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Towards Asian Regional Co-operation

Ceylon will make a strong case for increased Regional collaboration in aid, trade and industrial programmes among Asian countries at the Ministerial Conference in Kaubal, Afghanistan, which goes on till December 19.

The Minister of Industries and Scientific Affairs, Mr. T. B. Subasinghe, leads the Ceylon delegation to this ECAFE sponsored Conference.

According to a Ministerial source, the need to establish an Asian Reserve Bank and a Clearing House for Regional payments will figure high on the agenda.

AFRICAN TEAS POSE NEW THREAT.

(BY A STAFF REPORTER)

The popular concept that price rigging at the world tea auction centres has accounted largely for depressed tea prices in the International market, received a jolt when Mr. Doric de Souza, Permanent Secretary to the Ministry of Plantation Industries revealed that the newest threat to the tea industry is the intensification of production plans in African countries—with the assistance of International organisations such as the I.B.R.D.

Mr. Souza maintained that some of these African countries did not have a local consumer market and therefore capital now being invested on a large scale was for the production of tea for export which would add to the problem of falling prices. This was detrimental from Ceylon's point of view.

The new tea producing countries of Africa are not adversely affected by the problem of low prices as their tea exports are duty free and not subject to external tariffs. Moreover, their teas are of lower quality. Therefore, the tendency is to expand production and increase their volume of exports at whatever price that could be fetched. This is of course diametrically opposite Ceylon's interest.

FAULTY PROPAGANDA

Another factor that has benefited African teas and imperceptibly affected Ceylon's exports is the propaganda carried out by the Tea Council in the U.K. Ceylon and India bear the main financial burden for the activities of the Tea Council which merely advertises "Tea" and does not stress on quality.

The fact that the consumption of African teas in the U.K. had shot up from 11 to 30 per cent, while consumption of Ceylon, and India's teas had dropped shows clearly the impact of the propaganda activities carried out there. The Ceylon delegation to the tea talks that concluded in New Delhi last week, has therefore

insisted that propaganda should stress the element of quality. Ceylon's main standpoint at the tea talks was that the two major tea producing countries—Ceylon and India, suffered most as a result of the falling prices and that a long-term International Tea Agreement was an urgent necessity. This was accepted in principle despite bitter opposition from the African countries.

EXPANDING U.S. MARKET

As Ceylon is a major producer of quality teas there

lies an excellent chance of capturing the rapidly expanding tea market that the United States provides. U.S.A. is the second largest tea importer next to Britain.

America Consumes about 144 million pounds of tea annually and new forms of tea are fast gaining popularity. The U.S. insists on high standards and imports only quality teas. Thus Ceylon teas could dominate this market. But what is needed most is propaganda on the right lines.

State to set-up more industries

The Government has decided to set up at least fifteen major industries in the public sector shortly. Some of the new lines of manufacture are at present, the monopoly of private sector industrialists.

The new industries will include the manufacture of sewing machines, synthetic textiles, agricultural tractors and coconut fibre products, all of which are in the hands of private entrepreneurs.

Officials of the Minister of Industries and Scientific Affairs, are now studying preliminary plans for the establishment of these public sector projects.

According to a Ministry spokesman the decision to

launch into fields of manufacturing industry already in the hands of the private sector, was a move to end monopolies enjoyed by the big industrial tycoons.

LOCAL RAW MATERIAL

Feasibility studies carried out in regard to the new industrial ventures had revealed that they could be operated as viable units under State ownership.

The Government would maximize the use of indigenous raw materials and also produce industrial components locally with a view to whittling down the considerable drain on foreign exchange experienced at present on the import of raw materials and components.

This will be in line with Government policy to disallow the establishment of "assembly plants" in future.

Deficit in external trade

The value of total exports including re-exports for the period January to September 1970 was Rs. 1,597.2 million and that of imports was Rs. 1,766.8 million resulting in a trade deficit of Rs. 169.6 million as compared with a deficit of Rs. 424.6 million for the corresponding period last

year, according to Ceylon Customs Returns.

In September 1970, the value of total exports was Rs. 150.2 million and that of imports was Rs. 190.3 million resulting in a merchandise trade deficit of Rs. 40.1 million as against a deficit of Rs. 39.0 million in September 1969.

The value of imports (Customs data) when adjusted for Food Commissioner's actual deficit of Rs. 53.4 million in September, 1970 and a deficit of Rs. 127.2 million for the first nine months of 1970.

Unemployment up

The total number of registrants for employment or better employment increased from 395,596 in July 1970 to 400,789 in August 1970. The total number of persons placed in employment increased from 138 in July 1970 to 172 in August 1970. This information is revealed in the registers of the Employment Exchanges.

TEA PACKETING: GOVT. MONOPOLY?

The Government is considering a proposal to take over the packaging and distribution of tea for the

country's domestic market which involves an annual consumption of 30 million pounds which amounts to over sixty million rupees.

The Ministry of Plantations Industry is now conducting a study on the packeted tea industry and the working of the domestic tea market, for this purpose.

The Ministry summoned representatives of leading tea packaging firms to a conference where matters connected with the working of the industry were discussed.

It is understood that after the take-over, tea for the domestic market would be marketed under a single brand name.

Agriculture Training Centre

Ceylon will soon have an Agricultural Institute to train Cultivation committee members in the economics of agricultural development. This Institute will be set up with assistance from the Food and Agricultural Organisation (FAO).

The proposal for the setting up of this Institute was mooted by the Minister of Agriculture and Lands Mr. Hector Kobbekaduwa, with a view to giving

peasants the leadership in the implementation of an intensive agricultural development programme. It will afford a course of training lasting five years under the aegis of the F. A. O. to Cultivation Committee members in agricultural economics, agriculture and social development and scientific methods of agricultural production.

After the first five years this institute will be run by the Ceylon Government.

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CEYLON'S FORTNIGHTLY FINANCIAL REVIEW

MARKET PRICES

COLOMBO

CLOSING PRICES 6.12.70

TEA (Rs. Cts. Per lb.)

Approximate range of prices (including teas sold Ex-Estate)
BOPS B.O.P.Fs

High Grown	1-53	3.30	1.65	3.10
	1 at 3.40	1 at 3.50	1 at 3.20	1 at 3.25
	1 at 3.65	1 at 3.70		
Medium Grown	1.42	1.86	1.50	2.01
Small leaf Low Grown	1.40	1.55	1.45	1.63
Tea for Price	1.20	1.40	1.30	1.45
Leafy B.O.P.	1.40	1.55		

	F. B. O. P.s.		F. B. O. P. Fs	
Tippy Teas	1.40	1.65	1.48	6.05
	1 at 1.66	1 at 1.75	1 at 7.00	1 at 7.60
			1 at 9.00	1 at 15.00

RUBBER

PRICES FOR THE WEEK ENDED 6.12.70

Rs. cts.—per lb.)

	Closing Quotations	Avg. to date 1970	Avg. Same Period 1969
RSS No. 1 ..	87 1/2	91 1/4	104 1/4
RSS No. 2 ..	82 1/4	86 1/4	100 3/4
RSS No. 3 ..	80	84 1/4	99 1/4

(Rs. per candy)

COPRA	Open., Price	Clos., Price
Estate copra No. 1. ..	236.00	249.00
COCONUT OIL (Rs. per ton)	Open., Price	Clos., Price
November ..	1550.00	1550.00
December ..	1550.00	1550.00

DESSICATED COCONUT

(Per. lb.)

November and December 70 and 68 cts. Closing Price

PRICES FOR THE WEEK ENDING 6.12.70

Commodity	Buyers Per lb.	Quotations	Export Duty
Cardamoms ..	21.00	24.50	40 % on true
Cadamom Seeds ..	19.50		F.O.B. value
Cloves ..	38.00	40.00	
Clove Stems ..	4.50	5.00	
Mace ..	8.00	8.50	
Nutmeg (Shelled) ..	4.25	4.50	
Nutmeg (Unshelled) ..	2.40		
Pepper (Black) ..	5.00		
Papain (White) ..	14.00	14.50	
Papain (Brown) ..	9.00	9.50	
Cinnamon H/1 ..	3.00	20% on true	f.o.b.
Cinnamon ..	3.50	-do-	-do-
Cinnamon Quilings No. 1 ..	2.50	-do-	-do-
Cinnamon Quilings No. 2 ..	2.75	-do-	-do-

Per Cwt.

Export

Cocoa ..	Unquoted	40 % on true f.o.b. value
Coffee ..	375.00	
Kapok (Clean) ..	150.00	
Kapok (Unclean) ..	50.00	
Cotton Seeds ..	130.00	135.00
Essential Oils	Per Oz. lb.	Export Duty
Cinnamon ..	23.00	
Cinnamon Bark Oil ..	24.00	
Citronella Oil Estate Quality ..	6.50	10—on true
Citronella Oil Ordinary ..	6.25	f.o.b. value

SUBSIDIARY CROPS—WEEKLY PRICE LIST POYA.
ENDING 5.12.70

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

Cereals	(Per Bag 154 to 158 Lbs.)	Per bushel
Paddy		
Samba ..	16.00	
Other varieties ..	13.00	14.00
Rice		
Par Boiled ..	70.00	
Country Rice No. 1 ..	85.00	
Country Rice No. 2 ..	73.00	
Samba Rice ..	100.00	
Korea Rice ..	110.00	

TEA REPORT

Auction No. 47 was held on 6th and 7th December, 1970.

The total quantity offered was 7,242,975 lbs., comprising 3,802, 028 lbs. Leaf Grades 902, 988 lbs. Dusts, 14,303 lbs. Reprints, 106, 951 lbs. Sundry Lots and 2,431,008 lbs. Ex. Estate. A few second invoices from Western districts were brighter but overall quality was very similar to last week. High-Grown Tea: There was less demand for thin and planish Brokens but good quality teas sold well at firm to dearer rates. There was a better demand for BOPFannings around the Rs. 2/- level but the lowest and highest priced types remained unchanged. Useful liquoring Pekoes were strong and dearer, with OPs about steady.

Medium-Grown Teas: Bright cloury Brokens were 5/10 cents dearer although the plainest declined a few cents. BOPFannings, except for the plainest which were easier, met more demand and were 10/30 cents dearer. Leaf Grades were firm Low-Grown Teas: There was a good demand for all Low-Growns with prices only varying a few cents. But small leaf Brokens were 2/5 cents easier with BOPFannings slightly dearer in the upper price range. Leafy types suitable for the Persian Gulf met more demand and were 3/5 cents dearer.

Commodity Commentary

Tippy Teas: FBOP's and small leaf flowery fannings were 2/5 cents dearer but the best came to an easier market.

Dusts: Grainy Low-Growns and Mediums were 3/8 cents easier but the bright Westerns were 10/20 cents dearer. Powder sorts advanced a few cents.

Off Grades: There was good demand all round and these came to a dearer market.

RUBBER REPORT

Week - ending 6th December, 70

RSS No. 1 opened 2 cents easier at -89 cents per lb due to the increase in duty by 2 cts per lb and continued to decline thereafter in line with overseas advices to close at -87 1/2 cts per lb.

Approximately 596 tons of Latex Crepes were offered at the Two Sales held during the period under review, a slight increase of 82 tons compared to the previous week's total. At the First Sale, Best latex & F. A. Q. offerings were marked up by 1 cent per lb but the duller sorts eased by 3 cts lb. Inferior types however remained unchanged. At the following Sale, Best latex & F. A. Q. offerings showed gains of 1 1/2 cts per and 1 to 2 1/2

cts offerings showed further cts respectively. Duller sorts recovered by 3 cts per lb, whilst the inferior types once again remained unchanged.

Approximately 135 tons of Scrap Crepes were offered, a decrease of 30 tons compared to the previous week's total. At the First Sale, light brown scrap crepes eased fairly sharply by 3 cts per lb, whilst the dark brown sorts too declined by 1 ct per lb. Darker offerings however improved by 2 cts per lb. Flat Bark remained unchanged. At the following Sale, All Scrap Crepe offerings met with good general demand and were quoted 1 to 3 cents per lb. higher.

Approximately 13 tons of Sole Crepe were offered during the week under review, a decrease of 5 tons compared to the previous week's total. Values improved further on. Very keen competition for all thicknesses on continued overseas demand which remained unsatisfied.

Forwards: Large quantities of Thick Crepe No. 1 Thick and/or Thin Crepe No. 1 changed hands during the week at Rs. 1/28 per lb for January/June, 1971 delivery.

Produce Report

4th December, 1970.

Cardomoms: There were 173 lots, totalling 12,239 lbs. on offer at the sale last week, showing an increase of as much as 4,066 lbs. on the previous week's quantity. Following poor demand and perhaps due to the large quantity on offer, all grades suffered a setback in prices and at the close of the

sale No. 1 quality was quoted at Rs. 21/- to Rs. 24/50 per lb. which is a decrease of Rs. 1/75 on the previous week's quotation. Grades next to best moved down proportionately, and these were traded at Rs. 18/- to Rs. 21/- per lb., while off-grades sold at Rs. 7/- to Rs. 10/- per lb. Business in seeds was done at Rs. 19/05

Pulses	Per Cwt.
Maize ..	48.00
Red Gram (Toor Dhal) ..	40.00
Black Gram (Undu) ..	61.00
Bengal Gram ..	46.00
Bengal Gram ..	53.50
Bombay Cowpea ..	40.00
Millets	Per Bushel
Finger Millet (Kurakkan) ..	10.00
Sorgum ..	440.00
Soya Beans ..	700.00
Spices Condiments	Per Lb.
Mustard ..	14.50
Chillies	Per Cwt.
Dried Long ..	700.00
Dried Round ..	300.00
Dried Off Grade ..	200.00
Goraka ..	110.00
Vanila ..	15.00
Tamarind ..	350.00
Nut Cashew ..	—
Groundnut ..	80.00

per lb. The highest price for the day was Rs. 24/80 and the per lb. The highest price for the day was Rs. 24/80 and the lowest sale was done at Rs. 1/- for one lot of husks.

Cocoa: There were 63 lots, totallings 473 cwt. on offer this week as against the previous week's quantity of 259 cwt. indicating an increase of 214 cwt. Trading conditions continued to remain dull and in the absence of any trading in No. 1 quality Cocoa, no quotation was made for the week. Grades next to best sold at Rs. 200/- to Rs. 220/- per cwt. with the darker and poorer grades selling at Rs. 150/- to Rs. 175/- per cwt. No garblings or shell cocoa were on offer.

Coffee: 5 lots totalling 13 cwt. were on offer, the best of which transacted at Rs. 375/- per cwt. for quotation to be made at this price.

Pepper: One lot of 139 lbs. of average quality pepper was on offer for which keen bidding took place, and was finally sold at Rs. 6/- per lb. Nominal quotation was made at this price.

Nutmeg: One lot of 15 lbs. was on offer which sold at Rs. 2/24 per lb., at which price quotation was made. No off-grades or poorer qualities were on offer.

MARKET PROSPECTS FOR PAPAIN IN EUROPE

The main traditional European markets which should attract the attention of papain producers are Belgium, France, the Federal Republic of Germany, the United Kingdom, the Netherlands and Italy.

Papain may find an extensive market in the field of washing products. Another potentially important sector could be that of food-stuffs.

Standards

Most United Kingdom users buy papain on the strength of samples, but buyers frequently put their trust in the brand of the product and the reputation of the producer.

Standards vary from one country to another, especially where the determination of the proteolytic activity is concerned. In the United States it is considered normal for good quality papain to proteolyse thirty-five times its own weight in fat-free meat, whereas top

quality papain should render soluble 200 to 300 times its own weight in egg albumin coagulated in an alkaline medium.

Packages in current use

Papain is usually vacuum packed in tin canisters lined with wax paper or coated with paraffin wax.

In fact the papain must be protected against humidity, contact with the air and light in order that it should not lose its proteolytic activity.

The tins usually contain about 30 pounds of papain and are packed for shipping in wooden cases, two or sometimes four to a case.

Main Potential Uses

Papain has been suggested for the degumming of silk. Work in this field has been carried out, in particular, by the research workers of the Wallerstein Company in the

United States and also by the Faculty of Science of the University of Lyons in France, before the Second World War.

It would certainly seem that in most European textile mills, where the silk is agglomerated before being woven it is usually boiled off with the aid of soapy alkaline solution. Nevertheless, it could be suggested to silk mills in tropical countries, where papain would be easily obtained, that they could examine the possibility of using a papain process provided, of course, that these are not already using it, and that the cost price of this process would compete with alkali-based processes.

The use of enzymes in washing products is a phenomenon which could completely change the papain market. There is absolutely no doubt that washing products have, in fact, made considerable progress

over the past few years—e.g. limited foam, introduction of optical blue agents, etc. The latest discovery in this sector is that of enzymes. In fact, certain stains or marks of a biological nature resist both classical ionic or non ionic surface active products and perborate-type oxidizing agents. In these difficult cases it is possible to use proteases which act as catalysts for the dissipation of proteins.

In France, the use of enzymes in washing products has revolutionized the market. A new product, "Ariel," has captured 7 per cent of the market in a few months. Products which are already well-known, such as "Genie" and "Lava," now contain enzymes. Other brands containing enzymes will soon be launched onto the market or will have been launched by the time this study is published.

Scheme to develop arecanut, c'nut in India

An all-India co-ordinated research project for the improvement of coconut and arecanut will be taken up during the Fourth Five Year Plan at an estimated cost of Rs. 40 lakhs.

Sanction for the three-and-a-half year project has been accorded by the Union Ministry of Food and Agriculture to the Indian Council of Agricultural Research. The project will be implemented by the council which will finance it 100 per cent as a Centrally-sponsored scheme.

Under the scheme, one main centre, two regional centres and 10 sub-centres will be set up. In addition, four centres under the State Governments will be brought under the project for technical co-ordination.

FROM THE CHAMBERS

The Annual General Meeting of the Small Industrialists Association of Ceylon was held last week at the L. C. P. A., Hall. Mr. J. D. L. Abeyavickreme, President, presided at the Meeting.

Excerpts of the Presidential address are given below:-

National Apprenticeship: The Members of the Small Industrialists Association of Ceylon are called upon to give their fullest support and co-operation to Government for the successful implementation of this Scheme.

Labour complex: We Small Industrialists categorically condemn any subversive activities on the part of pseudopatriots or the working class, political opportunists, extremist movements or common rabble-rousers who seek to place obstacles in the implementation of genuine democratic-socialist poli-

cies of the Government, whether it be immature mistranslation of actual socialist policies or deliberate subversion for personal or party ends. Strikes, the main cause of our economic retardation and stumbling block to many a past Administration, should not be permitted to prolong for more than a reasonable period.

Industrial Development: The period between 1960-1968 saw nearly 1500 Industries producing import substitutes. However, probably due to the lack of competent Officials during the transitional period, where many loopholes existed in the Administration, added to a fertile climate conducive to the schemes of unscrupulous Enterpreneurs, valuable foreign exchange was permitted to flitter out of the Country. In spite of this state of affairs, however, there has been an increase in the share of industrial production in the gross national Product due to certain incentives

given—yet, in relation to the boosting of Small Industries, this contribution has been infinitesimal.

Turnover Tax: The urgency for reviewing the turnover Tax in favour of a sliding Scale for Small Industrialists will not only afford them relief but also enable them to adjust the price of manufactured products still further for the benefit of the poor masses. This appeal was made by this Association to the previous as well as to the present Government.

Customs Duty: The previous Administration permitted Small Industrialists the import of Machinery and Spare Parts free of Customs duty; and Components and Raw Materials at reduced duty. Inopportunity, however, the present Administration has, rightly or wrongly, imposed a customs duty of 5% on Machinery and Spare Parts and a high rate of duty on Raw Materials. If these actions were necessitated in the greater cause of our National Economic stability; we can only trust that such revenues derived will be usefully expended for the National welfare.

State Trading Corporation: The proposed Organisation is bound to be broad based without the necessary knowhow or factors of the goods they propose to import. Exporting Countries may be our friends, but this fact alone does not necessitate us to bargain for quality of goods on point of Consumer Consumption. To reiterate, corruption evolves always at this level and therefore it is imperative that experienced men of the highest calibre, integrity and true sense of patriotism be appointed to the Boards of such Organisations.

Other sectors

It has been suggested that papain be used in the leather industry, the paper industry, in bread-making, in the dairy industry and in toothpaste. None of these potential uses has yet been developed to any great extent in Europe, but they are worth mentioning as the work currently in hand could one day lead to a wide-

spread use of papain in these sectors.

Development of Prices

Until mid-1968, the papain market was characterized by price instability. This situation was mainly due to the speed with which the papaya tree reaches maturity (the fruit of a one-year old papaya tree can already be used for the production of papain) and, on the other hand, to excessive speculative buying.

PAPAIN PRICES 1966 TO 1969

Lond. Market in sh/lb.		(No.1 E. African Gr. c. i. f.)	
		Forward	deals
1966	June	17 to 20	"
	August	18	"
	September	15	"
	October	15	"
	December	15	"
1967	January	15	"
	February	15	"
	March	18/6 to 20	"
1968	June	40	Cash transactions
	August	40	"
	November	40	"
1969	January	40	"

(Excerpts from UNCTAD/GATT International Trade centre Document)

SHARE MARKET REPORT

Conditions on the share market were inactive, according to the Report of the Colombo Brokers Association.

		Previous Price Dec. 10th		
		Rs. cts.	Rs. cts.	+or-
Teas				
Midfords	.. ..	2.50	1.60	—90
Wanarajahs	.. ..	5.50	5.75	+25
Tea-cum Rubber				
Hunnwellas	.. ..	6.00	6.00	
Rubbers				
Labugama	.. ..	13.00	8.50	—4.50
Commercials				
Lankes	.. ..	8.00	8.00	

There were no changes in commercials and no business in coconuts and in Preference shares and Government loans.

The following were quoted ex-dividend: Clues Estate Co. of Ceylon Ltd—10 per cent First and Final on 7.12.70. J. L. Morrison Son & Jones Ltd—5 per cent Interim on 10.12.70. Uppe-Maskeliya Estates Co. Ltd.—5 per cent Interim on 22.12.70.

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NEED WE SAY MORE?

BUSINESS NEWS

YUGOSLAV FIRM MAKES WORLD WIDE IMPACT

According to official statistics, METALKA of Ljubljana, an enterprise specializing in internal trade, export import and sale representations is one of Yugoslavia's largest firms: it is first in the metal processing industry and takes a leading place in all its other activities.

In the first six months of this year, the firm had a turnover of 1,388,000,000 dinars, 30 per cent more than anticipated for this period. Wholesale trade in the first six months amounted to 608,000,000 dinars—24 per cent more than the same period last year, and retail trade was 64,000,000 or almost 60 per cent more than in 1969. Foreign trade in the first six months reached the figure of 682 million dinars, or 35 per cent more than last year.

Having established business contacts with a wide circle of partners, today METALKA does business with 7,000 permanent buyers in this country and abroad and 3,500 large suppliers; it imports and exports goods to over 40 coun-

tries and manufacturers with reproduction material through 11,000 Yugoslav producers.

So far this firm has imported over 100,000 tons of machinery and industrial equipment, complete factory facilities, and over 50,000 tons of technical commodities, while about 3,000 industrial enterprises in this country have been equipped with new machinery and plants purchased through METALKA.

In order to maintain such a dynamic business turnover, METALKA in Yugoslavia has 15 permanent sales offices and bureaus in Italy, Czechoslovakia, the German Democratic Republic, Rumania, Hungary, the Soviet Union, Poland, Bulgaria and the United States.

At present METALKA represents 20 well-known foreign firms through which the Yugoslav economy is assured of a variety of equipment and facilities for large capital investment projects as well as regular supplies for Yugoslav hotels, motels and restaurants. It is then no surprise that METALKA also performs complete engineering jobs and takes part in various agreements and consortiums for co-op production and production under licence.

The value of goods imported by METALKA for the Yugoslav tourist and catering trade is estimated at 350 million US dollars.

It is no secret that METALKA has plans to expand its circle of business partners. Evidence of this METALKA's arrangements to sell the products of WAGNER of the German Federal Republic, HELTI of Lichtenstein and SELEKTRO of Chicago Yugoslav businessmen are showing special interest in the WAGNER apparatus for painting and lacquering which uses an airless system. This product, which is marketed in 80 countries all over the world is becoming practically indispensable in modern techniques of painting and lacquering because of its fine spray and economical use of paint.

Yugoslav construction firms are interested in the HILTI equipment, which drives nails into concrete and iron 60 per cent more efficiently than by classical methods.

SELEKTRO markets electronic equipment in Yugoslavia through METALKA. From partners in the German Federal Republic and the USA, METALKA imports machinery for the food industry, and machinery for the Yugoslav metal processing industry from the Soviet Union, Czechoslovakia, the German Democratic Republic, Italy and the German Federal Republic.

BRITAIN OFFERS FREE BUSINESS EXPERTISE

A plan to send "business ambassadors" to other countries to offer managerial experience, has won support from Britain's Overseas Development administration.

The Minister of Overseas Development, Mr. Richard Wood, says the scheme will enable experienced British businessmen to make short visits, on an unpaid voluntary basis to help local firms with potential for expansion to make better use of their resources.

The costs of the scheme—to be known as British Executive Service Overseas—will be shared equally between government and industry. Inquiries by Britain's Institute of Directors, sponsors of the scheme, has shown a "considerable measure" of enthusiasm among local and state-owned enterprises in other countries.

Mr. Wood has told the Institute: "The scheme represents a splendid opportunity for British businessmen to share their knowledge and expertise in a practical way with indigenous businesses overseas."

LAND-ROVER STILL IN TOP GEAR

Production of the Land-Rover, the rugged all-purpose vehicle first built 22 years ago and now in use round the world, will be stepped up in 1971 to meet a still growing demand.

Output at the Rover Company assembly lines at Solihull, in the English Midlands, will be increased from the present 1,250 vehicles a week to 1,400.

Rover said that demand was now greater than at any time in the vehicle's history, with order books full for many months ahead. By this planned increase in production it expects to improve the delivery situation.

Arctic ice to tropical jungle

More than 710,000 Land-Rovers have been built, 75 per cent of them for other countries. The four-wheel-drive vehicle has the toughness and power to undertake all kinds of work in conditions ranging from Arctic ice to tropical jungle and desert.

In one or other of its many variants it can be found all over the world—helping in emergency relief work, doing duty as ambulance, fire engine, armoured car, snowplough or mobile cinema, aiding the farmer and transporting the explorer.

generation of Jet Aircraft. At the end of the runway, a turning pad has been provided, which is big enough for the operation of Jumbos. A large night-parking apron has also been completed.

This was revealed by the Minister of Shipping and Tourism, Mr. P. B. G. Kalugalle.

The extended tax holiday will be available for tourist undertakings such as hotel projects, internal transportation, tourist recreational facilities, tourist resorts, souvenir industries and allied fields.

Mr. Kalugalle said Government recognised the need for foreign and local private sector participation in the tourist industry and prepared a White Paper outlining the facilities provided for investment in this field. The White paper clearly set out the areas in which investments would be welcomed.

TOURISM

TOURIST INDUSTRIES TAX HOLIDAY EXTENDED

The Government has agreed to extend the existing five year holiday by three years in keeping with its decision to treat the tourist industry as a preferential sector of the economy.

Shipping & Aviation

COLOMBO PORT GETS READY FOR CONTAINERIZATION

The Colombo Port is expected to be ready to take in Container traffic by early 1973.

The Minister of Shipping and Tourism Mr. P. B. G. Kalugalle has directed that work on the construction of the Port terminal be speeded up so that Colombo would be ready to handle Container traffic by 1973. The Rs. 11 million container project is being handled by the Chief Engineer, Mr. S.L. de Silva, who is confident of completing the construction of about 500 ft. of the terminal by 1972.

The decision to expedite the completion of the container terminal follows an assurance given by an American shipping line that they intended operating container ships through Colombo from 1973. It is believed that the Colombo port could become a transshipment base for container cargo consigned to neighbouring countries if the terminal could be completed in time.

FIRST ALL-WEATHER JETLINER

Hawker Siddeley's new 180 seat version of the Trident, handed over to British European Airways, is the first jetliner to be built for all-weather flying.

The earlier Trident pioneered blind landing in 1965 when it made the first automatic touchdown with passengers at London's Heathrow Airport. BEA's fleet of Mark I and II Tridents has been fitted with equipment allowing automatic landing in fine weather and visibility restricted.

But the new "stretched" Trident III is the first civil aircraft in production with a control system that only takes the plane up and lands it with visibility down to fifty yards, but steers it automatically along the runway centre-line.

In addition to 25 other Trident IIIs due to be delivered before the end of 1972, all other BEA Tridents are to be fitted with this centre-line system. Tridents fitted with Smith's Industries Autoland equipment have now made nearly 9,000 automatic landings in fine and poor weather.

The newcomer is fitted with a lightweight booster jet engine to supplement the power of the three normal tail-mounted Rolls-Royce Spey jets. The booster is only intended to be used for five minutes each flight, for take off and climb.

The aircraft's fuselage is more than 16 feet longer than that of earlier Tridents. It has been designed to carry big loads economically over ranges up to 1,300 miles.

BEA will introduce the big Trident on high density European routes on 1 April, 1971. BEA also announced that they made a net profit of £13,300,000 during this year's seven month summer period.

EXPANSION OF DELHI AIRPORT

As part of the second phase expansion programme of the Delhi Airport the runway has been extended at a cost of Rs. 3 m., along with the new link taxi-track, which have increased the runway usability and cut down hold-ups.

The runway at Palam Airport has been lengthened by 2500 feet to its present length of 12,500 feet. The added length would facilitate the aircraft to take off with greater loads. It will also enable longer non-stop flights of a new

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CANADA: EXPANDING MARKET FOR NON-TRADITIONAL PRODUCTS

Canada offers a rapidly expanding market for the non-traditional products of Ceylon, such as, frozen fish, manufactured garments, canned fruits, pure Ceylon packeted teas and confectionery. This provides a challenge to our shippers to increase their share and to diversify the country's export trade with Canada, according to a report furnished by Mr. W. D. Soyra, First Secretary (Commercial) in Canada.

The Report adds that the consumption of traditional products is either well saturated or is rising slowly in comparison with the products mentioned above.

FAVOURABLE BALANCE

A fall in our export earnings in 1969, despite substantial increases in the quantities sold to Canada, highlights the necessity for such a diversification. Ceylon's merchandise exports to Canada amounted to \$ 9.3 million in 1969 or \$ 300,000 less than in 1968. Ceylon's imports from Canada in 1969 amounted to \$ 3.1 million and failed to match the 1968 level of \$5.6 million.

Our favourable balance of trade, therefore, continued to expand and reached \$ 6.1 million in 1969.

SPICES

Spices are among the fastest growing import items of Canada. It is quite apparent that more and more Canadians are becoming adventurous in their food habits due to increasing affluence, travel abroad, and closer contacts with Eastern countries.

The items which are of interest to Ceylon are pepper, cloves, nutmegs, ginger, and cinnamon. Canada's imports of pepper increased from 3.2 million pounds in 1964 to

5.1 million pounds in 1968. In 1969 the volume dropped to 3.8 million pounds, caused largely by high prices and lower supplies from traditional suppliers. Imports from Ceylon increased almost by 850% between 1963 and 1968 or from 33,000 pounds to 280,000 pounds. In 1969, however, the volume declined to 129,000 pounds due to poor supplies.

Canada's total imports of cloves fluctuated between 283,000 pounds in 1968 and 151,000 pounds in 1969. The demand for cloves, like pepper, is increasing very rapidly, and the buyers are most anxious to establish contacts with dependable suppliers. Ceylon exported this item to Canada very sporadically during the last decade. For example, 2,000 pounds in 1962 and 1,00 pounds in 1963 and 1968 were sold to Canada, with no exports in 1969.

NUTMEGS

The total imports of nutmegs into Canada have fluctuated between 393,000 pounds in 1965 and 259,000 pounds in the previous year. Imports from Ceylon fluctuated between 18,000 pounds in 1965 and 33,000 pounds in 1963. Our sales in 1969 amounted to 22,400 pounds, valued at \$ 7,000.

Canada's imports of pepper, cloves, and nutmegs in 1969 were valued at \$ 1.7 million. Ceylon's earnings from the export of nutmegs and pepper to Canada in 1969 amounted to \$ 51,000.

SUPPLY LAG

Several Canadian importers and actual users were contacted with a view to increasing our share of the growing market. Even though the names and addresses of these firms and their interest in importing the spices were conveyed to Ceylon, the business that has so far resulted is rather poor. This is chiefly due to the inability of the Ceylonese shippers to supply the spices. In fact, two leading Ceylonese firms informed the Canadian buyers that they have wound up temporarily their spice departments and were unable to accept orders.

The position as regards spices, therefore, is rather unfortunate, in that we are unable to supply the product although there are buyers to pay attractive prices. Most importers and packers of spi-

ces are highly concerned about the increasing difficulties in obtaining regular supplies.

Our efforts to increase the systematic cultivation of spices, particularly pepper and cloves, is likely to pay good dividends. Spices are among the few items for which no proper substitutes have been developed, and supplies have always been lagging behind demand, states Ceylon's Commercial Secretary.

FROZEN FISH

Frozen shrimps are among the fastest growing imported items of Canada. Between 1965 and 1969 the volume has nearly doubled from 58,000 cwt. to 115,000 cwt. The value too has doubled from \$5.5 million in 1965 to \$11.4 million in 1969. It is significant that Canada's imports of shrimps were valued at nearly half the total value of imports of tea in 1969, which amounted to \$ 21.4 million.

The rapid increase in consumption of this item, and its relative importance in terms of dollars underline the immediate necessity for Ceylon to increase her supplies. Our trade with Canada could be increased substantially or even doubled if Ceylon could supply products such as frozen shrimps, cashewnuts, manufactured garments and tropical fruits. While our efforts to promote the consumption of products such as tea could be expensive and may even take years to produce results, and investment to produce products such as frozen shrimps could bring us instant dividends.

It is, therefore, encouraging that for the first time, Canada imported frozen shrimp from Ceylon in December, 1969. In view of our limited supplies, only two leading firms—one in Montreal and the other in Toronto—were contacted and arrangements made with the Ceylonese suppliers to export this item. These two firms have already placed repeat orders and are capable of purchasing almost Ceylon's entire output at present. The firm in Toronto have indicated that their monthly purchases could increase from 20 to 40 thousand pounds.

It will, therefore, be seen as in the case of spices, the problem lies not in the sphere of demand or lack of buyers, but in our inability to supply.

Besides frozen shrimps, Canada also imports substantial quantities of tuna, lobsters, crabs, oysters and clams.

EXPORT INTELLIGENCE

Australian tariff preferences to developing countries

According to a Notification made by the Government of Australia to the contracting parties of the GATT, the Australian Government intends to grant preferential duty without quota limitation in respect of the following products from developing countries:-

- * Buttons of wood, bamboo or other natural vegetable substances.
- * Clogs and other footwear with wooden soles.
- * Combs, hair slides and the like of vegetable materials.

- * Hand embroidered scarves, handkerchiefs, table cloths
- * Hand woven bed-spreads and bed covers containing 50 per cent or more by weight of cotton.
- * Imitation jewellery.
- * Leather sandals excluding fashion footwear.
- * Outer garments
- * Shopping bags made of vegetable fibre.
- * Table mats, place mats etc. derived from vegetable fibres, other than cotton or linen.

Further items that qualify for preferential duty will be published in our next issue.

CANNED FRUITS

Several prospective buyers were shown samples of canned pineapples, mangoes, etc. The buyers were fully satisfied with our product and are now most anxious to receive supplies.

Although these firms were introduced to Ceylonese firms through the Department of Commerce, it has not been possible for a single Ceylonese firm to supply their requirements. The present position is somewhat paradoxical in that the buyers are chasing sellers.

The consumption of tropical fruits, particularly canned, is increasing very rapidly in Canada. In 1969 Canada imported 56.2 million pounds of canned pineapples valued at \$ 7.4 million. The main suppliers are Malaysia, the Philippines, Taiwan and Australia.

READY-MADE GARMENTS

A study made in the first half of 1969 revealed the existence of a rapidly growing market for several consumer goods in Canada. The main reason for this development is the rising cost of labour in Canada, and the inability of Canadian manufacturers to compete with low-cost producers in Asia.

Ready-made garments are one such product, and it was found that Canada imports garments of all types from several countries in Asia including India, Malaysia, and Pakistan. Ceylonese manufacturers of garments were, therefore, informed immediately of this opportunity and the expeditious response shown by one leading manufacturer resulted in receiving several orders from Canadian buyers.

The other manufactured items for which promotional work was done were footwear, confectionery, tyres and tubes, washing powder, faucets, and scarves. A large volume of all these items is imported into Canada from several countries and the buyers have no prejudice against the products of any country.

In this respect, Canada is a wide open market and buyers could easily be found provided the products are competitive, both in terms of price and quality.

COMPANY MEETING REPORTS

The Economic Times regularly features Company Meeting Reports.

Annual Reports of Companies may be addressed to:-

Editor, (Company News)
C/o. The Economic Times
(1st Floor)
157, Jayantha Weerasekera
Mawatha,
Colombo 10.

Export Opportunities

The following firms are interested in importing from Ceylon the goods mentioned below:-

Ethiopia Trading Co. Ltd.,
P.O. Box 3362, Addis Ababa
Ethiopia.

Canned food and tea in packets
Ahamed Abdu Nacher & Co.,
P.O. Box 824, Addis Ababa,
Ethiopia.

Canned food and confectioneries.

M/S. Reich Brothers Ltd.,
70, De Bresoles Street,
Montreal 125, Canada.

Rubber gloves, rubber elastic bands and other rubber household articles.

M/s. Trading Co.,
23, Main Street North,
Brampton, Ontario,
Canada.

Footwear.
M/s. Pins Adeyemi Ayeni,
42, Docemo Street,
Lagos, Nigeria.
Shirts, blouses, Sunglasses,
underwear, Jewellery etc.

MANAGEMENT

LONG - TERM TRENDS

Now what long term trends are in evidence today that will affect every industry?

First of all, there are the trends in population: growth, age distribution and geographical location. Also important is the way population is divided between city, suburban and rural areas.

Today's population explosion may not continue at the same rate, since the birth rate may fall drastically in the years ahead. However, an increase in population is practically guaranteed because there will be more people in the 18-35 age groups than ever before. So even if the average couple has fewer children, there will be an increase in population, especially since the birth rate is much higher than the death rate.

These facts are very important because different age groups have different needs and the wants of an urban population differ from those of farm population.

For a utility company for example, estimates of population in its area are of the utmost importance. So are estimates of the extent to which land will be used for residential, commercial or industrial purposes.

Finally, the market for any given product depends on how many people want it and on how much money they have. Nearly everyone wants things he can't afford to buy and if incomes drop more products enter this class for each of us. So an attempt must be made to forecast rise and falls in income.

If a company is selling industrial products, it must deter-

mine which of the industries among its customers are declining over the long term and then try to replace them by adapting its products to uses in other industries or by producing entirely new products.

One approach is to try to predict what economists call the 'Gross National Product' in future years. This is the of all goods and services produced in the country, expressed in terms of money. Future GNP for the next five years may be estimated by considering the trends to date and modifying them according to any likely changes. Over a year the percentage of GNP accounted for by certain industries relatively constant or rises or falls only gradually. Then if a company knows its own share of the market, which may also be fairly constant, it can predict fairly well what its sales will be and how much production it will need to meet the future demand for its products.

Another approach is to consider national and personal income. The first is the sum wages, salaries, income from rents and interest, and corporate profits. The second figure excludes corporate profits, but includes social security payments and military benefits. But perhaps the best figure to use in considering what ultimate consumers will actually have to spend is 'disposable personal income', which is personal income after taxes.

Another matter to consider possible sources of supply. If a company believes its present sources of raw materials are likely to dry up as, for example, when mines are being depleted, it may want to become more self-sufficient or engage in 'backward vertical integration

by acquiring its own sources of raw materials.

The probable location of markets and of future sources of supply are two important considerations in the location of new plants. While transportation is easy, it costs money, and the nearer a company is to both markets and sources of supply, the lower its costs. Where a choice must be made between the two, the decision generally hinges on whether it is more expensive to transport the raw materials or to ship the finished product.

capital that might be earning a return in some other way because unused facilities require a certain amount of maintenance if they're not to deteriorate. Thus if the market contracts, the company's losses may be greater than if it were less integrated.

A third consideration long-range planning is the extent to which a company should diversify, and thus avoid putting all its eggs in one basket. One way of diversifying is to build new facilities for producing entirely new types of

This is the 14th instalment in the series on Modern Management. In the last instalment the author dealt with the question of determining the nature and location of future markets. Here he deals with long term trends that might determine or affect future markets in every industry.

of technical or market know-how. Thus it might purchase a company that made a product utilizing somewhat the same technology or one sold to the same markets but for different purposes.

Techniques of modern Management

Still another consideration in long-range planning is the extent to which it would be wise for the company to engage in 'forward integration'—that is, in performing operations that will bring it nearer to the final consumer. Thus a company producing leather might decide that it would make it up into leather products, or even go all the way to the final consumer by opening up retail outlets.

Integration has its dangers, however, because it reduces flexibility. Unused capacity costs money because it ties up

products for new uses, and then hiring new managers to manage them. But the same result may be obtained by purchasing the facilities of another company and retaining its management.

In either case a company is well advised to consider its own management resources and know-how before it proceeds, since entirely new fields are full of traps for those unfamiliar with them. The best acquisition may be one to which the parent company's management can contribute something in the way

Computers in the Miniage

The first mini computer with machine, yet costing less than £4,000, has now made its public debut in London.

Developed by Arcturus Electronics, with the backing of Britain's National Research Development Corporation, the digital machine is suitable for a wide range of scientific, industrial and commercial applications. It is said to accept a wider range of peripheral equipment than any other desk-top computer.

The machine was on view at 'Computer 70' a five-day exhibition and seminar directed particularly at top management in industry, commerce and local government. It had some £20 million worth of the latest available equipment on show by 200 exhibitors from 10 countries.

Marconi-Elliott has introduced a complete computer package which cuts the time spent by civil engineers on structural designs and drawings from weeks to hours.

secrete insulin and, from various pieces of evidence, we were able to form the hypothesis that their sympathetic nervous activity was exaggerated," said Dr. Taylor.

The research workers gave themselves drugs which cut off the supply of insulin to their own hearts to see what effect it had. They came up with the answer that a drug called Phentamine, introduced in the 1940s for the treatment of hypertension, released insulin in the heart.

"This treatment improves very considerably the chances of survival from severe heart failure, whatever the cause," said Dr. Taylor.

SCIENCE AND TECHNOLOGY

Now Instant Dwelling Plants

Polish specialists in the field of building organization have worked out a project of an electronic device for directing the operations of a "factory of houses"—a plant producing large building units.

The apparatus is called "automatic dispatcher" and steers the organization of work from the moment a finished unit is deposited in the warehouse. Each unit is registered by an automatic device equipped with an "electronic memory." The parts are issued for assembly. This will permit "off the wheels assembly" operations, where structural elements are supplied to the building site straight from the lorry or the trailer which had transported

them. The building sites are situated in a radius of about 15 kilometres from the house factory. In cases of emergency the automatic dispatcher can select economically most justified operation.

The automatic dispatcher which controls the entire production course, except the actual production of the building elements, also performs other functions; it keeps tabs on the quantity of materials used by the building section, calculates the wages of brigades producing the elements, of transport brigades and of the entire building sites. The results are registered on a perforated tape.

New hope for heart patients

A major advance in the treatment of heart disease, using a drug which has been available for 30 years, is reported.

The new treatment, discovered by Dr. Stanley Taylor and a team of research workers in the Department of Medicine at Leeds University in northern England, is said to increase considerably the chances of survival of patients suffering

a heart attack or undergoing heart surgery.

Dr. Taylor said that in three cases of heart trouble—coronary thrombosis, heart failure from valve disease or heart surgery—the supply of insulin was blocked, depriving the heart of fuel to keep going.

The mechanism

"We looked at the mechanism of why they could not

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Exemplary venture by India's Jobless Youth

Kerala

While India is paying special attention to the need for generating additional employment opportunities in drawing up the 1971-72 plan, the jobless engineers and technicians of Kerala stand on their own legs and fight the menace of unemployment.

The small scooter production unit at Trivandrum which was inaugurated recently, has assumed national significance for two reasons:

Firstly it shows the symbol of the resolute determination and spirit of challenge of young jobless engineers and technicians of Kerala to the unemployment problem.

This band of intrepid young men decided to create employment opportunities for itself. The second significant factor is the fact that this is the first co-operative venture of its kind launched by unemployed engineers and technicians in the country.

It is an exciting story. Its beginning dates back to the registration of the Kerala State

Engineering Technicians (Work shop) Industrial Co-operative Society in 1958 by a group of young, unemployed engineering graduates, diploma holders and ITI trainees.

The inspiration to the move was provided by the veteran labour leader of Kerala, Mr P. Balachandra Menon, MP who is the first president of the society. The aim of the society, which is more popularly known as ENCOS, is to create self-employment opportunities to the thousands of unemployed engineers and technicians in Kerala.

The authorized share capital of the society is Rs 51 lakhs and it has on its rolls 432 members from all over the State, contributing Rs. 2.5 lakhs. The share for an engineering graduate is Rs. 5,000, diploma-holder Rs 3,500 and ITI trainee Rs 2,500. The Kerala State Government has given a loan of Rs 3 lakhs and Mr Balarama Varma, former Maharaja of Travancore, Rs 1.7 lakhs. The Government has also promised to subscribe three times the share amount raised by the ENCOS from its members

The present programme is to produce 10 scooters a day in a phased manner and they reach a production capacity of over 3,000 scooters a year in a short time. Simultaneous with the production of the scooter, the society is also in the process of training new hands and improving and finalizing the present design. It is also tooling and procuring the additional machinery necessary for the expansion of production.

The National Small Industries Corporation, the Hindustan Motors, Calcutta, Premier Automobiles, Bombay, TVS, Madurai, and the Kerala State Road Transport Corporation are rendering help to the society. Batches of engineering personnel, who have joined the unit are now undergoing training in some of these institutions.

The scooter unit now provides employment to 75 technicians consisting of 10 degree holders, 25 diploma-holders and 40 ITI trainees. As the unit expands it is hoped that more jobs will be created.



BRITAIN TO INVEST £ 2,700 M. IN TELECOMMUNICATION

London

Britain will spend the equivalent of £1,500,000 a day over the next five years to maintain its place among world leaders in telecommunications.

Faced with ever increasing demands for telephone, telex and data transmission facilities, it has launched a £ 2,700 million modernisation and development programme—the biggest in its history. Much of the money will be spent on new plant and equipment to keep pace with developments. Already being built is one of the world's biggest international telephone exchanges, and a new information transmission service which allows huge batches of data to be passed between distant computers over public telephone lines is also planned.

The Post Office is pioneering other new techniques and systems to speed up telecommunications. In the past year it has confirmed its theory that 300,000 telephone conversations can be simultaneously transmitted by an electronic wave that passes along a two-inch diameter copper tube. A field trial is planned over a 20-mile route in eastern England in 1973.

On the telephone side, development studies have been commissioned to see whether computer techniques can be used to control switchboards. With the aid of a computer it is believed an operator could control a switchboard from a distance of a hundred miles. In this way one operator could cope with a number of distant switchboards.

FISHERIES CREDIT ON PAR WITH AGRICULTURE

Cochin

India's Central Board of Fisheries has recommended that fisheries should be treated on par with agriculture for securing credit facilities on easy terms from financial institutions and commercial banks.

Mr. A. P. Shinde, Union Minister of State for Fisheries told pressmen that steps would

be taken to amend the Reserve Bank of India Act to achieve this objective.

Mr. Shinde claimed that the country was in a take-off stage in fisheries development now that the necessary infrastructure for both deep sea fishing and inland fisheries had been laid.

POLISH MOTOR EXPORTS

Warsaw

The Polish motor industry holds at present the second place in Poland after the shipbuilding industry as regards the value of its export production. Three years after the production of "Fiat-125p" (where "p" stands for Polish) cars was started Poland has exported already 16,000 of them to European, African and Asian countries.

This year alone Poland's export to the socialist countries first of all to the Soviet Union will total 16,000 "Nyas" and "Zuk" vehicles of various types. Poland exports also considerable quantities of "Jelcz"-type buses and lorries. In addition to this, the Polish motor industry sends abroad spare parts and sub-assemblies. The vehicle export is accompanied by a parallel deployment of service stations in some of the importer countries.

The 1970 export of the motor industry will amount to total of some 35,000 vehicles of various types, including about 4,000 "Warszawa" passenger cars which are quite popular in South America. The Polish motor industry has recently signed several contracts for investment deliveries. Consequently, a plant assembling vehicles on the chassis of the "Zuk" delivery van will be opened in Colombia while plants assembling motorcycles from Polish-made parts are to be set up in India and Turkey.

Five years of reform: What has it given the worker.

The economic reform begun in the Soviet Union in 1965 was not something unexpected. Therefore, it would be groundless to divide the Soviet economy into pre-reform and post-reform.

By

Prof A. Birman,
D. Sc. Economics

Actually, the new system of planning, incentives and management is a continuation of the country's line of economic development, what have changed are the methods of management. Administrative and economic methods of management have switched places, with the economic methods on top.

Consequently factory and office workers have not received anything unexpected and unprecedented from the reform, but only what was a consequence of the development and deepening of relations that have always been inherent in the socialist system.

Participation in Management

The reform has made participation in management much more meaningful and active. The sharp cut in the number of plan indicators which Ministries set enterprises—from 40-50 to five or six offers much more opportunity for local initiative. One of the consequences is the now widespread practice of social planning.

The essence of social planning is the following: along with trade union, Party and YCL activists a group of sociologists studies all aspects of the life and living conditions of the workers at an enterprise with the help of questionnaires, polls and other means. What do they like and what do they dislike? What should be changed? Why? In what direction? What needs to be improved in the organization of planning, designing, production, supplies, sales, finances and wages? There are thousands of questions.

The answers obtained and processed usually represent a pattern of progress for several years ahead. This is the basis, after detailed discussion, for the drafting of an action programme—a programme for the social development of the enterprise. The programme is carried out through the efforts of the enterprise personnel. Factory and Office workers become rationalizers, inventors, organizers, controllers, propagandists and executives.

As previously, many Soviet workers are members of public control groups, volunteer bureaux of economic analysis, permanent production conferences and the like. Today the economic effect of their activities has increased. Enterprises now have big development funds (50 per cent from the depreciation charges and 50 percent from profits) so that they do not have to wait for decisions from above but can go ahead and modernize production, build, and purchase building materials and equipment. And this is being done.

Facilities

The reform has given enterprises another fund, for housing construction and socio-cultural undertakings. This fund is made up of a percentage of the profits.

The predominant share of the housing, health resort facilities, community centers and children's institutions are built on money from the state budget. Today more and more is being built on money provided by enterprises.

Eleven million people in the Soviet Union move into new dwellings in the course of a year. The housing construction fund is making a more and more substantial contribution to this building effort.

FOREIGN AID FOR THE 'SEVEN'

In addition to new emphasis on the role of international institutions and a new shape to our bilateral programs, I propose initiatives that will enhance the public and private sector contribution to the development process.

To open further the benefits of trade to the lower income countries, I have proposed that the international community initiate a system of tariff preferences for the exports of manufactured and selected primary products of the lower countries in the markets of all of the industrialized countries.

The lower income countries must expand their exports to be able to afford the imports needed to promote their development efforts, and to lessen their need for concessional foreign assistance.

Market growth for most of the primary commodities which have traditionally been their major sources of export earnings is insufficient to enable them to meet these needs. I will submit legislation to the

Congress recommending that we eliminate duties on a wide range of manufactured products purchased from the lower income countries. We will move ahead with this approach as soon as we achieve agreement with the other industrialized countries to join us with comparable efforts.

I propose steps to expand the constructive role of private investment in the development process.

In order to eliminate the present tying restrictions on procurement which hinder our investment guarantee program, I am now directing that coverage under the extended risk guarantee program be extended to funds used in purchasing goods and services abroad. This will enhance our support of U.S. private investment in the lower income countries. In addition, we support early inauguration of an International Investment Insurance Agency, under the auspices of the World Bank, to provide multilateral—and thereby more effective—guarantees against

expropriations and other political risks for foreign investments. We also support an increase in the scope of operations and resources of the International Finance Corporation, to further promote the role of the private sector—particularly within the lower income countries themselves—in the international development process.

UNTYING AID

I propose that all donor countries end the requirement that foreign aid be used to purchase goods and services produced in the nation providing the aid.

Because recipients are not free to choose among competing nations, the value of the aid they receive is reduced significantly. These strings to our aid lower its purchasing power, and weaken our own objectives of promoting development. Aid with such strings can create needless political friction.

Complete untying of aid is a step that must be taken

in concert with other nations and we have begun talks to that end with the other members of the Development Assistance Committee of the Organization for Economic Cooperation and Development. In the expectation that negotiations will soon be completed successfully, I have decided to permit procurement now in the lower income countries under the U.S. bilateral lending program—an expansion of the initial step I took with our Latin American neighbours. In addition to improving the quality of our assistance, this should expand trade among the lower income countries, an important objective in its own right.

I propose that the United States place strong emphasis on what the Peterson Task Force called "The Special Problem of Population."

The initiative in this area rests with each individual country, and ultimately with each family. But the time has come for the international community to come to grips with the world population

problem with a sense of urgency. I am gratified at the progress being made by the new United Nations fund for population activities and propose that it undertake a study of world needs and possible steps to deal with them. In order to co-operate fully in support of this international

which are essential elements of a developing country but which do not directly generate foreign exchange, debt incurred has heavily weighed the future export earnings of a number of income countries, restricting their ability to pay for future development.

Text of President N

effort, the proposed U.S. International Development Institute should focus the energy and expertise of this country on new and more effective measures for dealing with the problem of population.

I also believe that the United States should work with others to deal effectively with the debt service problem.

The successful growth of the past has been financed in part through external borrowings, from private as well as government sources which the borrowers are obligated to repay. Furthermore, a portion of their borrowed resources have gone to build roads, schools and hospitals



President Richard Nixon

This problem calls for responsibility on the part of lower income countries, operation on the part of lenders, and leadership by

THE BUDGET FOR 1970-71 (Part II)

Of the fiscal measures, I shall single out four items for comment. One is demonetisation of high-sum currency notes. This is an eminently desirable measure which seeks to achieve apparently two separate objectives. One is, of course, to identify those who have evaded income tax through currency hoarding. The other, less obvious but none-the-less important, is to discourage currency hoarding in general and to encourage the public to hold their liquid funds in a Savings or Banking Account and, in this manner, reduce the inflationary potential implicit in a situation where the public will seek to convert their currency hoards into goods as prices rise, as they must, when there is accelerated development which is the underlying theme of the Budget and the United Front Manifesto.

However, a factor conflicting with the second objective is the re-introduction of the Bank Debts Tax which must serve to discourage the banking habit! Demonetisation of high-sum notes as an anti-tax evasion device is a most welcome measure; but I would have wished that a little more care had been given to its implementation. Since these notes were legal tender until 3rd November, 1970, although demonetisation was announced on the Budget day, 25th October 1970, precaution could have been taken to ensure that exchange of goods for the tender of high-sum currency notes did not offer a loop-hole for evasion. All that was necessary was to require a trader to sell for high-sum notes only to buyers whom he can identify and against a record of serial numbers of the notes tendered and the supporting signature and address of the buyer.

In the absence of this simple precaution, one fears that this loop-hole may have been availed of by those seeking to evade the tax-net. The need for administrative secrecy and legislative power could have been satisfied by declaring a limited emergency—as it was done later—and enacting requisite regulations for this purpose pending passage of legislation by Parliament. However, the authorities have been alive to this loop-hole in the Scheme and is now requiring each trader to account for how he came by the high-sum currency notes he has deposited.

The Minister of Finance has since announced that in order to discourage hoarding, he proposes to introduce legislation requiring that payments in excess of a given sum should be by cheque, in which event, it is only natural that he should take this occasion to withdraw

the Bank Debts tax altogether. Although a revenue of Rs. 20 million is expected from this impost, yet, in real effect, it gets reduced to something like Rs. 10 million in net terms, because the debits tax itself is a deductible expense from income in computing income tax, so that, because of the debits tax, the revenue from Income tax itself gets reduced by an amount equal to roughly half the receipts from the Bank debits tax.

Misconception

It is convenient at this point to dispose of what is clearly a popular misconception with regard to currency hoarding. It is popular notion that the community is deprived of the benefit of savings when they are held in the form of currency hoards. This is not true, provided the Central Banking Authority takes corrective action through credit expansion to offset the deflationary impact of currency hoarding and, in this manner, put idle currency hoards to work

On the other hand, the existence of currency hoards offers a potential inflationary threat, because the hoarders can decide to spend their hoarded currency when there is a prospect of sustained price increases, but this threat is also

present when the public, instead of hoarding currency, hold their savings within the Banking systems in savings and Deposit accounts as they can still opt to increase their spending when prices persistently rise. Even so, the Central Banking Authority can take neutralising action. However, in either instance, effective action by the Monetary Authority requires the existence of appropriate financial and banking institutions and instruments both of which one confesses are, at present, conspicuous by their absence. The moral is clear. If the

By

N. U. Jayewardene

Authorities take consciously those necessary measures to establish the required institutions and instruments, as they should, currency hoarding as such ceases to be an anti-social habit. Nevertheless, currency hoarding as a tax-evasion device still remains.

Capital levy tax

The once-and-for all capital levy has the merit of promoting equality, an aim dear to all socialists. It undoubtedly imposes hardship on those who are better off. But one cannot

have social justice without sacrifice on the part of some. What is important, however, is that to the extent that the tax-payer pays his dues in kind by tender of property, the State should ensure that productivity of property taken over does not suffer diminution for otherwise, there will be social loss all-round. The Capital levy has also the incidental merit that those who deliberately under-valued their property for wealth-tax purposes will have to suffer the consequent penalty for such deliberate under-valuation. This is in two ways. Either the tax-payer will now re-value his property to reflect its true value, which will expose him to a tax-revision of his earlier assessment, or he continues to under-value his property, which he will have to tender at this value in satisfaction of his liability unless he has the capacity to pay his tax in cash.

The basis of the capital levy is apparently wealth as defined for wealth-tax purposes. However, two modifications are called for. Approved investments as well as investments in tax-exempt concerns, so long as they enjoy this concession, and also in Government Securities purchased prior to 2nd August 1968, are excluded from Wealth tax. But there is neither any economic nor social justification for excluding these categories of wealth from the Capital levy.

The arguments in favour of excluding these categories of assets from Wealth Tax, such offer no validity for continuing to exclude them in the reckoning of wealth for the purpose of a once-and-for-all Capital levy.

Compulsory Savings

The Compulsory Saving Scheme, in the words of the Finance Minister, "will be in operation for one year only and deposits with the Government will carry interest at the rate of 5 per cent." It is so designed that, along with minor adjustments to income slabs and tax rates, the disposable income, net of tax and compulsory savings, at various income levels as shown in Table A below.

It will be observed from this table that when an individual's income reaches Rs.120,000, he is left with a disposable income of approximately Rs. 3500 per month after tax and after his compulsory contribution.

Table A For Husband (Allowance)

Assessable Income	Income Tax
15,900	1,185
29,100	4,425
52,300	16,105
80,000	34,110
100,000	47,110
120,000	60,110
180,000	99,110
240,000	138,110

VENTIES (Part III)

are essential requirements of a developing nation which do not directly rate foreign exchange. The incurred has heavily mortd the future export earn- of a number of lower ne countries, restricting ability to pay for further oment.

international institutions which must take responsibility for analyzing debt problems and working closely with the creditors in arranging and carrying through measures to meet them. The United States will play its role in such a co-operative effort.

share. I confirm that determination and ask the Congress and the American people to assume those responsibilities which flow from our commitment to support the development process.

I agree with the conclusion of the Peterson Task Force that the downward trend of U.S. contributions to the development process should be reversed. I also agree with the Peterson Report that the level of foreign assistance "is only one side of the coin; the other side is a convincing determination that these resources can and will be used effectively."

A determination of the appropriate level of U.S. assistance in any one year will depend on a continuing assessment of the needs and performance of individual developing countries, as well as our own funding ability. I must also be influenced by a further definition of the proposals which I am outlining in this message, the responses of other donors and the performance of the international institutions.

As a long-run contribution to the funding of development, the U.S. will seek the utilization of revenues derived from the economic resources of the seabed for development assistance to lower income countries. I have recently proposed that all nations enter into a treaty to establish an

international regime for the exploitation of these resources, and that royalties derived therefrom be utilized principally for providing economic assistance to developing countries participating in the treaty.

The U.S. role in international development assistance reflects the vision we have of ourselves as a society and our hope for a peaceful world. Our interest in long-term development must be viewed in the context of its contribution to our own security. Economic development will not by itself guarantee the political stability which all countries seek, certainly not in the short run, but political stability is

unlikely to occur without sound economic development.

The reforms that I propose would turn our assistance programs into a far more successful investment in the future of mankind—an investment made with the combination of realism and idealism that marks the character of the American people. It will enable us to enter the seventies with programs that can cope with the realities of the present and are flexible enough to respond to the needs of tomorrow. I ask the Congress and the American people to join me in making this investment. (CONCLUDED).

President Nixon's Report

FUNDING OF DEVELOPMENT ASSISTANCE

International development is a long-term process. Our institutions—like the multilateral lending institutions—should have an assured source of long-term funding. Foreign assistance involves the activities of many nations and sustained support of many programs. Sudden and drastic disruptions in the flow of aid are harmful both to our long-term development goals and to the effective administration of our programs.

In the past this country has shown its willingness and determination to provide it



President Richard Nixon

problem calls for responsibility on the part of the income countries, cooperation on the part of the and leadership by the

uments in favour of these categories of from Wealth Tax as no validity for con- exclude them in any g of wealth for the of a once-and-for-al levy.

Compulsory Savings

Compulsory Savings in the words of the Minister, "will be in for one year only visits with the Government carry interest at the 5 per cent". It is agreed that, along with adjustments to income tax rates, the dis-income, net of tax compulsory savings, at income levels as in Table A below.

be observed from that when an individual reaches Rs.120, left with a disposable of approximately Rs. month after tax and compulsory contribu-

tion to savings. He must reach an income level twice this amount, or Rs. 240,000, to be left with spending money Rs. 4,500 per month. In the case of Companies, there is a dividend ceiling of 12%, after which half the surplus is payable as a compulsory saving.

Several questions remain unanswered. How are contractual payments such as insurance premia, which presumably are now deductible in full, and loan instalments to be met? What is the definition of capital to which dividends subjects to the ceiling of 12% are to be related? Even though the Compulsory Savings Scheme, it is assured, will be for a year only, these contractual payments must be met out of available surplus and the relevant capital should surely be capital employed in the sense of equity capital, and capital and revenue reserves as at 31st March 1970. These are aspects which require clarification.

Table A For Husband, Wife & 2 Children

(Allowance: Rs. 5,100)

Assessable Income	Income Tax	Compulsory Savings	Net Income
15,900	1,185	795	13,920
29,100	4,425	2,910	21,765
52,300	16,105	5,230	30,965
80,000	34,110	12,000	33,895
100,000	47,110	15,000	37,890
120,000	60,110	18,000	41,890
180,000	99,110	36,000	44,890
240,000	138,110	48,000	53,890

THE PALMYRAH PALM - Some industrial uses

The Minister of Plantations, Dr. Colvin R. de Silva, has recently appointed a Committee to examine the Palmyrah Palm Industry with a view to exploiting its potential industrial possibilities. In this study the writer wishes to spotlight such possibilities that exist.

The Palmyrah palm (*Botanical name: Borassus flabellifer L.*) grows extensively in the Northern Province of Ceylon. According to information available it covers 40,000 acres in the Jaffna District while in the Mannar, Puttalam and Hambantota Districts there is a fair extent of palmyrah plantation. According to an investigation carried out by the C.I.S.I.R. in 1956 at the request of the Government the following statistics of the Palmyrah Plantations were recorded as received from the D.R.O. Divisions in the Jaffna District:-

D.R.O. Divisions	Acreage	Density of mature trees per acre	Ratio of male to female trees
Jaffna	800	85	25:75
Tellippalai	590	60	1:6
Delft	4800	80	1:12
Kopey	2050	200	1:2
Chavakacheri	3850	60	1:4
Pt. Pedro	1200	90	1:3
Chankani	1600	500	10:7
Pallai	8555	40	1:3
Kays	14119	250	1:7
Poonakary	2520	—	5:6
Kilinochchi	337	25	3:5

Source: Palmyrah Trees—CISIR Bulletin No. 2 (1967)

The palmyrah tree is tapped according to the sex of the tree. Male trees are tapped in February - June period and female trees in February—July period. Toddy is available in the February—July season, mature fruits in July Oct: season, roots in February

—April season, and cutting of leaves can be done in alternative years in March—October season.

Generally, it is believed that toddy yields per male tree 30—60 gallons per year or 1/2—3/4 gallons per day. In the female trees 30-120 gallons per tree per year is the

MARKETS FOR PALMYRAH PRODUCTS

Local markets and Export markets for palmyrah products are available within and without Ceylon. Bottling of Palmyrah toddy, commercial production of jaggery, palm sugar, palmyrah jam, root flour and the possibilities of com-

By
"AN INDUSTRIAL ECONOMIST"

average yield or in other words 1/2 — gallon per day. Unfortunately this tree with so much of industrial potential in an area where the most illiterate people live is the most underexploited resource. Hence in this context the appoint-

ment of Committee to examine the Palmyrah industry and consider the feasibility of a Palmyrah Research Institute on the lines of the Coconut Research Institute should not only be commended but also given active support. The tender leaves of the palmyrah palm are widely useable in the making of mats, basketware and other utility like items onion baskets which should find a ready market in the Northern and Eastern provinces. Leaves dyed in red, black, dark brown and other colours are used to a limited extent on a cottage industry

scale. Mr. E. E. Jeyaraj and Mr. R. Sivaramalingam have done much experiments in this field.

Fibre could be extracted from the stalk and the base. The stalk is a fibrous material covered with smooth skin like material. Fibre is extracted from the setting processes. Fibres are suitable for making of twisted ropes and brushes. There may be a possibility of using fibre along with coir dust for the manufacture of pressed boards. There are also possibilities of using fibres for manufacture of shoe soles, rugs and cushions for upholstery work. Rubberized mattresses, cushions, rugs and carpets are also some possibilities.

Sweet Toddy is obtained by tapping the sap of the flower before the opening of the spadix. In the unfermented state, it is referred to as "sweet toddy" while the fermented product is known as "toddy".

There is possibility of manufacturing the following of the other products:-

- Jaggery
- Bottled Toddy
- Treacle
- Palm Sugar

Other industrial possibilities include palmyrah pulp in powder form, palmyrah Jam, root flour, acetic acid from the palmyrah seeds, furniture from the trunk and rafters for house-building.

RECOMMENDATIONS

i. Examine the feasibility of establishing a palmyrah based industrial estate producing various products on a small scale.

(ii) Establishment of a Palmyrah Research Institute with a Technological division which will not only find industrial possibilities but fabricate machinery.

(iii) Provision of credit, marketing and other facilities for industries and finished goods.

INDUSTRIAL USES

THE FLOUR MILLING INDUSTRY IN CEYLON

The Ceylon's first Flour Milling Project, undertaken with the Economic and Technical Co-operation of the Union of Soviet Socialist Republic, incorporates the following main features:-

- * Unloading of Wheat brought in bulk at Silo berth, Prince Vijaya Quay by Nozzle Operation direct from the Hatches through the Pneumatic Intake.
- * Transfer of the Grain via Pneumatic Intake and Belt Conveyor into working House.
- * Transfer of Grain into Silos.
- * Separation of the Refuse from the Grain in the Screening Section.
- * Washing and Moistening of the grain for tempering.
- * Roller Grinding of the tempered grain.
- * Separation of the grist into Flour, Bran and Pollard through Sifters.
- * Final separation of the Flour from Magnetic particles prior to transfer to Bins.
- * Automatic weighing and bagging of the Flour from the bins.
- * Transfer of bagged Flour, Bran and Pollard by Conveyor to the Finished Products Stores.
- * Delivery of the Finisher Products via Spiral Conveyor to loading point and from there by Boom Conveyor into customers vehicles.

type Mills. Here the grain is passed through 4600 cms. of rollers, 450 sq. meters of Sieves and 5 kilo meters of pipe network before being finally separated into Flour and by-products.

The entire process of production from the point of unloading to the point of loading of finished product is

By
BY M. D. PIERIS
Mechanical Engineer
Ceylon State Flour
Milling Corporation

fully integrated. It therefore, demands a high degree of technical Skill, and know-how. However, this was most wanting among the workers at the outset and at it was possible to Mill only 10 tons per day even though the rated capacity of the Mill is 255 tons per day.

It is a proud achievement that within the 2 years of operation it was possible not only to achieve the rated capacity but also to exceed it. Especially after July 1970, the average daily Milling rate has been about 250 tons. This improvement in production is equally due to the experience our workers have obtained during the past 2 years and the excellent service rendered by the Soviet Specialist, Mr. Naumov.

MODIFICATION

The increase in production achieved was due to some modification effected recently in the bagging section. The entire modification was designed,

fabricated and installed by our Technical Staff. It was found before the modification that the bagging section could not cope up with the production thereby hindering production as well. This modification also indirectly helped in reducing the number of gunnies consumed by increasing the volume packed. This in turn has resulted in a considerable saving in Foreign Exchange as gunnies are imported.

The other noteworthy achievement is the bringing down of the power consumption from 190 KW hours to 80 KW hours per ton of Flour produced. This rate is on par with existing standards in other countries. This in turn was due to efficient Machine Operation by our workers who have mastered the technique now.

As for the future, further improvements in production

270 tons per day with the proposed second bagging point and modification to the pneumatic transport system which is underway.

*We extend our Greetings to the
FLOUR MILLING CORPORATION
on the Second Anniversary of
Their Flour Mill at Mutwal*

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Second Anniversary of the Ceylon State Flour Mill - 13th December 1970 : A. Special Supplement

MESSAGE FROM THE HON' BLE MINISTER

The Ceylon State Flour Milling Corporation completes its 2nd year of commercial operation on 13th December 1970. The Corporation, besides milling flour from wheat, imported from Australia, produces bran, semolina and pollard as well. Though the Mill has a rated capacity of 235 tons a day, I am happy to state, that as a result of modifications to the Plant carried out by the Engineering and Technical Staff of the Corporation, the Mill is now able to mill 270 tons a day.



The Corporation has during the past year saved Rs. 1.6 million in much needed Foreign Exchange and is expected to effect a saving of Rs. 2 million in Foreign Exchange during the current financial year.

Despite, these achievements, the return to Government on the capital investment made, is still not adequate, to consider this project an economically viable one. The Corporation is fully alive to the need to increase productivity and to exercise greater economy in its production operations in order to make this undertaking a Commercially profitable operation.

I would like to take this opportunity to thank the Government of the U.S.S.R., with whose aid this flour mill was constructed. I would also

like to express my deep appreciation of the services rendered by the Soviet experts to this Corporation over the past 5 years, both during the stage of construction and during the actual running of the Mill. I wish to commend all the employees of this Corporation for their efforts in operating the Mill above rated capacity.

This Mill produces only about one-fifth of the country's requirements. I do hope that, with the experience and expertise gained in the operation of this Mill, we will be able to instal enough capacity to meet the country's entire requirements of flour.

T. B. SUBASINGHE
Minister of Industries
& Scientific Affairs

Message from the Economic counsellor

The 2nd anniversary of the commissioning of the first big flour mill in Ceylon, the Ceylon State Flour Mill in Mutwal falls on December 13th.

During these two years, the workers and technical personnel of the Flour Mill worked successfully and reached not only the designed capacity of the Mill, but even went beyond it by 10 per cent.

Ceylonese and Soviet specialists have in the meantime made some improvements and technical modifications which will enable the Flour Mill to increase the production of high quality flour by 20 per cent from the designed capacity. This also means an increase in more food.

The successful operation of the Flour Mill, as well as of the Iron and Steel Works and



Tyre Factory, constructed under Soviet economic assistance, contributes to the developing of the public sector of the national economy the existence of which gives the possibility to mobilise national resources and to direct it to the solution of the most urgent economic problems the country faces.

On the occasion of the 2nd anniversary of commissioning the Flour Mill, I extend my congratulations to the admini-

MESSAGE FROM THE CHAIRMAN

Two years back the Flour Mill run by our Corporation went into production, and it is heartening to note that during this period considerable progress has been achieved, mainly due to the efforts of our staff. But still much remains to be done to make the Flour Mill a paying concern. With this in view the present Board of Directors has been, within the last 5 months, planning new lines of action, especially with regard to our Commercial activities.

We have already decided to handle all Exports of our by-products on our own, which step we feel would lead to better prices for our products and also earn more foreign exchange for the country. In the field of experts, we have been successful in getting much higher prices for our Bran and Pollard than what we secured in the first and second quarters of this year. A proposal to produce Atta Flour out of whole wheat at our Mill itself is now under investigation. We also hope to increase our production of Semolina, which will bring a bigger income to us. The feasibility of having a retail store to market Semolin Atta Flour and Flour in small quantities direct to the consumer is being studied. By early next year we propose to step up our daily production to 197 tons of Flour, from the present rate of 173 tons.

Within the next year we hope to shift our Head Office to the Mill premises, at Mutwal, and with this view we have recently completed the preliminary work to have a new building constructed there.

A programme to train all our machine operators in all aspects of flour milling was begun recently, to increase their efficiency. In carrying out this programme of training we were fortunate in having the invaluable service of our Soviet Consultant Director, Mr. Naumev. While thanking

stration of the Corporation, to the workers and technical personnel, and also on the successful mastering of the methods of production and wish them success in their future work towards the industrial development of Ceylon.

V KALININ
Counsellor for Economic Affairs
of the USSR Embassy in Ceylon

all the Soviet Experts who had been with us, for their inestimable services rendered to the Corporation a special work of thanks is due to Mr. Naumev, the only Soviet Expert who is still with us.

Better service to the public will be our motto during the coming year; a better deal to the consumer, and a higher return to our Government on its investment would be our main goals.



W. M. NANDISENA
Chairman
Ceylon State Flour Milling
Corporation

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Two years of the Ceylon State Flour Mill

The characteristic feature of Soviet assistance to developing countries is that it is mainly directed at the establishment and expansion of the public sector in the economy of these countries.

The existence of the public sector makes it possible to mobilize resources on a nation-wide scale and utilize them for the accomplishment of the most important tasks. Experience proves that in a number of developing countries, the public sector favours rapid economic development to strengthen the position of the national economy in its struggle against foreign monopolies.

As far back as in 1921, V. I. Lenin, whose birth centenary had been recently celebrated by all progressive people on earth, pointed out "Our policy towards the East remains diametrically opposite to that of imperialist countries. Our policy is directed towards strengthening economic and political independence of the peoples in the East. We consider it our task and mission to be the natural and disinterested friends and allies of the peoples struggling for complete economic and political independence."

Material basis

The really immense progress achieved in the national economy during 53 years of existence of the Soviet state is the material basis for economic and technical co-operation between the USSR and developing countries.

In accordance with agreements signed, the USSR renders assistance to developing countries in the construction and expansion of more than 700 projects, 330 of which have already been commissioned.

By
I. NAUMOV,
Consultant Director,
Ceylon State Flour Mill

An example of the implementation of Lenin's policy of friendship with the oriental countries is Soviet-Ceylon economic and technical co-operation, based on equality and mutual benefit.

Under the Soviet-Ceylon Agreement on Economic and Technical Co-operation, dated 25th February, 1958, Ceylon was granted a long term credit for the sum of Rs. 180,000,000 aimed at the implementation of industrial and agricultural projects.

The most important projects assisted by the USSR are the biggest state enterprises in Ceylon: the Iron and Steel Works, the Tyre and Tube Factory which were commissioned in March, 1967, and the Flour Mill, commissioned in December 1968.

The Flour Mill in Colombo is the first big grain-processing enterprise in Ceylon. It was constructed by the State Engineering and Flour Mill-

ing Corporations with Soviet technical and economic assistance.

13th Dec., 1970 2nd Anniversary
of the Ceylon State Flour Mill
A Special Supplement



Picture shows the Control Table of the Pneumatic Intake

After putting into operation the Flour Mill which is capable of processing 70,000 tons of wheat annually, it became possible to meet about 25 per cent of Ceylon's total requirement of flour.

Eight months after the commissioning, the Flour Mill reached the designed capacity of production.

Mutual efforts

At present the Flour Mill goes on increasing its capacity and soon due to the mutual efforts of Soviet and Ceylonese specialists, the capacity will be increased by 15-20 per cent. This plan is perfectly realistic, and the experience in operation of the Flour Mill proves it. For instance, in October 1970, the production of Flour was 110 per cent of the designed capacity.

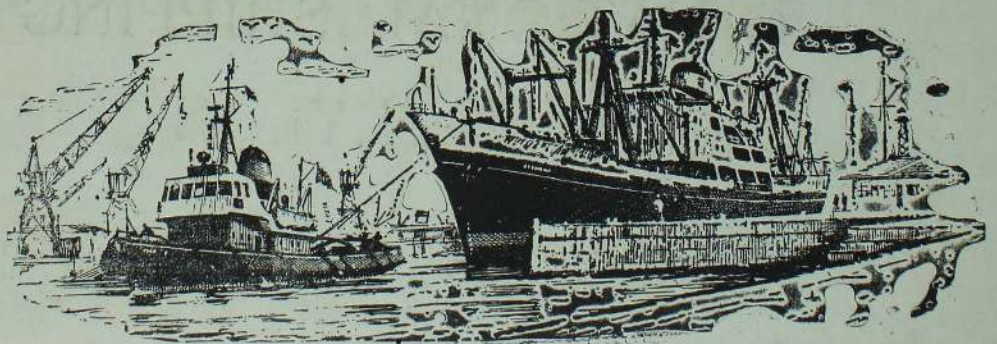
One of the most important features of the technical co-operation between the USSR and developing countries is the training of national technical staff and qualified workers

Contd. on Page 15

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FLOUR MILLING TECHNOLOGY

It is with great pride and satisfaction that we look back today, in the field of the Wheat Milling Industry of Ceylon, when it was exactly two years ago, on 13th December 1968, the Flour Mill of the Ceylon State Flour Milling Corporation at Mutwal was ceremonially opened by the Prime Minister in the presence of a Special Ministerial delegation from the U.S.S.R. and a distinguished gathering.

Thus, Ceylon produced its Flour and by-products, using modern machinery and recently developed technological know-how, with Ceylon technicians and labour. It may be mentioned here that the year 1968 had another first for the milling industry of Ceylon, when on 25th October 1968, S. S. "AMSTELMEER" brought 15,000 Tons of Wheat from Australia, in bulk. This was unloaded pneumatically, at a rate exceeding 100 Tons and stored in the grain silos in record time.

Wheat and By - Products

We have been importing two varieties of Wheat from Australia namely Soft Wheat (Fair Average Quality) and Hard Wheat, for milling to produce

flour for the Bakery Industry. The Wheat Grain consists of the following, and it is from this endosperm that flour is produced:-

- | | |
|-----------------------------|-------|
| 1. Pericarp (Outer Coating) | - 4% |
| 2. Testa and Hyaline Layer | - 3% |
| 3. Aleurone | - 6% |
| 4. Germ | - 2% |
| 5. Endosperm | - 85% |

The wheat is milled to produce the following products, but we have been able to obtain higher extraction of Flour and Semolina:-

- | | |
|--------------------------------|-------|
| 1. Flour | - 72% |
| 2. Semolina | - 1% |
| 3. Bran | - 23% |
| 4. Pollard | - 3% |
| 5. Feed Meal & Flour Sweepings | - 1% |

All the flour produced is taken over by the Food Department and distributed to the Bakery Industry and for domestic consumption. The semolina produced is also consumed by the Bakery Industry for the preparation of cakes, sweets etc, and also by the consumer, especially for the preparation of a delicious, nourishing dish for the breakfast table. The Bran and Pollard is consumed

by the Forage Industry and is exported to Hongkong and Japan.

The Feed Meal and the Flour sweeping are also consumed by the Forage Industry. The

and Semolina but also in exceeding the installed milling capacity. By January 1971 we hope to bring the mill to a still higher rate of production namely, to mill 270 tons per day.

T. RATNAYAKE

Senior Asst. Flour Technologist, Ceylon State Flour Milling Corporation

Process of Production

The Wheat issued by the Elevator after weighment is taken into the mill and cleaned, when all impurities and extraneous matter like stones, Wheat Straw, Oats, Cockles etc. are removed. The cleaned Wheat is finally moistened and tempered and made ready for milling. The Wheat is then taken into the Roller Mills milled in several stages 6 Brake systems, 4 Sizing systems, and 10 Reduction Systems.

Flour from the milled wheat is removed in several stages using Sifters. The Bran and Flour particles of equal size are separated using a system of 26 Purifiers employing a suction device. Here the Semolina which is of higher particle size is removed and bagged. The Bran which is the crushed

outer coating of the Wheat Grain and the Pollard which is similar to the Flour particle size but from which no further flour could be removed are separated and bagged. During the cleaning process and also while unloading wheat grain from the ship, dust and broken Wheat particles are separated and removed pneumatically from which Feed Meal is separately packed. Due to prevailing marketing conditions, Flour and all by-products are bagged and no bulk handling methods as in foreign countries are employed. Due to the active co-operation given by the labour force, we have been able to reach a high bagging rate of 3 bags of Flour (of 140 lbs. gross-weight) every minute.

The Flour Mill at Mutwal is able to meet the consumer demand of Colombo and outskirts. It has been planned to erect another two mills at Galle and Trincomalee, and we are confident that once these mills are erected we shall be able to meet the whole demand of flour Ceylon needs while supplementing the shortage of cattle food experienced in the country.

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Progress of the Flour Mill

On the occasion of the second anniversary of the Flour Mill at Mutwal, set up under the agreement signed in 1958, on Economic and Technical Co-operation between the Government of U.S.S.R. and the Government of Ceylon, I consider it a great privilege to contribute an article on the past and present activities of the Corporation.

The Ceylon State Flour Milling Corporation was set up on 12th March 1964 in terms of the Industrial Corporations Act No 49 of 1957.

The main purpose of setting up this Corporation was to produce wheat flour and other by-products such as wheat bran, pollard and Semolina with imported whole wheat.

Capital Expenditure

The initial Capital expenditure set apart for the project was estimated at Rs. 16 million while the foreign exchange component covered the cost of machinery and equipment to be supplied from the Soviet Union and payment to Soviet Specialists, payment for customs duties and transport was met in local currency. It was however, noted that the total cost incurred in completing the project was in the

region of 31 million. This increase was mainly due to increase of salaries paid to employees, the devaluation of the Rupee and the increase in price of local materials.

The State Engineering Corporation was entrusted with the task of erecting the Mill and installation of machinery and equipment. The State Engineering Corporation started the preliminary work of levelling and excavating in January 1965. The foundation stone for the Mill as ceremonially laid by the Hon. Maithripala Senanayake, then the Minister of Industries on 13th March 1965. It was expected to commence production by mid 1967, but however, due to delay in construction and installation work it was not possible to go into production until 1968. Eventually production commenced on 13th December 1968 and the Mill was declared open by the Hon. Dudley Senanayake, then Prime Minister.

As it was required to train local personnel in various skills nine foremen were sent to Russia for training in early 1967. In addition four engineers and one technologist were sent to Russia for further training in early 1968. The technical personnel who

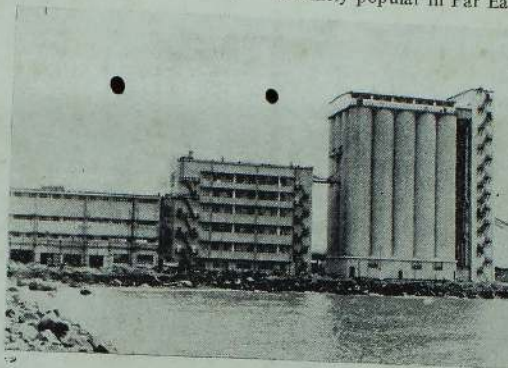
joined subsequently were given on the job training by our trained staff.

The Mill is designed to grind annually 70,000 tons of whole wheat and extract 50,000 tons of Flour, 16,000 tons of

By

M. B. ATTANAYAKE
Secretary, Ceylon State
Flour Milling Corporation

Bran 4,100 tons of Pollard and about 1000 tons of Semolina. On this basis the daily



Picture shows the Ceylon State Flour Mill at Mutwal

milling rate was to be 235 tons. However, after July 1970, the daily milling rate has averaged around 240 tons and

some days even upto 260 tons. Production is expected to go upto 270 tons per day with the proposed installation of the new bagging plant.

Exchange earnings

While the entire production of Flour is given over to the Food Commissioner for distribution, the Oils & Fats Corporation takes a sizeable amount of by-products. Bran & Pollard for the production of poultry and cattle feeds. In addition the Corporation has exported and earned for the Government about Rs. 1,924,506 in foreign exchange. The Bran & Pollard produced by the Corporation has become extremely popular in Far East

Regarding prices of whole wheat, the main raw material although prices have not fluctuated considerably, the freight rates have gone up by about hundred percent. All our requirements of whole wheat is being imported from the Australian Wheat Board.

During the initial stages the Corporation employed only one executive and one clerk. However, with the commencement of production in 1968, the staff had to be increased. Today the total strength of the Corporation including the executives, technical, clerical and workmen has gone up to about 480. As the production process is almost automated the demand on man labour is not very great.

The welfare measures adopted by the Corporation includes granting of distress loans, cycle loans, supply of uniforms, canteen facilities and rest room. The Corporation in certain circumstances also extends medical facilities. Even though these measures are not quite adequate, the production of the Mill is daily going up due to the enthusiasm and consideration shown by the employees. The resultant expansion in the activities of the Corporation has made it encumberant upon the Management to satisfy the Welfare needs of employees.

cesses in a short period of time.

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FLOUR MILL...

Contd. from Page 13

The period of construction and the present operation of the Flour Mill became a real training centre for Ceylonese workers and technicians. The Soviet specialists do their best to train Ceylonese personnel, passing on to them the experience and technical know-how thus enabling them to master all the production pro-

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THE ECONOMIC TIMES

Editorial Department
Wednesday 16th December 1970

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

TEA NEGOTIATIONS

At the Food and Agricultural Organisation's Tea Consultative Committee talks which concluded last week at New Delhi, Ceylon's plea for a long term Agreement to ensure the stabilisation of tea prices has been accepted in principle. And it has been agreed to call a full session of the Consultative Committee on tea around March next year to negotiate and finalise such an Agreement, despite much opposition from new producer countries.

Dr. Colvin R. de Silva, Minister of Plantation Industries, who led the Ceylon delegation emphasised the importance of this step to solve the problem of falling prices which has seriously affected the main exporting countries such as Ceylon.

While the decision to formulate a long-term Agreement was of course a major outcome of the talks, it was also agreed that the 1970 quota arrangement would be maintained at the same level for the next year as well. This export regulation scheme devised at the Mauritius and Rome tea talks had brought about some salutary price effect after the international tea market had experienced its most severe crash ever. However, as far as Ceylon is concerned it had not been too beneficial, and moreover, prices failed to pick up sufficiently to justify the success claimed in certain quarters.

The crux of the problem would seem to lie elsewhere. Developed countries have imposed severe restrictions on tea imports which have hit the producing countries badly causing an imbalance in the supply and demand for tea. Ceylon and India who are two of the world's leading exporting countries had to bear the brunt of these barriers by resorting to production restraints and export restrictions so as to keep out 90 million pounds of tea off the international market.

In this situation it is rather ludicrous to find, as the Permanent Secretary to the Ministry of Plantations has pointed out, that International Organisations, such as the IBRD, were investing on new tea plantations in African countries. Such increased production during this period of falling prices could only aggravate the problem. It may be granted that de-plantation or inhibiting or discouraging the new producer countries in expanding production is in itself not the answer to the tea crisis, but in the context of increased consumption of African teas relative to Ceylon and Indian teas, the problem takes a new turn. Ceylon and India contribute heavily to the activities of the Tea Council propaganda activities in the U.K., while African teas reap the benefits. Although Ceylon is world famous for quality teas, this aspect is not stressed. Hence, we find that while consumption of Ceylon and Indian teas in the U.K. had dropped, the consumption of African teas had shot up from 11 to 30 per cent.

Thus, it need hardly be stressed that propaganda on the right lines is a *sine qua non* as far as Ceylon tea is concerned. The new forms of tea must be popularized in the developed countries which provides quite a substantial market potential for quality teas. The primary concern should be to stimulate world demand for quality teas. It is in this way that the tea industry could be saved to a great extent.

Money supply increases

Ceylon's Money supply increased in September 1970 by Rs. 47.1 million as compared to an increase of Rs. 33.4 million in the preceding month. The money supply at the end of September was Rs. 2,065.2 million. This represented an increase of Rs. 180.0 million or 9.5 per cent over the level in the corresponding months last year, according to latest Central Bank statistics.

Demand deposits of the public rose by Rs. 27.2 million, while currency holdings increased by Rs. 19.9 million

ment sector's operations also resulted in a contraction of Rs. 12.3 million in the money supply.

In the foreign sector, the external reserves of the Central Bank declined by Rs. 4.2 million. Sales of foreign exchange to Government and a repurchase operation with the International Monetary Fund amounting to Rs. 15.5 million, were chiefly responsible for the fall in the international reserve. The Central Bank's liabilities to international organisations, on the other hand, were reduced by Rs. 19.2 million mainly as a result of the transactions with the I.M.F. The Bank's borrowings abroad rose slightly by Rs. 0.5 million. These changes in the Central Bank's external assets and liabilities resulted in an increase of Rs. 14.6 million in its net foreign assets. The commercial banks' net external assets also recorded an increase of Rs. 2.4 million in September.

declined steeply by Rs. 111.5 million, in September. The principal reason for this decline was the large repayment of goods receipt advances granted for financing paddy purchases under the Guaranteed Price Scheme; the outstanding amount of such advances dropped by Rs. 109.5 million to Rs. 63.8 million at the end of September. Other credits to co-operatives also moved down by Rs. 2.0 million in the month.

The change in bank credit to the rest of the private sector was negligible. The net contraction in the money supply resulting from the decrease in credit was further enhanced by a somewhat substantial increase of Rs. 20.7 million in fixed and savings deposits of private sector customers.

Bank credit to the public corporations declined by Rs. 13.9 million, in September; this was mainly on account of the fall in loans and overdrafts to industrial corporations. The fixed and savings deposits of the corporations, however, decreased slightly by Rs. 1.6 million. Thus, the effect of the activities of the semi-government sector was contractionary.

FACTORS RESPONSIBLE

The change in money supply in September was largely determined by the financial operations of the Government sector. These operations generated an expansionary effect of Rs. 180.5 million. For the third consecutive month, the external sector also contributed to the expansion in the money supply—the magnitude being Rs. 17.1 million.

CO-OP CREDIT DECLINES

In the private sector bank credit to co-operatives which had increased in almost every month of the current year,

Change in Money Supply—End December 1969 to end September 1970

Rs. Million.

Expansionary Factors

(a) Credit to Government from the banking system	..	..	331.9
(b) Commercial bank credit to private sector*	..	..	17.0
(c) Commercial bank credit to government corporations	..	..	20.9
(d) Decrease in time and savings deposits of Government corporations	..	..	31.7
(e) Decrease in other liabilities and accounts (net) of commercial banks	..	..	33.7

435.2

Contractionary Factors

(a) Decrease in external banking assets (net)	..	..	23.5
(b) Increase in time and savings deposits of the private sector*	..	..	62.0
(c) Increase in other liabilities and accounts (net) of Central Bank	..	..	131.1
(d) Increase in government cash balances	..	..	34.0
(e) Adjustments	..	..	2.5

253.1

Change in Money Supply + 182.1

*Includes co-operatives Provisional

India's public sector enters new fields

Mr. Dinesh Singh, Union Minister for Industrial Development stated that the public sector would soon enter new fields of industrial production in competition with the private sector.

The minister, who presented Presidential awards to the public sector undertakings for their outstanding performances during the years 1965—66, and 1966—67 said the public sector was originally meant to fill the gaps between supply and demand in some of the vital sectors of the economy. Recently, gaps had started appearing in a variety of fields, including consumer goods and the Government had decided that the public sector should not only move faster, but also cover fields hitherto not touched by it.

He also disclosed that an economic unit was being set

up in the Ministry of Industrial Development to provide guidelines in increasing the productivity and profitability of public sector undertakings under the ministry as well as in their

future growth and development. The unit, he said, would have the advice of experts from outside the Government.

Liberal U. S. trade policy

The U.S. Secretary of Agriculture, Clifford M. Hardin, reaffirmed president Nixon's commitment to a policy of freer world trade upon his arrival in Brussels last week for discussions with E.E.C. officials and the Belgian Government.

Mr. Hardin added that he arrived in Brussels "with a feeling of the future. As plans go forward toward a United Europe," Mr. Hardin

said: "It is plain that what is being done in the European community will have profound effects on the entire world."

He also described his recent talks with Government officials in a number of west European capitals and in Romania and Yugoslavia as "very frank and open—certainly a highly valuable measure of better understanding has resulted from the exchange of views."