128	187,653,927	15,000,000	10,924,410
GRAND TOTAL	(Votes—3, 5 & 7) Rs.	285,084,635	GRAND TOTAL (Votes 3, 5 & 7) Rs.	213,578,327		

## MINISTRY OF AGRICULTURE AND LANDS

	Vote—3	Vote—5 (1970—1971)	Vote—7	Vote—3	Vote—5 (1969—1970)	Vote—7
Minister	15,000	—	34,925,520	—	—	20,295,329
Department of Agriculture	—	—	16,960,563	—	—	16,000,000
Agrarian Services	110,000	—	47,313,870	2,000,000	—	42,814,483
Land Commissioner	340,000	—	25,581,735	250,000	—	26,972,010
Survey Department	1,186,500	—	—	1,092,000	—	—
Forest Department	235,000	—	4,194,600	115,000	—	6,502,109
Kandyan Peasantry Commission	—	—	7,000,000	—	—	4,000,000
TOTAL	1,886,500	—	135,976,288	3,457,010	—	116,583,931
GRAND TOTAL	(Votes—3, 5 & 7) Rs.	137,862,788	GRAND TOTAL (Votes 3, 5 & 7) Rs.	120,040,941		

## Crash Programme..

Contd. from page 4

A solution however could be found to this. If in the meantime local goods could be produced to meet this demand it could not only solve this problem but would also create employment elsewhere in the economy. The main problem here would be to guard against conspicuous consumption and also the familiar demonstration effect. The rural sector would in the normal instance demand simple goods where the capital requirement is low.

Therefore, if this effective demand that is created in

the rural sector could be guided to meet the industrial products that the economy would be able and willing to supply then the problem of inflation and growth could be effectively solved.

A study of the short term employment scheme shows that emphasis has been laid on the rural sector and within it to infra-structure development, and diversification of crops. Both types of investment do not add to productivity immediately though it widens the productive capacity. In vestment in Agricultural development has a long gesta-

tion period and this lag would create certain problems, particularly the fact that this investment would create effective demand immediately. Investment this year is comparatively small. However, the demand that would be created would be by no means small. If all this demand were to be reflected on the traditional items of conspicuous consumption it would ultimately build up pressures in the balance of payments.

This problem is worsened by the Price control decree on goods in which the demand would be most intense. This is particularly so in the case of the money spent on the

graduate training scheme. The graduates form the group where the increase in demand for imported goods will be most.

The demand would be felt for instance on shirts, toothpaste, soap and the like. The increase in demand is likely to go up enormously. The traders too will be too willing to sell these goods so as to increase their turnover and recover part of the loss they had to face because of the price control order. The manufacturers would tend to restrict production and reduce supply.

Contd on page 16

## Export Opportunities

The following firms are interested in importing from Ceylon the products indicated below:—

M/s. Abel Abu & Sons.,  
21, Ojubanire Street, P. O. Box 3655., Lagos, Nigeria.  
—Watches, Stoves, Sunglasses Shirts, Brassiers, Handbags Knitwear and Readymade Garments.

M/s. The Nigerian Import & Export Trading Co., 15, Idumagbo Ave., Lagos, Nigeria.  
—Desiccated Coconut.

### INDIA EXPORTS MORE SPICES

India has exported Rs. 90 million worth more of Spices last year. The total Foreign Exchange earned in 1969-70 by the export of spices had increased noticeably in Tanzania, Indonesia and the U.S.A.

East European countries continue to be the biggest importers, accounting for 37.8% of India's Spices Export. West Asian countries stood second with 30.1%. The Americans have secured third place, with a share of 15.7% occupying 50th place in the previous year with only 9.9%.

A special Research and Development Cell has been constituted to continue the momentum of Spices Export.

Dacca, East Pakistan.  
—Betelnut, Coconut Oil and Coir!

M/s. Gopain Bros., Ltd.,  
P. O. Box 2362., Addis Ababa, Ethiopia.  
—Tea, Canned food, Coconut Oil, Cosmetics, Ceramics and Auyvedic oils used as hair tonic, etc.,

M/s. H. R. Hochmann Co Import-Export, 233, Germonds Rd., West Nyack, N.Y., 10994, U.S.A.  
—Silk fabrics, Blouses, Shirts, Handlooms, Carpets, etc.,

M/s. Mosco International,  
P. O. Box 1133., Sadar,



Mr. Albert Edirisinghe Chairman of Messrs Lanka Optical Industries Limited, with Mr. Yanov of the Commercial section of the U. S. S. R. Embassy at the Customs.

## EXPORT INTELLIGENCE

### Spectacle frames — A new export product

Exports of Spectacle frames, Ceylon's newest non-traditional export item, manufactured by Messrs. Lanka Optical Industries Ltd., is now earning valuable foreign exchange for the country.

Ceylon broke into the export of spectacle frames when this firm successfully secured a one-year contract for the supply of 150,000 pairs of spectacle frames to the Soviet Union in mid 1969. The Soviet firm, Messrs. Medexport, Moscow being much impressed with the quality of the local product, placed a repeat order with the firm this year too for the supply of the same quantity of frames.

Already 120,000 pairs have been shipped to Moscow early last month. The balance 30,000 is expected to leave

Port before the end of December.

#### New Orders

A spokesman for the firm told the 'Economic Times' that the Company's Chairman Mr. Albert Edirisinghe was now in Moscow negotiating fresh orders for 1971.

Lanka Optical Industries Ltd., have also received many encouraging export enquiries from other countries both within the Socialist bloc and outside. At present Ceylon's main competitors in the export of spectacle frames are India and Pakistan.

The Spokesman for the firm concluded that elaborate plans for the gearing of their modern factory to meet the anticipated export orders was now under way and the Company expects to increase the present export capacity by next year.

This is the 11th instalment in the series on Modern Management.

or when I'm not sure I'm on the right track?

Some guide lines that will help make management by objectives work for any manager are:—

1.—Goals should be realistic. They should be attainable in the light of all the circumstances, and the subordinate should be expected to attain them if his performances is to be considered adequate. Then the manager may set higher goals as marks to shoot for, with the proviso that their attainment will be considered outstanding performances.

2.—When objectives for all positions have been tentatively set, the manager should write them down and cross-check to see that they all blend with one another. Attainment of the objective set for each man on the lowest level should contribute to the attainment of the first-line supervisor's objectives the objectives for each first-line supervisor should contribute to the objective to be reached by his superior, so that all objectives contribute to the general objectives of the company. Similarly, short-range objectives should contribute to long-range objectives.

3.—The objectives must seem fair to the man to whom they are given. If possible, he should be asked to participate in setting them, to suggest objectives for his own position. Often people of higher objectives for themselves than their superiors would set for them.

Where management by objectives is practised on a company-wide basis, the overall resources needed for each manager's set of projects become the basis for his departmental budget. And when all the department's budgets are put together, they represent the company's plan for the next operating period. In this way management by objective makes possible what is called 'responsibility accounting, or responsibility reporting.' Where this type of reporting or control system is used, the supervisor is made responsible only for objectives he has agreed to and only for resource over which he has control.

In working with his own subordinates, the manager will find it a great deal easier to practise management by objectives if he has organized the work so that each person has a 'whole job,' one that demands a certain amount of planning and some opportunity to vary the sequence in which the work is done. Then each one should be able to answer the following question in the affirmative:—

1.—Do I know what I'm supposed to accomplish and why?

2.—Has any boss agreed to my objectives?

3.—Has he provided me with the necessary resources?

4.—Can I shift the scope and temper of my efforts as conditions require?

5.—Can I determine how well I'm doing without asking my boss, but am I free to go to him for help whenever I find I cannot solve problems myself?

nately? Not necessarily. Consider, for example, the following possibilities.

1.—Can production be planned more carefully so that less inventory of raw materials is needed?

2.—Would any rearrangement of the department make it possible to avoid backtracking in handling materials? One way of determining this is to make a flow chart.—

3.—Would some adjustment of machine reduce the amount of scrap and rejects and save both labour and materials.

4.—Is there unnecessary paperwork going on in the department? Does it need all the forms it is using? Could some be combined, simplified, or discarded altogether?

5.—Can he save money on utilities? The power bill may depend, in part, on peak usage. Can he reschedule the turning on of machines that draw heavy current on start-ups so that the peak usage is kept down? Can he use process heat for some other purpose? There are consultants who make a business of showing companies how to save on utilities, but many of the possibilities they uncover could be identified by the people within the plant if they only gave thought to the matter.

When the manager has a set of approved projects, he and his boss can decide whether he has allocated his resources properly, and agree on timing and priorities.

# MANAGEMENT

## Techniques of Modern Management

### ANALYSIS OF OPPORTUNITIES

Once the manager knows his objectives and his capabilities, he can spell out what he can accomplish under certain conditions. This in turn compels him to consider the opportunities that lie ahead. How can he make a greater contribution to the attainment of overall objectives?

As he analyses the possible opportunities, he can use three simple yardsticks in making decisions about each one.

1.—He decides whether the opportunity is suitable. That is, will it help him accomplish his purpose?

2.—Then he determines whether it is 'feasible' to do it. Can he realistically expect to do it in view of the resources available?

3.—He decides whether the idea is 'acceptable.' Are the returns worth the risk, time, effort?

For example, let's say the manager is in marketing. He has examined the resources and found them adequate. In the process, however, he determines that his company isn't

giving enough attention to its probable future markets. It may be selling, for example, to an industry that's in what the economists call a secular decline. In other words it is declining gradually but irreversibly over the long term. In any company, too, there's usually the normal attrition of customers, as the old faithfuls die off, as tastes change, and as some part of the market is weaned away by new products offered by some other manufacturer. Thus one company discovered that it lost about 20 per cent of its customers each year. This meant that it had to gain that many new ones just to stay in the same place.

The manager's next step is to write up how he intends to overcome this marketing weakness. Are new products needed? New outlets? New methods of selling? Advertising in new media to reach new groups? When he has done so and has his boss's approval, he has formulated an objective for his department.

Let's say the manager is in production. Wages rates and material prices are going up, and there's not much he can do about either. Must unit costs inevitably rise proportionally?

# International co-operation in development

New York

October 1970 may go down in history as a milestone on the road to international co-operation in development, with two events of vital importance to the developing world.

The first is the approval in the Trade and Development Board Meeting in Geneva of the Scheme for Special Preference in favour of developing countries.

The second is the adoption and proclamation of the international development strategy for the second United Nations development decade as part of the UN's 25th anniversary.

The strategy, fruit of almost two year's work, records universal recognition that the 1970's should mark a step forward in securing the well-being and happiness not only of the present generation but of generations to come.

It has been said that the international community is now preparing for history's biggest and most important venture in international economic and social co-operation, a venture designed to put into effect one of the main purposes of the UN.

The strategy, like the Preference Scheme, is the outcome of some hard bargaining and probably none of the delegations here have finished up with a dominant entirely to their liking.

Britain, for example, has come on record with a few reservations. It is accepted by her government that economically advanced nations should try to provide developing countries annually with financial aid amounting to one per cent of their gross national product, but Britain will not accept any particular target data. In fact, Britain herself is already close to the target — the figure in total flows for 1969 was 0.97 per cent.

Among other points of difficulty is the demand for 0.7 per cent of gross national product to be transferred in official flows by 1975. Britain cannot accept this idea in principle.

Official flows of development aid will of course constitute a substantial part of total flows of resources to developing countries, but the proportion, naturally, will depend upon a variety of factors, not all of them under the control of the donor government.

Britain, therefore, feels she cannot be tied to a specific percentage; but in spite of this, she has nevertheless undertaken to pursue an expanding aid programme and is determined to play her part in dealing with world poverty by working for the expansion of international trade, by encouraging private investment overseas and by providing capital aid and technical assistance.

## TRIPARTITE DECLARATION ON ECONOMIC CO-OPERATION

Belgrade

India, Yugoslavia and the U.A.R. recently signed a Declaration on Economic Co-operation of Developing Countries. The 3 countries have also agreed on a wide range of measures to advance their economic ties.

The meeting was held within the framework of the Economic Co-operation Commission of the 3 countries. It was decided to hold the Commission's next meeting in India next year. The Communiqué issued after the meeting said the representatives of the three countries had decided to enlarge the list of goods to which preferential tariff's apply in mutual trade. They also considered other special tariff concessions.



The three sides agreed that the projects for Joint Production of Television, Transistors and Valves and Caterpillar Tractors could meet their demands in these goods. "The 3" also recommended the Joint Manufacture of Mopeds Passenger Cars and Car Parts' Shipping Equipment, Railway Carriages and Electrical Goods, and said broader exchanges of information, know-how and trainees would advance the 3 countries' industrial and scientific co-operation. They also discussed Tripartite Co-operation in Shipping, Telecommunications, Banking, Insurance and Tourism.

## U.S. AGRICULTURAL EXPERT WINS NOBEL PRIZE

Washington

The American agricultural scientist who won the 1970 Nobel Peace Prize for developing new types of wheat and maize that could help end the world's food crisis is also a farmer who likes to get his hands dirty working in the fields.

Dr. Norman Ernest Borlaug, head of the International Maize and Wheat Improvement Center near Mexico City, Mexico, became the 15th American to win or share in the coveted prize since 1901.

The prize was awarded specifically for Borlaug's work in developing wheat strains giving bigger yields. The success of his work also contributed indirectly to the development of miracle rice in the Far East and Pacific areas.

The new wheat strains are being used in Afghanistan, Tunisia, Sudan, Jordan, Pakistan, India, Turkey, Israel, Nepal and other countries, including the United States. Harvests have been sensational particularly in India, Pakistan and Mexico.

The Nobel Committee in announcing its award in Oslo, Norway, said Borlaug was one of the leading scientists behind the rapid development of agriculture in recent years, a process known as "The Green Revolution."

U.S. Agricultural Secretary Clifford M. Hardin said: "I am highly pleased that my friend, Dr. Norman Borlaug, has been selected for the 1970 Nobel Peace Prize. First of all, the selection of a talented agricultural scientist dramatizes the role of food as an instrument of peace. Secondly, no individual in the world has been more in the vanguard in using the techniques of science for overcoming of world hunger .....

Dr. Borlaug will go to Oslo to accept the 80,000 dollar cash award and a gold medal from Norwegian King Olav on

December 10. This is the anniversary of the death in 1806 of Alfred Nobel, Norwegian industrialist who established the Nobel Prizes in many fields of endeavour. The Peace Prize is considered the world's most famous award for humanitarian service.

## NOBEL PRIZE FOR ECONOMICS

Paul A. Samuelson was awarded the 1970 Nobel Prize for "his development of new economic theories and for finding new applications for old theories." The Royal, Swedish Academy of Science which makes the award, said the 55-year-old professor has done, "more than any other living economist to raise the level of scientific analysis in the field of economic theory."

Under the direction of the Nobel winner and other similarly-minded economists, the new role of economics came about from a movement to put once hazy doctrines into hard mathematical form.

As a result, it has become possible to place statistics into economic formulas and to analyze them by new methods of mathematical computation.

The first move by Mr. Samuelson in this direction came in his doctoral thesis, "Foundations of Economic Analysis," which was published by the Harvard University Press in 1947 and has since gone through several printings. Finding the language of classical economics full of contradictions, fallacies, he tried to bring order to economic thinking through applying mathematical principles.

Mr. Samuelson found that if he mathematically restructured each traditional branch of economics—such as production, international trade, consumer behavior, business cycles—certain formal similarities would emerge so that a single theory of economics could be created.

## NEW INDO-HUNGARIAN TRADE

New Delhi

The Hungarian Deputy Prime Minister for Economy, Dr. Timor Matyas, feels that there is a vast scope for expanding Indo-Hungarian trade as well as industrial and economic co-operation over a wide area, provided both the countries set about the task in right earnest.

In a special interview given recently at Budapest to Indian correspondents covering President V. V. Giri's official tour of Hungary, Dr. Matyas said the new £ 15-billion (Rs. 11,250 crore) five-year plan of his country offered limitless possibilities to increase trade and other forms of co-operation.

Dr. Matyas said a new trade agreement for five years (1971-75) would also be initiated by the Foreign Trade Ministers of both countries next month. He forecast an increase of 10 per cent in the annual turnover of trade under the new agreement.

## Prospects for U.S. trade with USSR and Eastern Europe

The United States is seeking to increase trade, both exports and imports, with the soviet union and the nations of Eastern Europe.

American Governmental Officials believe that expanding commercial relations with those nations will lead to further reductions of political tensions and will benefit their economies as well as the United States.

But nobody sees any immediate dramatic expansion of trade for many barriers real and imagined remain to be lowered and some hard economic problems have to be solved.

As of now, U.S. trade with the Soviet Union and Eastern Europe is tiny compared with that of West Europe, Japan and other nations with the USSR. U.S. exports in 1969 amounted to only 195 million Dollars while West Germany, the leading exporter and importer, exported more than 1,300 million Dollars worth of goods. U.S. imports amounted to 249 million dollars while Germany imported 1,681 million dollars worth of Goods.

### LIBERAL POLICY

Last year, president Nixon signed into law congressional legislation liberalizing controls on exports to communist countries which had been in effect since the "cold war" days of 1949.

The new law encourages trade with "All Nations with which we have diplomatic or trading Relations." certain items of military significance, of course, are still forbidden or require special licenses.

Department of commerce officials have met with communist economic development and trade Officials, as well as American businessmen, to explore means to expand trade.

Communist officials complain their exports are discriminated against because of the absence of treaties with the united states providing for "most favored nation" treatment. Under these treaties, all nations are extended the same treatment as the most favored nation. (Poland does have a most-favoured-nation treaty with the United states).

While these officials are undoubtedly correct that in some product lines the lack of a most-favored-nation treaty is a deterrent, in others it would make little or no difference.

American officials and businessmen believe, though, that many east European products simply would be unable to compete in the American Market in their present form.

### PSYCHOLOGICAL BARRIER

Communist nationals lack hard currency and would like to obtain long term dollar credits at low interest rates to purchase American goods. But with the demand for credit heavy in this country and interest rates relatively high, it is difficult to see why banks and corporations would want to grant such low interest loans. But perhaps the most important barrier to increased trade is what one commerce department official termed "the Psychological Barrier."

Some American Businessmen doubt the morality of

trading with communist nations. Others believe the difficulties, delays and frustrations of dealing with Government bureaucratic officials, instead of the Actual users of their products, outweigh the potential profits. Similarly many communist officials are wary of doing business with the "Unknown" American Businessman of whose acumen and skill they have heard so much.

### JOINT VENTURES

The commerce department believes that one of the most promising ways of expanding commerce is through "Joint Ventures." These would combine the communist concept of state ownership of property with the capitalist concept of private property for profit. It would be a means of bringing advanced American technology and managerial know-how to Eastern Europe. But many problems would have to be solved first.

The Commerce Department is studying East European products and assisting the producers of those that show promise in finding distributors in the united States. The department is also helping East European countries find qualified producers of materials they need and encouraging American firms to study the possibilities of sales of joint ventures in Eastern Europe.

The problems of increasing trade between the East European nations and the United States are difficult, but they are not insurmountable. Trade between the communist countries and the free world has increased tremendously in the part ten years and just this progress could lead to even greater gains in the future.

# INDUSTRIAL POSSIBILITIES FROM

The Minister of Industries and Scientific affairs in his policy statement on industry emphasised the need to utilize locally available raw materials with priority for products which could be exported and those which could substitute imports. He emphasised the need for labour intensive and less capital intensive type of industries with the ultimate aim of generating employment opportunities for people in rural areas, generating income, and bringing about regional economic development.

This article is aimed at pointing out the correctness of this approach to industrialization in Ceylon. Hence, it is intended to concentrate on locally available raw materials only.

An identification of industrial possibilities from local raw materials is intimately connected with industrial research. Its objectives are directly connected with the welfare of the nation, and its programme is closely linked with the country's development plans. The main objectives of industrial research should be to improve the quality of the products, to develop new uses for the existing materials, process or devices, to develop new materials, processes or devices, to effect savings in cost, to prevent or cure troubles of production or use, to assist in standardisation, to make use of by-products otherwise wasted and to amass technical information leading to a better understanding of materials, process or product and to contribute to the common store of knowledge by central documentation and information services. Thus, research in a developing country like Ceylon should

aim at process research, product research, raw material research, waste utilisation research, and development of industries. The development of industries engulfs pilot scale work, design, product evaluation, utilisation studies, economic studies, process design, market research, and market development.

Industrial research had for long time been surrounded by an aura of mystery. This era is now past and today research is freely admitted to have definite direct and indirect objectives. The direct objectives should be to provide technology required for our industries both in existence now and planned for the future. The indirect objective should be to provide the ocean of systematised knowledge regarding our raw materials, by-products, natural products through surveys, techno-economic feasibility studies and fundamental research. Under socialism research should be the hub of the counsel of planning and development. It cannot be divorced from the country's policy makers and the planners.

In the next section of this

study the major resources available in Ceylon are detailed and the industrial possibilities are presented.

## THE RESOURCES OF CEYLON

Ceylon's resources includes:

- (i) Agricultural resources
- (ii) Mineral resources;
- (iii) Water resources;
- (iv) Manpower resources;
- (v) Power resources;

### Agricultural Resources and Wastes

Our main resources are agricultural. Apart from the major export crops of tea, rubber and coconut, we grow rice, tobacco, market garden crops, besides a variety of fruits sugarcane, cotton, cocoa, cadju, citronella, cinnamon etc. Ceylon also has natural flora of an extensive variety of plants with medicinal and industrial uses, and the chemistry of these valuable plants have not even been attempted.

#### Rice

In spite of 1,146,958 acres of paddy being under cultivation and yielding 43,509,000 bushels (1967/68), Ceylon imports nearly half her rice requirements.

The straw yield per acre is 0.5 tone; and thus, the aggregate straw yield will be about 700,000 tons. Of this straw yield the Eastern Paper Mills Corporation at Valacheni utilizes 22,000 tons for making paper. This straw is collected from Batticaloa and Polonnaruwa Districts. Apart from this much of the straw is presently not collected and is abandoned and wasted or burnt in the fields. A few thousand tons are used as cattle fodder and for roofing of paddy stocks and as manure.

### Straw products

The Eastern Paper Mills currently utilizes 22,000 tons of straw to produce about 10,000 tons of paper and paper products. The addition of a paper board factory by the end of this year would augment the straw requirements by another 12,000 tons. Currently the Paper Corporation cater only for about 20% of the Island's requirements. After the expansion is effected it could cater only for about 46% of the Island's requirements. The proposed Paper Board Factory envisages to produce sophisticated products like corrugated media, kraft liner, liner board, box board and patent coated board. Nearly 40% of the total demand for boards in Ceylon is estimated to consist of strawboard. Straw board is rough finished rigidboard, manufactured from unbleached straw pulp.

The annual local needs of straw are approximately 5000 tons. Most of it is imported from the Netherlands. Strawboard has a multiplicity of uses in packaging industry.

The growing consumer goods industries like leather, rubber, plastic footwear, shirts, blouses, children garments and other textile products, soaps, detergents, cosmetics, foodstuffs, pharmaceuticals have all accelerated the demand for straw board products.

based on straw mat weaving on small mechanised looms. The straw mat is also converted into packing bags which have an extensive demand for packing rice, paddy, canut, salt, fertilizers, vegetables, fruits etc."

The need for packing and paddy should be met by straw bags or locally available materials like banana fibre, kenaf, sunn hemp, instead of imported gunny bags for which we annually spend Rs. 8 million.

Paddy straw can also

## By An Industrial Economist

The IDB report on Gal-Oya Industrial possibilities states that:

"There is also a growing demand for partitioning boards and materials from mercantile establishments, schools, and residential quarters. Straw bricks and slabs is an ideal substitute for hardboard and chipboard. Water proof and straw bricks and slabs are used extensively in the Continental Europe as partitioning and roofing materials. This is another industrial possibility from straw."

"In Japan there is a flourishing small scale industry

used to manufacture mats, straw mats etc.

Rice can be the base for new industrial possibilities. Rice Bran Oil is such a possibility. The Oil's & Fats Corporation should undertake extraction of rice bran oil. The manufacture of rice bran oil can substitute the import of olive oil. The estimated total available supply of rice bran in Ceylon is 60,000 tons per annum which will yield a possible 10,000 tons of oil. Manufacture of puffed rice flour and rice wine are other possibilities.

Japanese Government policy makers are beginning to take a new look at the export-first principle that has governed Japan's trade policy for the past 25 years since the end of World War II. They are proposing that Japan reconsider the basic orientation of her economic diplomacy in favour of a more up-to-date line geared to the changing international circumstances.

The soul-searching has been prompted by significant changes in Japan's economic position and international status which have come about in recent years.

Following almost two decades of continuous economic development, which has often been termed as miraculous, Japan last year rose to the status of the world's third largest economic power in terms of Gross National Product.

Her volume of export, increasing at a phenomenal pace of 16 per cent on the average during the last 10 years, ran up to \$16,000 million and her foreign exchange reserve rose to nearly \$4,000 million last year.

Japan's enhanced economic position has bought about persistent demand from industrially advanced countries for a speedier liberalization of trade and foreign capital investment on the one hand and requests for more imports from developing countries on the other.

In the light of such pressures, the Japanese Government has undertaken several

concrete steps to adapt itself to the changing situation. In one move, the Government recently renamed the Supreme Council on Export to the Council on Trade—a step showing that the Government has decided to give as much attention to import as to export, with which it has long been preoccupied.

At its first session held in mid-May, the Trade Council, presided over by Prime Minister Eisaku Sato, affirmed the policy of promoting the import of primary products from developing countries, abolishing residual import restrictions and speeding up capital liberalization. The council is expected in the months ahead to reconsider the export promotion system, study various monetary measures to encourage imports and consider increased economic aid to developing countries and improvement of the present plans for preferential tariffs.

### GATT System Imperiled

The recent collapse of the Japan-U.S. textile talks, which has led to the approval of the Mills Bill by the Ways and Means Committee of the U.S. House of Representatives, has come as a stunning shock to Japanese Government leaders. It has also given them food for serious thought in considering the future course of Japan's economic diplomacy.

On his return from Washington following the abortive textile negotiations, International Trade and Industry Minister Kiuchi Miyazawa declared that apart from the ffective outcome of the textile talks, Japan should speed

up her under trade and capital liberalization program and that he believed that was in the best interest of Japan.

The emergency four power conference among the U.S., Britain, the European Economic Community and Japan held in Geneva on July 31 Aug. 1, at the instigation of Olivier Long, director general of the General Agreement on Tariffs and Trade, was an event of overwhelming importance. But the meeting failed to work out any concrete answers to the threatened trade war in the wake of the ominous rise of protectionist move in the U.S.

## Changes in Japan's Economic Diplomacy

Although the conference had been called ostensibly for the purpose of "deepening mutual understanding" among the nations involved about pending problems in world trade, its apparent failure to work out any effective counter-measures brought into bold relief the crisis facing the world's free trade system championed by the GATT.

Whereas the prevention of the American protectionist legislation and trade war was the main theme of the conference, there were some backstage maneuvers in which European delegates unofficially

sounded out the Japanese representatives about possible solutions to the textile problem through new export control agreements on woolen and man-made fibers and voluntary export restraints by Japan.

Such moves led the Japanese delegates to realize anew that if Japan stuck too religiously to the free trade principle, she might be left all alone in the world and blamed for starting a trade war along with the U.S.

### Free Trade Principal

The Geneva meeting was a poignant reminder for Japan

duction negotiations to follow up the Kennedy Round must be carried out.

Despite all these difficulties and dissenting voice the Japanese Government so firmly omitted to a policy of adhering to and promoting the Principle of free trade-

A high-ranking official of the Foreign Ministry contends that the Japanese people owe a great deal to free trade for there employment and prosperity and that it behooves them to champion this principle in the years ahead-

The same official who says-

on its lap the problem with the Republic of Korea and Taiwan over Communist China's four-point policy of barring Japanese firms doing business with these countries and Japanese subsidiaries of American companies.

Hanging heavy in the mind of the Japanese Government leaders is the problem of trade imbalances with more than a dozen Asian and African countries including South Vietnam, Thailand, the ROK, Taiwan and Kenya, which have been threatening to shut out Japanese products on the ground of excess imports from Japan.

The Foreign Ministry is taking a serious note of the fact that moves for trade curbs by these nations have come about almost simultaneously with the rising trend toward protectionism in the U.S. and a move toward regional alliance as in the case of the EEC. The ministry fears that such moves may whip up the latent mood in other developing countries in favor of restricting the inflow of Japanese goods and create another protected market in addition to the American.

### Countermeasures

In the view of the ominous trend, the Japanese Government is seriously considering various countermeasures including the program of developing and importing natural resources from raw material supplying countries, "cutting" of aid and the removal of the "competitive capacity-

He pointed out that in Europe, 50 per cent liberalization is not considered worthy of the name of liberalization.

### Another Protected Market

The Government also has

These officials say that if trade liberalization is to be carried out effectively under the aegis of GATT, a new



# FROM LOCAL RAW MATERIALS

on straw mat weaving small mechanised looms. Straw mat is also converted to packing bags which have an extensive demand for packing rice, paddy, areca, salt, fertilizers, vegetables etc."

need for packing rice paddy should be met by bags or locally available materials like banana fibre, sunn hemp, instead of gunny bags for which usually spend Rs. 8 lakhs. Straw can also be

## Economist

to manufacture table raw mats etc.

can be the base for industrial possibilities. An Oil is such a possibility. The Oil's & Fats Corporation should undertake the production of rice bran oil. The manufacture of rice bran substitute the kerosene oil. The estimated available supply of rice in Ceylon is 10,000 tons monthly which will yield 10,000 tons of oil. The production of puffed rice and rice wine are possibilities.

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## Countermeasures

view of the ominous Japanese Government seriously considering countermeasures in the form of development of natural resources from raw material countries, "unity, and the removal of competitive capacity.

## Coconut

The area under coconut in Ceylon is 1,100,000 acres and the crop of nuts per year is estimated at 2468 millions of his the following uses are made:

Exported	(M. Nuts)
Copra	104
Coconut Oil	592
Dessicated Coconut	321
Fresh coconut	11
Fibre	7500 <sup>0</sup>
Local Consumption	M. Nuts.
Cooking	92 <sup>0</sup>
Coconut oil	430
Soap and Margarine	90

Source: Ceylon Investment Guide Agricultural Processing Industries IDB.

The Export income from the coconut industry is around Rs. 200 million. A fair average under coconut is used for toddy tapping and a distillation industry producing one million gallons of arrack exist. At present the following items are produced in Ceylon:-

Coconut fibre, oil, mats, rings, ropes, carpets, dessicated coconut, soap, bottled toddy, vinegar, trickle, vinegar, rubberized coir fibre products coconut shell powder, charcoal, coconut shell cups, coconut shell curios

provision" from the preferential tariff program now in the works.

The last mentioned is a clause providing that imports to Japan exceed the preferential tariff limit by over 50 per cent, the exporting country or countries will be denied the benefit of preferential treatment during the following fiscal year.

Last year, Japan's ratio of exports to the Gross National Product rose to 9.6 per cent and chances are the percentage will increase further in the years ahead.

Emanuel Perez Guerrero, director general of the United Nations Conference on Trade and Development, who visited Japan recently, warned that Japan, which depends on international trade for her very survival, should not try to "go my own way" in contradiction to the world trend toward trade and capital liberalization.

Japanese Government leaders, increasingly aware of Japan's economic position in the world and criticisms from abroad, are resolved to push ahead with an open-door policy based on three major steps—capital liberalization, abolition of residual import curbs and encouragement of Japanese investment activities abroad.

They also see the need for a more effective campaign to publicize to the rest of the world Japan's efforts and willingness in this respect.

(Japan Economic Review).

tend-o-nut, bottled coconut oil, margarine, fatty acids, brooms and brushes, rope bags.

However, there are new possibilities from Coconut which I believe the industries Minister should give attention. They include activated carbon, acetic acid, acetone, methanol, methyl acetone, carbolic acid, pitch, fuel, shell ash, toilet products, felt, hardboard, insulation boards, panel boards, sheets rafters, etc.

## Rubber

Ceylon has 650,000 acres under rubber cultivation. The rubber based industry in Ceylon consumes less than 5% of national natural rubber produced locally and it plays a minor role in the industrial set up of Ceylon. New industrial possibilities are vast and includes broadly wearing apparel products like aprone, bathing caps, bibs, gloves; tyres and tubes; rubberized products; floor coverings; footwear; belting, tubing, piping; foam rubber products; and a vast range of miscellaneous rubber products. Bacon treated rubber wood would be a good base for furniture, paper, tea chest, chipboard manufacture. Rubber seed oil would be a good base for soap and paints.

## Tea

600,000 acres of tea in Ceylon produce 450 million pounds of Tea and peiobides almost 65% of our export income. The tea leaf waste and seed can be the base for the production of instant tea, caffeine and tea seed oil for manufacturing Stearic Acid.

## Essential Oils

centuries old and though there cunnamou trade has been a reduction in the acreage under cultivation our exports of quils, chips, bark and leaf oils are sizeable. The export income annually from the 36,000 acres under cinnamou is Rs. 20 million.

Other spices are available in sizeable quantities and can be the basis for an essential oils industry cinnamou bark and leaf oil, powdered cinnamou, clove oils, ginger oils, pepper oils, cardamon oils, aniseed oil, dill seed oil, Lemon grass oil, citronella oil, Lime and Lemon oil are possibilities the local essential oils market is estimated Rs. 8 million.

## Cashew

There are about 10,000 acres of cashew under cultivation in Ceylon. The tree grows in any poor soil and especially suited to Mannar, Puttalam, Batticaloa, Walawe areas. The state Plantation Corporation is expected to open up plantations of cashew in Ceylon. The cashew fruit, the edible nut and the shell can be the basis of new industries Wine from the fruit, roasted and

vacuum packed cashews nuts and oil from the shell are possibilities.

## Manioc

Manioc is cultivated extensively in small plots in all areas of Ceylon. It contains some prussic acid and it is necessary to wash it thoroughly to remove this poisonous principle. Manioc can be the source of pearl tapioca, industrial starch, glucose and dextrose. Ceylon consumes about 1500 tons of sago or pearl tapioca annually and most of this requirement is met by imports from India. The local requirement of Sago can be manufactured from 7000 tons of manioc or the product of 1500 acres of cultivation.

## Vegetable oils

There are industrial possibilities based on other vegetables other than coconut from which oil is extracted. Rubber seed oil, Sun flower oil, Groundnut oil, orange seed oil, lime oil, dombé seed oil, Kekure oil, gingerly oil, Kapok seed oil, cotton seed oil are some possibilities.

## Palmyrah Palm

It is estimated that there are 40,000 acres of palmyrah palms in the Jaffna District. Industrial possibilities includes fibre for brush making, rubberized fibre products, bottled toddy, jaggery, palm sugar, palmyrah jam, and palmyrah root flour.

## Tanning Extracts

Vegetable tanning can be manufactured from kadol, mangroves, Aralu, Ranawara Srikandaa, Kahata, Watle., Suriya, Madan, Mangoosteen skin, Kumbuk. This could replace the Rs. 4 lakh worth of imports of tanning extracts in Ceylon annually.

## Banana Tree

There are about 110,000 acres of plantain trees grown scattered in Ceylon. Manufacture of gunny bags, jute ressein from the banana tree trunk fibres, flour, chips, dehydrated pieces from the puit, alcohol from the skins are possibilities.

## MINERAL RESOURCE BASED INDUSTRIES

The principal minerals produced in Ceylon are graphite, limestone, gems, salt, kaolin, glass sand, mica, mineral sands, iron ore, etc.

## Graphite

Ceylon has been the major producer of graphite for the world and this mineral has been mined and exported for over 125 years. During the war years there were well over 100 mines but by the end of 1945 only a hundred were operating.

The main mines are at Raggala, Kahategeha, and Bogala. Scope exists for the upgrading of the lower quality graphite through dressing, grinding purification and in local use of graphite in crucibles, lead pencils, carbon brushes,

## U. S. Foreign Assistance Programme for the '70s

The second instalment from the text of president Nixon's Report will appear in our next issue

are light carbons, lubricants, dlast furnaces, electrodes, furnace facings, nuffle rings, skimmers, explosives, dry cell batteries, carbon coils.

## MICA

Mica mining has been carried on in Ceylon as far back as 1896. Mica is widely distributed in the Central province. The deposits mainly consist of 'Moscovite' and 'Phlogophite.' Mica can be used in the Electronic field as a dielectric in electrical capacitors and condensers and as a backing plate in certain capacitors to give rigidity for the use in radio and other electronic equipment. It is also used as an interlayer for air cooled transformer coils and as bridges and spacers in electronic tubes for radio and for TV sets. It has wide applications in electricity.

## Glass sands

Ceylon is regarded as a glassmakers paradise. Unlimited quantities of high quality sand for glass making are found in Madampe, Nattandiya, Point Pedro, and Chavakachcheri. The sand is over 98% silica, but traces of minute grams of ilmenite form the chief impurity in the Nattandiya sands. The ilmenite can be removed by screening. The industrial possibilities from silica sands include glassware, sheet glass, optical glassware, scientific glassware and electric bulbs.

## Kaolin

Ceylon has 40 million tons worth of Kaolin of which 8-10 million tons are found in Boralesgamuwa alone. New industrial possibilities include the manufacture of Electrical and thermal insulators, chemical procelain abrasion resistors, refractors etc.

## Peat

Deposits of peat to the extent of 40 million tons occur in Muthuraia Wela swamp in the Colombo District. Peat found here has 80% moisture and hence has to be de-watered and dried before use as fuel. According to an authority "partial decomposition or dry distillation trials may however, lead to a chemical industry where valuable gas, volatile liquids and cake may emanate. The day peat also contains hard wax and some iron in the form of a sulphate."

## Water Resources

Sea water is the basis for a vast number of industries, salt, chloride, chlorine, hydrochloric acids, pesticides, DDT Potassium Chloride, Soda Ash, Gypsum, Magnesia, Bromine can be manufactured from salt water.

The Minister of Industries and Scientific Affairs could also give attention to the substitution of imparted raw materials by a long term plan of local cultivation. For example, the import of Pal Kattu

and Preat Kattu Leaf to the tune of Rs. 9.5 million annually can be gradually replaced by the development of the cultivation of Kudumberiya leaf.

The import of fruit essences can be replaced by developing the fruit industrial sector. According to the available information in 1968 of the 1298

firms approved in both the public and the private sectors used 64.5% of foreign raw materials. The food, beverages and tobacco sector used 40.1%

of foreign raw materials, Textile sector 58.3% 11.5% foreign raw materials by the word, Sector; 67.1% by the aper sector; 62.4% by the Chemical Rubber Plastic Sector, 79% by the Industria

Mincral Sector, 96.3% by the Base metal Products sector 84.3% by the Fabricated Metal products sector and 80.4% by the Miscellaneous industrial sector.

Thus most of our industries are heavily dependent on foreign inputs. This may together with the IEEC's explain the high cost of locally manufactured products, the burden of which consumers have to bear.

The Minister of Industries in collaboration with the Minister of Internal and Foreign Trade should draw up a scheme to import all industrial raw materials through the proposed State Trading Corporation as a preliminary step to control cost, quality, standards, prices and also exchange rackets.

The Ministry of Industries should consider drawing up a Five year Industrial Development Plan which could be implemented incorporating the earlier suggestions. A socialist industrial sector could thus be developed on these lines.



November 7th - 53rd Anniversary  
of the  
Great October Socialist Revolution of the  
U. S. S. R. ( 1917 - 1970 )

**THE GLORIOUS OCCASION**

All Soviet people and progressive mankind today celebrates the glorious holiday — the fifty third anniversary of the Great October Socialist Revolution, the revolution which marked a turning-point in the development of mankind and set the whole world an example in solving the main social problems.

In the hearts of millions of people it lit inextinguishable flames of struggle for freedom, social equality and socialism. As our leader and teacher V. I. Lenin said, the Great October Socialist Revolution "showed the way to socialism for the whole world."

**Special Significance**

This year, this great occasion is celebrated under special circumstances. 1970 is the year of Lenin's birth centenary, the year of the 25th anniversary of the heroic victory over German fascism and Japanese militarism. This year Soviet people are also successfully completing the Five-Year plan and are actively preparing for the 24th Congress of the Communist Party.

The victory of the October Revolution opened for all the peoples of the USSR prospects to overcome, on their path of socialism, the centuries-old backwardness, and at an unprecedented tempo to reach an advanced stage in industrial and cultural development.

By



**His Excellency  
Rafiq Nishanov (Ambassador of the USSR in Ceylon)**

We began the building of socialism under such historical conditions when the use of electricity had become common in the

USA while in Russia wood splinters were the main means of furnishing heat and light. Yet today our Bratsk hydro-electric power-station alone is capable of supplying energy for 20 million people. In production of electric power the USSR has advanced to first place in Europe. In 1969 the

Soviet Union manufactured 110 million tons of steel and produced 328 million tons of oil.

**Agricultural Development**

V. I. Lenin in his time dreamed of 10,000 tractors which were necessary for bringing collective work within reach of the peasantry. But right now there are almost 2 million tractors, more than 600,000 combines and more

than one million lorries in the agricultural sector.

In the process of building up socialism the Soviet people, under the leadership of the Communist Party, have fulfilled Lenin's behest about collectivisation in agriculture. Collectivisation saved millions of working peasantry from social oppression, centuries-old poverty and ignorance, and helped them to find their way to modern progress.

Contd on Page 13



Vladimir I. Lenin and Yakov M. Sverdlov inspecting the temporary monument to Karl Marx and Friedrich Engels, in 1918

**FELICITATIONS**

*On the Occasion*

*of the*

**53rd ANNIVERSARY**

*of the*

**UNION OF THE  
SOVIET SOCIALIST REPUBLIC**

**CEYLON OCEAN LINES LTD.**

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# The 1917 Socialist Revolution and the World Revolutionary Progress

Over half a century separates us from the epoch-making days of November 1917, when the following Lenin's words spread all over the world: "The workers' and peasants' revolution, about the necessity of which the Bolsheviks (Russian Communists) spoke all along, has triumphed."

Ever since the ideas of the Great October Socialist Revolution have swept the globe every new year sees greater numbers of their adherents.

## Glorious Chapter

Our Revolution remains the most glorious chapter in world history. Its impact, however, is not only confined to this. Its experience, its revolutionary heritage, the historic results of the development of the world revolutionary process, ushered in the Russian Socialist Revolution, are now in the focus of the contemporary era. The 1917 Socialist Revolution served as a mighty "locomotive of history," which drove a huge country out of the age-old backwardness to progress, which laid the cornerstone of the socialist system and which brought the entire world revolutionary process to new frontiers.

V. I. Lenin said that from that moment on history was making one of its greatest turnabouts, having world-wide liberation significance, the turnabout "...from the bathos of suffering, torment, hunger and wildness to the bright future communist society, to general welfare and stable peace

The Great October Socialist Revolution of November 1917 turned to be a focal point of the objective trends of world development. The influence of the ideas of the Revolution continues to grow proportionally to the growth of the might of the socialist system, to ever bitter class clashes, with new millions of working people rising against imperialism in old capitalist and in developing nations. Only a revolutionary remodelling of society,

a historic continuation of the cause of the Russian Revolution, can put an end to inequality and oppression in the world, eliminate the dangers and hardships of military ventures for good, translate into life the ideals of freedom and democracy for the working people.

## Impact

Under a powerful impact of the Russian Socialist Revolution the world revolutionary process entered a stage of turbulent upsurge.

This point was stressed by Leonid Brezhnev, General Secretary of the CPSU Central Committee. He said: "In the past few decades the revolutionary process has attained a truly world-wide scope. There is no region in the world where a struggle for the cause of social and national liberation would not develop in this or that form. Imperialism is being subjected to attacks from all sides. Even those of its positions, which quite recently looked invulnerable, have become shaken. V. I. Lenin's prevision to the effect that most different forces and movements would merge together in the struggle against capitalism, is coming true."

The international working class and the world system of socialism are the principal forces in the struggle against imperialism, for socialism and communism, they are a pivot of the world revolutionary process. The present-day era is keynoted by a further steady growth in the ranks of the working class, by its greater organizational strength and political consciousness. In 1917 there were about 30 million industrial workers in the world; now this number stands at about 500 million. The working class produces three quarters of all world social product.

Not only numerical strength

of the proletariat, its greater political consciousness and class organization account for greater revolutionary might of the international working class. The point is that in a number of countries the working class, headed by its com-

By

N. Ivanov, M.S. (Hist).  
APN

unist parties, holds state power and is engaged in establishing socialism, one of the most significant and effective factors is the development of the world revolutionary process

## Inspiring Example

In 1918, when the working

people of Soviet Russia set about rehabilitating the war ravaged industry and farming, V. I. Lenin said that we exerted our influence on world revolution primarily through our economic policy. The world's first state of workers and farmers became a torch for world socialism, a focal point of revolutionary forces, an inspiring example for the working people of all countries of the world.

The Soviet Union has entered into the 54th year of its existence full of might and power. Its outstanding achievements in economics, science and culture, in space exploration are known to everyone.

The October Socialist Revolution of 1917 as a starting point for the epoch of the national-liberation movement. Disintegration of formerly mighty colonial empires, emergence of formerly oppressed nations on the arena of international politics as an active force, their struggle for national independence — all this is inseparably bound up with the victory of the October Socialist Revolution, with the consolidation of the forces of socialism, with the achievements of the world working class and communist movement, with the class and anti-imperialist struggle of the peoples of the world.

Continued on Page 15



## 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.



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# SOVIET FARMING ON AN INDUSTRIAL FOUNDATION

The Soviet Union is a vast country, situated on two continents, both in Europe and Asia. It differs greatly in its climatic and soil conditions. So efficiency of agricultural production largely depends on a skillful utilization of the possibilities and advantages of each zone.

Much attention is now also given to a better use of rec-

claimed land, yielding stable crops.

Grain is a stable crop in this country. The Soviet Union now leads the world in production of wheat; this country is a homeland of most productive varieties of that essential agricultural crop.

Wide application of organic and mineral fertilizers is the

chief method of boosting grain crops.

In line with a crash program for this year agriculture is to get 46-5 million tons of mineral fertilizers. If in the previous four years the increment in the amount of fertilizers delivered to farms was 11-6 million tons, the figure for this year will be 8 million. A sizeable portion of the mineral fertilizers will

go under grain crops, potatoes, vegetables and fodder crops.

The state, agricultural and Communist Party organs of the USSR pay much attention to the development of livestock farming. The experience gained by advanced collective farms testifies in favour of a specialization and concentration of that branch of farming as one of the principal factors accounting for more meat and dairy products, with less expenses involved.

In many regions of the USSR specialized complexes are being built on an industrial footing for production of meat, pork, poultry and eggs. Specialized sheep-breeding farms are likewise being set up. New mixed feed plants are going up.

#### Mechanization

The Soviet countryside has never received as much machinery as it will get in 1970. This fact points to a big potential of the socialist industry, engineering first and foremost.

Just several figures will suffice to illustrate this point. By the end of this year collective and state farms are to receive about 312 thousand tractors, 274-5 thousand tractor trailers, 156-5 thousand trucks, 49-6 thousand different combines (including silage choppers and flax, potato and cotton harvesters), 45 thousand milking devices.

Substantial qualitative changes are taking place as well in the field of mechanization of the agricultural production and in its stock of machinery. The transformation of the collective and state farm production into a variety of industrial production basically changes the nature of work of the present day peasantry.

Collective and state farms, along with processing enterprises, are to get 5 thousand sets of machinery and equipment for automatic devices at threshing-floors; their efficiency is 10 and 20 tons an hour. Work is in progress to start a production of the technological and auxiliary equipment, as well as of the pre-fab

metal parts, which will be used for buildings huge automated green-houses, each being 15 acres large.

Typical of the Soviet country side of 1970 was further development of subsidiary production and trades. Thereby a great social and economic task is being tackled — to overcome the traditional seasonal nature of farming. Rational employment in the socialist countryside means that every collective farmer, irrespective of his speciality, will be able to work the year round.

Apart from agriculture, truckgardening, horticulture and livestock farming, he needs subsidiary trades. Some of them are badly needed for the countryside itself, like, for instance brickyards, since construction is going on at a vast scale in rural areas. That is why this year the volume of output at subsidiary enterprises will increase in monetary value up to 7-6 million roubles. This will also stimulate a better utilization of perishable products and thereby make it possible to boost consumer goods production.

#### Consumption

The growth of USSR'S farm output in 1970 will allow to bring to a new height the consumption of such high-grade products as sugar, meat, milk, eggs, vegetables, fruits and gourds.

Thus per capita consumption of meat and meat products in the USSR is expected to be 47 kilograms, of sugar — 40-6 kilograms, of milk and dairy products — 296 kilograms, eggs — 150 pieces, vegetables and gourds — 93 kilograms.

Consequently Soviet people will eat better food. According to the UN statistics, consumption of nutritious food in the USSR is one of the highest in the world. It is bound to increase still more—(APN)

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## GLORIOUS OCCASION . . . .

Contd from Page 10

Now the Soviet Union can boast of a large-scale, highly-developed agriculture. In July 1970, the Plenum of the Central Committee of the CPSU worked out a comprehensive plan for intensification of agricultural production, backing it with enormous allocations in the new Five-Year plan to the tune of about 78 billion roubles.

### Aims

In the course of building up the new society, our people, under the leadership of the Communist Party, fulfilled Lenin's plan of the socialist cultural revolution. For the first time in the world, the achievements of culture, science, technology and art were used for the good of working people,

and have now become their property.

The aims of the cultural revolution—the appreciation of the culture of the past, the mastering to the maximum of those cultural values which have been created by mankind, the creation of a new socialist culture — have been achieved. The Soviet Union is among the first as far as the level of people's education is concerned. Now more than one-third of the Soviet population has acquired secondary or high education: we have more than 820,000 scientific workers. Every fourth student in the world is a Soviet student.

During the years of Soviet power, great success was achieved in the development of the economy and culture in all the

15 Union Republics. This is the result of our Party carrying into life Lenin's wise national policy. The high level of the development of Soviet society offers us the opportunity to begin the practical construction of communism. Celebrating the 53rd anniversary of the Great Revolution, the working class, collective-farm peasantry and Soviet intelligentsia are rallying even more closely around the Communist Party, and are increasing their layout efforts for the sake of the advance towards communism.

The Soviet Union, together with other fraternal socialist countries, is actively coming out for world peace, is fully supporting the national liberation movements of peoples, exposing before the whole world the aggressive course of imperialist countries. The anti-imperialist, anti-colonial struggle of peoples going along

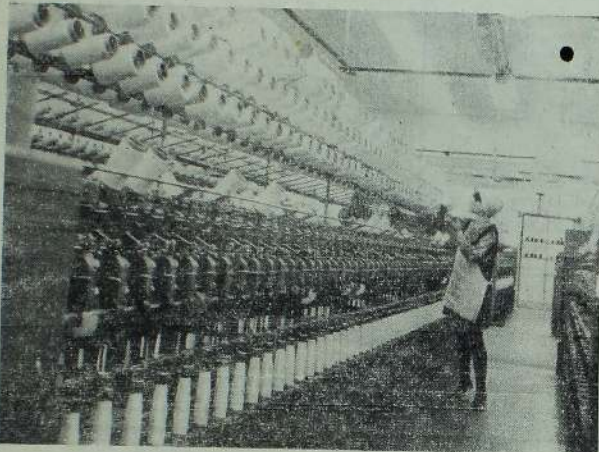
## U. S. S. R. National Day Special Supplement

the path of independent development receives the full and comprehensive assistance of the Soviet Union.

The Soviet People treasure the memory of the late Mr. S. W. R. D. Bandaranaike who first established diplomatic and other relations between Ceylon and the Soviet Union

and made a big contribution to the strengthening of friendship between our two countries. They also value very highly the positive steps taken by the Government led by Mrs. Sirimavo Bandaranaike in furtherance of the policies of her late husband.

Contd on page 15



The twisting department at the Daugavpils chemical fibre factory

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# RUSSIA'S TRADE PARTNERS

According to the latest report of the USSR Central Statistics Board, Soviet foreign trade amounted to 10,500 mln. roubles — an increase of 12 per cent — in the first six months of the current year. It is a considerable increase, particularly in view of the fact that only five years ago the entire annual trade turnover did not exceed 14,600 mln. roubles.

One can judge a state by its exports, imports and the principles adhered to in foreign trade. The Soviet Union's prestige in the international market has been great at all times. Soviet exports, particularly of machine-tools and equipment which account more than a fifth of all Soviet deliveries now, promote economic development of socialist countries and strengthen national and economic independence of developing countries.

Sea-going vessels, planes, forge and press automatic equipment, coal-mining combines, tower cranes, tractors, farm machinery, fertilizers, timber, chemical reagents, toys and even Tibetan medicines and hundreds of other goods are delivered to foreign countries. The demand for all this is stable.

### Foreign Trade Pattern

Foreign trade plays a considerable role in the economic life of the Soviet land. The Soviet Union has become one of the largest trade powers of the world. Among its partners there are over a hundred foreign states, with 82 of which commercial relations are regulated by inter-governmental agreements.

Two thirds of Soviet foreign trade falls to the share of socialist countries. In 1969,

various goods to the sum of 12,900 mln. roubles were sold to them or bought of them.

The 23rd special session of the Council for Mutual Economic Assistance, held in 1969, took important decisions on further development of economic co-operation among fraternal countries at the present, higher, stage of socialist and communist construction. CMEA programme is co-ordinated with five-year plans of socialist countries.

Among Soviet trade partners there are 70 states of Asia, Africa and the Middle East. Agreements and treaties were signed with 46 of them. Economic co-operation with Iran, Turkey, UAR, India, Pakistan, Algeria, Afghanistan, Syria, Sudan and Morocco develops fruitfully.

Building up their national economies and strengthening political independence, developing countries buy in the USSR machines, equipment and goods necessary for production. The Soviet Union imports various products in the range of their traditional exports and semi-finished products.

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The Soviet trade turnover with developing countries reached 2,500 mln. roubles in 1969. (The figure for 1965 was 1,700 mln. roubles). All this provides a sound foundation for the consolidation of their industry and agriculture.

### Western Bloc

Soviet trade with capitalist states has also grown in the last few years. Lenin pointed out that trade with them is an important factor of the practical implementation of the policy of peaceful co-existence and a reliable base for strengthening political and cultural relations, international secu-

rity and peace among the nations.

Trade has grown with Britain, Japan, Finland, Italy, FRG, France, Sweden, Austria and Holland. Long-term treaties are particularly important. There is a five-year trade agreement with France. Trade between the USSR and Italy has grown 2-5 fold in the last four years.

There is a long-term trade agreement (for 1969-1975) with Britain. Contract on gas delivery to the FRG in exchange for large-diameter pipes and equipment was concluded with the FRG last February.

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# The 1917 Socialist Revolution...

(Continued from Page 11)

Under the influence of the ideas of the October Revolution millions of people in the countries of Asia, Africa and Latin America rose in a determined struggle against colonialism. "The October Revolution not only rendered a decisive assistance to the peoples of the East by dealing the first smashing blow to their common enemy, imperialism. It also showed an example of genuine national freedom of the peoples, formerly oppressed by tsarism." These words belong to Ho Chi Minh.

The past fifty years witnessed a radical change in the state of the vast territories on the three continents, which for a long time had been the object of ruthless imperialist exploitation and expansion. Now young liberated states emerged on 95 per cent of those terri-

ories, these states embrace 97 per cent of the population.

Loyal to the ideas of the Great October Socialist Revolution of 1917, to the behests of the immortal leader and teacher V. I. Lenin, the peoples of the Soviet Union and of other socialist countries, as well as fraternal Marxist-Leninist parties regard it as their internationalist duty to extend all-round and effective assistance to the countries fighting for their national liberation.

Imperialism seeks to set the global system of its military alliance against the world anti-imperialist front; it is out to unite and incite ultra-reactionary forces, to make use of the right social democracy and modern revisionism for splitting up the communist and working class movement, for isolating and crushing the

liberation movement of the working people.

## Substantial Changes

Lately substantial changes are taking place in the communist and working class movement of the advanced capitalist countries. Broad progressive segments tend to unite to a greater degree around the working class and communist parties. There is a growing inclination toward unity of action. Gradually the situation arises favourable for the creation of the broadest front of the left-wing democratic forces for the struggle against the policy of imperialism.

The national-liberation movement, too, is entering a new phase. The peoples of former colonies, who won their

political independence, strive to attain full economic independence and social progress.

"There must be no doubt that the cause of the international socialist revolution, begun in

October, will win, despite all difficulties and obstacles, despite all efforts of its enemies."

These Lenin's words bound today as a profound scientific prediction.

## Glorious Occasion...

(Continued from Page 13)

Soviet people are also gratified that Soviet-Ceylon economic and cultural co-operation is becoming wider and stronger. Soviet experts participated in the construction of such enterprises in Ceylon as the steel and tyre factories and the flour mill.

Many books and articles are being published, and radio and TV programmes being prepared in the Soviet Union on Ceylon.

Great credit for the development of mutual understanding between our two peoples belongs to the Lanka-Soviet Friendship League. The Lanka-Soviet Friendship Month which is now taking place throughout Ceylon, is a fine example of the ever-growing friendship between our two countries.

Representatives of our people, together with Ceylonese, cleared the jungle for rice and cotton fields. A new trade agreement on mutual exchange of goods was signed recently.

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# THE ECONOMIC TIMES

Editorial Department  
Monday, 2nd November 1970

(1st Floor), 157, Jayantha  
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## FIRST SOCIALIST BUDGET

The first Budget of the United Front Government was the most awaited Budget in recent years. It aroused more than normal interest both at home and abroad. The policy and development strategy of the previous regime had failed to fulfil the rising expectations of the people. Therefore, this Government had received a clear mandate from the country to pursue its election pledges towards building up a socialist society as opposed to a capitalistic society.

The socialist measures announced by the Minister of Finance are designed to achieve the desired transformation while preserving democratic traditions. Those who expected the Finance Minister to "run too fast" will be disappointed as the changes contemplated are to take place judiciously. In this context the tone of the Budget Speech is most sober—particularly as it emanates from a decisively left inclined Minister of Finance.

It is perhaps this thought that has gladdened industrial and commercial circles. The business sector could look forward with optimism as no "revolutionary changes" are pledged. While recognising the fact that the private sector has a distinct role to play, the Minister of Finance adds: "the commanding heights of the economy should be in the hands of the State." Thus if the private sector plays its role effectively—conforming or adhering to Government policy—there could possibly be no cause for alarm.

As far as budget strategy is concerned it is observed that there are similarities in approach adopted by Dr. N. M. Perera and his predecessor, though there are varying degrees of divergence in the remedies prescribed. Both Finance Ministers have granted that a developing country like Ceylon must continue to rely on foreign aid for a long time more before it could finally break away from the vicious circle of a recurring balance of payments deficit resulting from continued adverse terms of trade.

Both the 1969—70 and 1970—71 Budgets have an anti-inflationary or deflationary approach. While the previous Finance Minister's strategy was based on the premise that the balance of payments deficit would lead to a reduction in imports and the process would end with a stable money supply, as advocated by the IMF., Dr. Perera has relied more on the Keynesian concept that the magnitude of savings and investment would determine the extent of development, and finally cure the country's economic ills.

The balance of payments approach failed to work as anticipated. In fact export earnings declined while imports increased. Dr. N. M. Perera has therefore shifted the emphasis to savings and investment.

The success of the new strategy would depend largely on reducing the propensity to consume as against the propensity to save. It is precisely for this reason that the Finance Minister has introduced both compulsory and voluntary savings through incentives. The need for increased savings was stressed by the last Finance Minister as well. His scheme of "forced savings" was based on the assumption that the rise in the general price level resulting from Devaluation, FEECs and a restriction of imports; would induce people to refrain from consumption and resort to savings; but this was never realized. The Finance Minister might find himself in a similar position if his austerity call goes unheeded. Therefore, the success of the budget depends largely on harnessing domestic savings for development purposes.

In order to contain inflationary pressures it would also be vitally necessary to ensure that a greater portion of idle money that has been activated as a result of demonetisation increases the level of bank deposits which could be utilized for development.

The Minister of Finance has performed a magnificent job in the circumstances and it is left to the people to co-operate and see that this development and employment oriented Budget becomes a reality.

## BANKS - A PREDOMINANT ROLE

The predominance of the Bank of Ceylon and the People's Bank in the development of the Banking Sector of the economy will continue to be preserved. More powers are to be vested in these two banks so that they could play a wider and more effective role in financing economic activity.

The principal changes will involve an enlargement of the Capital structure of these two institutions and an increase in the limit of loans granted without security: where the usual criteria for creditworthiness cannot be satisfied loans shall be granted on the basis of Government guarantees. These banks will also eliminate the very strict criteria hitherto adopted in relation to security for loans granted.

Commercial Banks will apart from their normal activities, be expected to lend themselves to credit activities where the specialised agencies cannot meet a particular demand for some season or other.

The Banks will thus carry a residuary obligation towards agricultural, industrial and commercial development whether it be through the public sector or the private sector.

### New Banks

It is proposed to establish four new Banks viz., a National Savings Bank, Agricultural Development Bank, National Development Bank, and an Export Import Bank.

### Establishment of Small industries

The Small Industries Planning Committee has selected hundred items for scrutiny as to their feasibility for participation by the Small Industries sector. Draft feasibility studies regarding the establishment of seven essential small industries were presented at the fourth meeting of the Committee held recently.

The following are the seven small industries in respect of which draft reports have been prepared:-

- \* Flour Milling—wheat, rice etc.
- \* Earthenware pipes (including pipes used for sanitary ware)
- \* Study on fishing nets
- \* Establishment of hank sizing plants
- \* Rubber based industries—manufacture of rubber toys.
- \* Manufacture of mechanised small boats
- \* Maldive fish

It was agreed at this meeting that the reports presented to the Committee will in the first instance be referred to the Ministries of Industries

*It might be of interest to note that the previous Finance Minister too proposed the establishment of a National Development Bank in his Budgetary proposals for 1969-70, but no steps were taken for its implementation.*

The National Savings Bank will provide variety in the savings facilities offered to the public so that the preferences of different classes of depositors, particularly those in the

### Budget Issue

rural sector could be effectively exploited. It will also co-ordinate the function of management of savings with actual promotional work to ensure better planning of savings promotion programmes.

It is envisaged to open branches of the National Savings Bank throughout the country.

The functions of the existing public sector savings institutions viz., the Ceylon Savings Bank, the Post Office Savings Bank and the National Savings Movement will be amalgamated

in order to nurture new ideas for the maximum mobilisation of the savings of the community towards financing economic development.

The Agricultural Development Bank will provide credit for agricultural purposes only.

The chief function of the National Development Bank will be to provide medium and long-term credit for industrial agricultural and commercial development. It will provide a variety of services such as lending, Pioneering and promoting, under-writing and providing technological expertise.

The rationalisation of credit institutions necessitates the establishment of the export-Import Bank. Its function will be primarily to service the export of non-traditional products and facilitate the movement of such goods through credit guarantees not presently handled by larger institutions.

It is envisaged that this bank will engage in export promotion work and market research both in Ceylon and abroad and in course of time offer expertise that could benefit the country's export diversification programme.

## Capital Levy - A flea bite!

The once for all Capital Levy imposed by the Minister of Finance in respect of the high income brackets has an element of incongruity in that the really privileged few whose aggregated net wealth exceeds Rs. 1 million will stand to benefit to the extent that no further levy is made beyond the 25 per cent ceiling.

This tax will operate as follows:-

	per cent	Rs.
1. Rs. 200,000 of leviable capital	3	6,000
2. Next Rs. 200,000	5	10,000
3. Next Rs. 200,000	10	20,000
4. Next Rs. 200,000	15	30,000
5. Next Rs. 200,000	25	50,000
		116,000

Thus those in possession of an aggregated net wealth of Rs. 1 million will pay Rs. 1,116,000 as Capital levy, but wealth in excess of this amount will not be taxable. Hence, whether a person's net wealth amounts to Rs. 1 million or Rs. 10 million that person shall be liable to pay Rs. 1,116,000 and no more. This is indeed no more than a "flea bite" to the affluent few.

and Scientific Affairs and Planning, C.I.S.I.R. and other Government Departments and Corporations concerned for their views. Once the views of these institutions are received they will be considered by the Planning Committee and reports amended where necessary. The amended reports thereafter will be printed within two weeks and distributed among the potential small industrialists and co-operative societies.

## Crash programme

Contd from Page 5

The emphasis on industrial development and the finding of suitable local substitute for imported raw material are also built to the wider problem of providing jobs for the unemployed. This is so because we cannot expect savings to rise in this group since they have been at a very subsistence level of existence. Nevertheless, the necessity for propaganda for increasing savings and also to guide expenditure cannot be gainsaid.

The Planning authorities and the finance ministry will have to guide the scheme very carefully if full benefits of the investments are to be enjoyed by the economy. This is essential since there has not been any fundamental change in the economy to say that income and expenditure pattern of the people would be different from what it has been. The pattern of thinking must change.

## SOVIET - CEYLON TRADE PACT

Ceylon and the Soviet Union signed a trade agreement for mutual deliveries of goods in 1971—72, it was officially announced.

Under the agreement, the Soviet Union will sell machinery, equipment, cement, cotton, fabrics, sugar and other goods in return for such items

as tea, rubber, coconut oil, copra, footwear, and canned fruit.

The Agreement was signed by Mr. Mikhail Kuzmin, Soviet First Deputy Foreign Trade Minister and Ceylon's Minister of Foreign and Internal Trade, Mr. T. B. Ilangaratne.