

THE ECONOMIC TIMES

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Survey of Industrial Estates

A special survey is being carried out by Government to ascertain whether or not the setting up of industrial estates had helped the industrial development of the country.

This study will decide the future of the present industrial estates at Ekala and Pallekelle and of those that are to be set up shortly.

The Industrial Development Board has requested the University of Ceylon to carry out the study.

A committee headed by Dr. Gerald Peiris is now enquiring into the type of industries that should be set up at the Pallekelle Industrial Estate.

RUBBER EXPORTS CLOGGED

THE MOVEMENT OF SHEET RUBBER HAS BEEN BADLY HAMPERED BY THE PREVAILING PRECARIOUS SHIPPING CONDITIONS WHICH HAD CAUSED A SEVERE CONGESTION IN SHIPPERS' STORES, ACCORDING TO THE COLOMBO BROKERS' ASSOCIATION.

Baled rubber for November and December 1970 commitments are still awaiting shipment and in a few instances the October 70 consignments are still uncleared.

STORAGE PROBLEM

This bottleneck has created an acute storage problem which has necessitated shippers imposing restrictions on their sheet rubber purchases. If immediate steps are not taken to remedy the situation the disposal of manufactured sheet would become a serious problem, the report adds.

The disruption of the country's rubber exports at this stage would have adverse effects

on the economy thus retarding the development programmes outlined in the Budget.

AGGRAVATING FACTOR

The aggravating factors in the present situation is the delay experienced by shippers in receiving payment for rubber already shipped. As their capital is thus tied up shippers will be compelled to curtail their further purchases of sheet rubber.

Statistical error in budget speech?

The Budget Speech for 1970-71 states: "The deterioration in the balance of payments witnessed in 1969 has continued in 1970. The value of exports in 1970 estimated at Rs. 2,008 million represents only a slight improvement of Rs. 9 million over 1969....."

The total value of merchandise imports is estimated to be in the region of Rs. 2,607 million. This is Rs. 46 million less than the value of imports in 1969.

On the above basis the value of imports in 1969 amounted to :
Rs. 2,607 m., + Rs. 46 m.,
= Rs. 2,653 m.

The value of exports amounts to Rs. 2,008 m.—9 m. =
Rs. 1,999 m.

But earlier in the budget Speech the level of exports is given as Rs. 1,909 and on this basis the trade deficit of Rs. 744 million in 1969 is obtained.

Now which is the correct export figure for 1969? If it is Rs. 1,999 million then the improvement in export earnings

in 1970 over 1969 is not a slight improvement of Rs. 9 million, but a rather substantial improvement of Rs. 99 million.

The Economics Division of the Ministry of Finance could not give the answer without "studying the files."

SUCCESS IN BUSINESS

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Heyzer/w/1/71

New mineral sands plant likely

A team of economists from the Asian Development Bank will be in Ceylon shortly, to consider the feasibility of financing the setting up of a mineral sands plant at Pulmoodai to mine ilmenite, rutile, zircon and monazite.

The Ceylon Government had sought an ADB loan of approximately 9 million dollars for this project.

Preliminary investigations were made last December by a six-member delegation.

Exports

Mining of ilmenite—a raw material for the pigment industry and the manufacture of welding rods—was started in 1959 and the first consignment of 2,780 tons was shipped to Japan in 1962. Today, Ceylon is the principal supplier of this mineral to Japan and the sixth among world suppliers.

Last year, the Mineral Sands Corporation exported 76,000 tons which had brought Rs. 3,550,000 in foreign exchange.

With the setting up of this plant, the Corporation could mine 140,000 tons of ilmenite, along with enhanced quantities of other minerals.

Heavy construction a state monopoly

Government is contemplating to make the heavy construction sector a state monopoly, according to a spokesman of the Ministry of Irrigation, Power and Highways. Equipment and machinery in the private sector might be taken over by the Government for this purpose with due compensation.

Compensation will be determined by a team of foreign experts. Their services will be obtained by Government under the Colombo Plan or under the Technical Assistance Programme of the United Nations.

The machinery and heavy construction equipment thus acquired will be vested with the proposed Heavy Construction Corporation. This Corporation will handle all construction works of the various Government Departments and other institutions.

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MARKET PRICES

COLOMBO

CLOSING PRICES 27.1.70

TEA (Rs. Cts. Per lb.)

Approximate range of prices (including teas sold Ex, Estate)
BOPS

High Grown	1.90	4.20	1.90	3.00
	1 at 4.25	1 at 4.35	1 at 3.05	1 at 3.10
	1 at 4.40	1 at 4.60		1 at 3.20
Medium Grown	1.52	2.18	1.65	2.11
Small leaf Low Grown	1.55	1.65	1.53	1.65
Tea for Price	1.33	1.47	1.30	1.51
Leafy B.O.P.	1.53	1.68		

	F. B. O. Ps.		F. B. O. P.Fs	
Tippy Teas	1.55	1.73	1.65	6.80
	2 at 1.74	2 at 1.75	1 at 8.501	at 9.10
			1 at 14.00	

RUBBER

PRICES FOR THE WEEK ENDED 24.1.70

	Rs. cts.—per lb.)		
	Closing	Avg. to date	Avg. Same
	Quotations	1971	Period 1970
RSS No. 1	82 1/4	84	104 1/2
RSS No. 2	78 1/4	79 1/4	100
RSS No. 3	75 1/2	77	98 1/4

(Rs. per candy)

	Opening Price	Clos., Price
COPRA		
Estate copra No. 1	260.00	256.00
	Open, Price	Clos., Price
COCONUT OIL (Rs. per ton)		
January	1,550.00	1,550.00
February	1,550.00	1,550.00
DESSICATED COCONUT		(Per lb.)
January and February	63 cts.	Closing Price

PRICES FOR THE WEEK ENDING 24.1.70		
Commodity	Buyers Quotations	Export
	(Per lb.)	Duty
Cardamoms	21.00—21.70	40% on
Cadamom Seeds	16.50	true
Cloves	30.00—32.00	F.O.B
Clove Stems	3.25—3.50	value
Mace	7.00	
Nutmeg (Shelled)	3.15	
Nutmeg (Unshelled)	2.25—2.05	
Pepper (Black)	6.00—6.25	
Papain (White)	12.00—12.50	
Papain (Brown)	9.00—9.50	
Cinnamon H/1	3.60	20% on
Cinnamon	3.40—3.50	true f.o.b
Cinnamon Quilings No. 1	2.50	-do-
Cinnamon Quilings No. 2	2.75	-do-

	Per Cwt.	Export
Cocoa	231.00	40% on
Coffee	426.00	true f.o.b
Kapok (Clean)	150.00	value
Kapok (Unclean)	50.00	
Cotton Seeds	100.10	125.00
Essential Oils		Per oz. lb. Export duty
Cinnamon	22.00	
Cinnamon Bark Oil	24.00	
Citronella Oil Estate Quality	6.90	10% on
Citronella Oil Ordinary	0.85	true f.o.b

SUBSIDIARY CROPS—WEEKLY PRICE LIST POYA
ENDING 24.1.70

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 54 to 158 Lbs)	
	(Per bushel)	
Paddy		
Samba	Unquoted	
Other varieties	13.00	14.00
Rice	3.00	
Par Boiled	70.00	

TEA REPORT

Auction No. 4 held on 27th and 28th January, 1971.

The total quantity offered was 8,157,622 lbs. comprising 4,234,311 lbs. Leaf Grades, 1,180,160 lbs. Dusts, 4,327 lbs. Reprints, 88,056 lbs. Sundry Lots and 2,655,095 lbs. Ex. Estate. Although there were still a few good liquoring teas available quality was generally inferior to last week. There was only a fair demand with prices easing as the Sale progressed.

High-Grown Teas: The few best available Broken sold at firm rates but all others were irregular and often 10/30 cents lower. BOP Fannings met little support and all types including the best were easier. Leaf Grades were also lower.

Medium-Grown Teas: Bright and thick coloury Medium Broken declined 5/10 cents and the poorer kinds and Uva teas 5/15 cents. BOP Fannings met less demand and were between 5 and 20 cents easier.

Low-Grown Teas: There was a good demand for all Low-Grown teas with only a few of the higher priced sorts in each grade declining 2 or 3 cents.

Off Grades: There was an irregular market for both Broken and Fannings, with poorer types generally easier, and only the best kinds dearer.

Commodity Commentary

Dusts: Except for the bright Westerns which were 20/30 cents dearer all Low-Grown and Mediums declined 5/8 cents.

Tippy Teas: FBOP's and small leaf Flowery Fannings were fully firm. There was a good demand for the more attractive invoices and these came to a dearer market.

RUBBER REPORT

Poya week ending 25th JANUARY 1971

World Rubber Markets momentarily steadied earlier in the week but in the absence of any sustaining factors, prices declined latterly and remained unaltered at the close.

The Singapore Market opened nominal but an initial steadiness was soon established due to some buying support from the People's Republic of China, and on the following day further acceptances and short-covering interest kept values up. Forwards were well as far as January/March 1972.

London Market: Prices continued to decline, but the slight rise in Singapore around

midweek was followed in London, otherwise the mood was uncertain with some fairly thin covering at lower levels. The rumours regarding GSA stockpile releases possibly in March also had some effect in the New York Market as traders withheld buying. However, USA officials denied there had been plans to disrupt the present stockpile policy. The physical rubber market passed another quiet week with prices moving lower after a rise in sympathy with the Far East earlier in the week. On balance London dropped by 1/8 pence and Singapore declined by half dollar cent.

Sheet: RSS 1 opened the week at 82 1/2 cts. showing a decline of 3 cts. on the previous week's closing. Improved Singapore advices caused a sharp rise to 84 cts. the following day but the gain was only temporary and sheet returned to the 82 1/2 cts. level for the next three days before finally dipping to 81 1/2 at the close of the week. Approximately 105 Tons of Sheet Rubber were sold by Members of our Association of which 72% consisted of No. 1 sheet.

Produce Report

We give below the Sundry Produce Market Report issued by the Colombo Broker's Association for the Poya Week ending 25th January, 1971.

Cardamoms: There were 48 lots, totalling 2802 lbs. on offer at the sale this week, showing a decrease of as much as 8421 lbs. Despite the smaller quantity on offer, there was no improvement in market

which remained at about last week's levels for No. 1 to be quoted at Rs. 21/- to Rs. 21/70 per lb. Grades next to best, however, were stronger moving up to about Rs. 18/- to Rs. 20/50 per lb. Off grades too registered an increase to sell at Rs. 13/- to Rs. 15/- per lb. Seeds improved by -/50 cts. to transact at Rs. 16/50 per

—Country Rice No. 1	80.00—	84.00
—Country Rice No. 2	75.00—	78.00
—Samba Rice	105.00—	110.00
—Korea Rice	120.00—	130.00
Per Cwt.		
—Maize	32.00	
—Red Gram (Toor Dhal)	40.00	45.00
—Black Gram (Undu)	61.00	
—Bengal Gram	46.00	
—Green Gram	53.00	
—Bombay Cowpea	40.00	
Per Bushel		
—Finger Millet (Kurrakkan)	10.00	
—Sorgum	440.00	(per ton)
—Soya Beans	700.00	(per ton)
Per Lb.		
Spices Condiments	13.00	(per cwt.)
Per Cwt.		
Chillies		
—Dried Long		Unquote
—Dried Round		Unquote
Off Grade		Unquote
—Goraka	125.00	
—Vanilla	15.00	
—Tamarind	350.00—	360.00
—Nut Cashew		
—Ground Nut	65.00—	70.00

lb. The highest price realised for the day was Rs. 21/50 and the lowest was Rs. 3/- per lb. for a lot of husks.

Cocoa: There were only 13 lots, totalling 64 cwt. on offer as against the previous week's quantity of 387 cwt. indicating a decrease of 323 cwt. Perhaps due to the very small quantity on offer, the market improved to Rs. 231/- per cwt. for No. 1 quality, and a nominal quotation was made at this price. Grades next to best were stronger than previously by about Rs. 10/- per cwt. to sell at Rs. 215/- per cwt. The poorer and darker grades were also stronger transacting at Rs. 175/- to 195/- per cwt. There were no garblings or shell cocoa on offer.

Coffee: 5 lots totalling 54 cwt. were on offer, when one bright lot of Robusta Coffee fetched Rs. 426/- per cwt. and one lot on No. 1 quality fetched Rs. 350/- per cwt. for quotation to be made at the latter price. A further lot of parchment coffee changed hands at Rs. 280/- per cwt. while the poorer and dealers quality realised up to Rs. 229/- per cwt.

Pepper: 6 lots totalling 8988 lbs. were on offer, all of which were withdrawn due to lack of suitable bids.

Rubber Review—Quarter ending 31. 12. '70

We reproduce below excerpts of the Rubber Market Report for the Fourth Quarter October—December, 1970 issued by Messrs. Forbes & Walker Ltd.,

"News concerning the take over of Crepe Rubber Exports by the Government from the 1st January, 1971 caused some concern in the Trade as nothing definite was known as to how this was going to be implemented. To what extent the rise in Crepe values was due to the threat of a disruption to supplies, is hard to judge but we think that this was due to the rather unhealthy short position both here and abroad at the time of the initial press report which sparked off the scramble for supplies and this activity was extended when the probable implications began to sink home amongst Crepe users, who were reported to be paying our prices to cover their requirements for the first six months of 1971 and meanwhile were actively looking for substitutes, including amongst synthetics.

We have however been made to understand that this move was only being contemplated by the Government although no decisions has yet been taken in this regard.

Closing quotations compared to the previous Quarter's prices were as follows :—

LONDON RSS 1 17 1/4d. —1/4.

—CEYLON Thick Crepe No. 1 23 1/2d. +1d.

—MALAYAN Thick Crepe No. 1 23 11/16d. +1 7/8d.

—MALAYAN Sole Crepe No. 1 42d. +4 1/2d.

NEW YORK RSS 1 18 1/4 \$ Cts. No Change

SINGAPORE RSS 1 48 3/4 St. \$ C. —1 1/8 Cts.

SHARE MARKET REPORT

Conditions on the Share Market were once again inactive according to the Report issued by the Colombo Brokers Association

	Previous Price	Jany. 24th	— or —
	Rs. Cts.	Rs. Cts.	Rs. Cts.
Teas			
—Bopitiyas	3-25	2-50*	— -75
—Estates of Uva	5-25	4-00	— -1-25
Tea-cum-Rubber			
—Udabages	5-50	5-75**	+ -25
Rubber			
—Kalutara Company	10-00	9-50	— -50
—Kalutara Rubbers	10-50	10-00	— -50
—Usk Valleys	12-00	12-00	
—Selensings	13-25	12-50	— -75
Commercials			
—Browns	8-50	30-50	+ 22-00
—Richard Peiris & Co.,	40-00	20-00	— 20-00
—Wellawatte Mills	6-00	5-50	— -50
—Mercantile Credit	14-25	9-50	— 4-75
—Ceylon Hotels Corp.	1-60	1-60*	

There was no business in preference shares and government loans, and no business in coconuts.

Store congestion hindered the free movement of rubber during the latter half of the period under review. The situation was largely brought about by a lack of shipping opportunities whilst the slow movement of purchases of Sheet Rubber to China and the arrivals of the seasonal rush crops in Colombo also contributed to the situation.

Transactions in Technically Specified Block Rubber took place for the first time in Ceylon between a Producer and a Shipper at -80 & -83 1/2 and -85 cents per lb., for October, November/1st Half December and December 1970/January 1971 delivery respectively.

RSS No. 1—opened 1 3/4 cts. easier at -81 3/4 cents per lb. 3/4 continued to decline to 79 1/3 cents per lb., on the 6th October but recovered thereafter under fluctuating conditions to touch -94 cents per lb., on the 26th November before declining once again in line with overseas advices to close at -82 cents per lb.

Approximately 6,632 tons of Latex Crepes were offered at the Public Auctions held during the period under review, a slight decrease of 16 tons compared to the previous quarter. Latex Crepe No. 1 opened 1/2 to 2 cents easier at

Rs. 1/081—101/2 per lb., and continued to decline thereafter under fluctuating conditions to Rs. 1/0612—09 per lb., on the 26th October, but recovered strongly on intensive covering demand to touch Rs. 1/25—261/2 per lb., on the 3rd December, before declining gradually thereafter to close at Rs. 1/09—101/2 per lb.

Approximately 1,983 tons of Scrap Crepes were offered a slight decrease of 3 tons compared to the previous quarter.

INDIA EXPORTS MORE COIR

India's foreign exchange earnings through coir exports during 1970 touched a new high of Rs. 4-62 crores, an increase of Rs. 1-41 crores over 1969.

The quantum of coir exports also recorded an increase from 54,027 tonnes in 1969 to 55,941 tonnes in 1970, according to an official press release.

The removal of export duty on coir fibre had helped to record an increase in the export. The volume of coir yarn export recorded a marginal fall of 620 tonnes.

Export opportunities

Canada provides a rapidly growing market for bicycle accessories, game sets, fire crackers and cashew nuts but domestic supply cannot meet this demand. Local business firms that are interested in such export orders may contact The Director of Commerce for details.

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

M/s. Prodex, Import-Import Agency, 6, Munchen 25, West Germany.

—Desiccated Coconut and Spices.

M/s. Gort H. U./W. & S. Import GmbH., 525, Troisdor Bez., West Germany. —Desiccated Coconut and Spices.

M/s. Basil Kyriakidis, Commercial Representative, P.O. Box 619., Athens, Greece —Cardamoms.

M/s. Howmark o Canada, 642, King Street., Toronto., Canada. —Footwear.

Regal Stationery Co., Ltd. 939, Eglinton Avenue East., Toronto, Canada.

—Game Sets.

M/s. Boyes & Rosser Ltd. 1012, Auckland Street., P.O. Box 846., New Westminster, British Columbia.

—Game Sets, Bicycle Accessories and Fire Crackers.

EXPORT INTELLIGENCE

Foreign market for waste leather

Scrap leather dumped as waste at the Mattakkuliya Leather Factory will in future be purchased by the Netherlands to be used as fodder.

The Ceylon Leather Corporation has successfully negotiated with a trade team from the Netherlands for the sale of nearly thirty tons of scrap leather, now lying heaped in the factory at Mattakkuliya.

This trade team was in Ceylon recently and visited the Tannery of the Leather Corporation.

The first consignment of scrap leather will leave Ceylon during the latter part of this month.

The Corporation expects to add approximately Rs. 25,000 to its coffers from this deal.

Table mats to W. Germany

The first consignment of table mats to be exported to West Germany by the Small Industries Department was air-lifted from the Bandaranaike International Airport, Katunayake last week.

The Minister of Industries and Scientific Research, Mr. T. B. Subasinghe, was present at the Airport when the 90,000 mats which is the first part of the total order of 1,000,000 is exported.

It is expected that the rest of the mats will be sent by February 15.

This order from West Germany is expected to bring in a foreign exchange earning of Rs. 240,000.



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Size 12-14 Rs. 14.90

Bata

SCIENCE AND TECHNOLOGY

Hello! Is that the Computer?

An electronic engineer will be able to pick up the telephone on his desk and talk to a computer many miles away to help him with his design problems, through a service just introduced in Britain.

The service Redacal, developed by Redac Software, of Tewkesbury, in Western England, enables the engineer simply to dial the company's ICL 1904A computer at Tawkesbury over the ordinary public telephone network.

The computer will then calculate and produce information about the components he needs, leaving him the choice of alternatives, calculate the probable reliability of the design he chooses and quote information about prices.

But it will not be a receiver-

to-the-ear conversation for the engineer. Having dialled ICL 1904A he will sit at a teleprinter-like keyboard and type out his questions to the computer, receiving the answers in the same way—almost immediately.

The Secret

The secret lies in a special adaptor which can be coupled with the telephone.

Siemens of Germany are already using the service to design several pieces of equipment while the US Bell Telephone Laboratories are expected to sign a technical 'know-how' agreement with the British firm soon. Other companies in Europe, South Africa and Australia have shown interest in the system and taken part in experimental trials.

A TESTING CENTRE FOR THE WORLD'S BRIDGE BUILDERS

A machine built and installed at Middlesbrough (North-East England) in 1926 to test scale models of the Sydney Bridge is still providing a similar service for bridge builders in many parts of the world. It is claimed to be the only one of its kind in Europe.

The machine, which has a testing capacity of 1,250 tons, is located at the British Steel Corporation's Dorman Long Britannia Works at Middlesbrough. After being originally operated hydraulically it was converted to electrohydraulic operation by oil in 1960, and is used by BBC for testing lifting tackle, crane hooks and other equipment.

Accuracy

Recently, the testing facility has been used on suspension ropes for the new bridge at Parana, Italy, and for those of bridges in Vancouver and Quebec, Canada.

Another big job was to test, up to 1,000 tons breaking point, some 41/2 inch stud link anchor chain for the Spanish firm of Vicinay at Bulbao. This was for use by oil tankers of more than 200,000 tons capacity.

It has also undertaken work in yet another field—tension testing components of the A300B European airbus project.

The machine, which also tested the steel ropes for the Forth and Severn bridges in Britain, has a Board of Trade Grade A Certificate, which means that it has a 100 per cent accuracy factor. Its range makes it very valuable to British industry and its services are not only available to all divisions of the British Steel Corporation, but to any authority or company.

Heart Massage Device

A new artificial auxiliary heart that can massage a diseased or even lifeless heart back to normal functioning and keep it working for the duration of heart transplant operations has been developed at Tokushima University.

In a typical experiment, a dog was rendered nearly lifeless. The animal was left in that state for 10 minutes, until its brain waves had halted. Then the device was attached to its heart. The animal was revived and kept in a state where the heart, blood pressure and blood flow operated normally for 12 hours.

The research team is now trying to make the device suitable for use on humans.

PLANNING FORMAT

Different companies may use different formats for their plans, but, one approach is to include three sections:

- 1.—A strategic plan
- 2.—A corporate development plan
- 3.—An operations plan

The strategic plan contains the answer to the question: *What business are we really in?* It also sets objectives or targets, quantitative or qualitative for the period the plan covers. Finally it covers the strategy to be used in taking advantage of opportunities and in averting threats, and provides for marketing research and intelligence reports from the field to help it identify both opportunities and potential threats. In addition, it spells out internal areas where the company should be strengthened.

The corporate development plan covers research and development, plans for diversification, plans for divesting the company of unprofitable products or sections, the new business needed to meet the profit objectives and where it will come from, special assignments that must be carried out to meet the plans, and the controls to be instituted.

Finally, there's the operations plan which covers the things each section of the company is to do; the five year goals and the goals for the year ahead, with the necessary budgets. This might cover such things as:—

- 1.—The annual sales and earnings goals
- 2.—The annual marketing plans for each major product
- 4.—Capital expenditures
- 5.—The five-year budget

HOW ONE COMPANY PLANS

The development of a long-range plan may perhaps best be illustrated by reference to one company's planning procedure. This is a 'big company' by most standards.

The original basis of the plan is top management's belief that the company should at least maintain its share of the market. This figure is arrived at from past history, present position, and management's desire to maintain profitable status in future markets.

The company tries to forecast the future markets for steel five—and sometimes ten—years ahead, including the market for different types of steel. Then it predicts the total tonnage, the type of tons, and probable location of the demand for these tons for the next five years.

The next step is to compare the company's capacity to produce the tonnages projected. Here an analysis is made to determine whether the tonnages needed at the various locations are reasonable.

In some areas it may be unrealistic to expect to sell its

MANAGEMENT

share of the market because of heavy competition or for other reasons. In other areas, it may be possible to increase its share somewhat.

From these studies the company works up revised figures that indicate the growth rate it may actually expect.

Then the task is to analyse each plant's capacity to produce what will be required of it. This study will cover the equipment available and its condition, and will indicate whether the plant will need new equipment, more equipment, or additions to the plant, and whether any new plants will be needed and where.

Once plant and equipment requirements are determined, the money part of the programme is brought into focus. If more money is needed than the company will have, in the light of realistic forecasts of earnings and the borrowing it can undertake, the overall programme may be cut back.

Also, if a particular plant will need too much new equipment to handle the extra tonnage required, some other plant may be asked to handle part of the demand. Or the product mix may be changed to bring the total tons back up to the country's original market objective.

At this point the company can calculate what extra equipment will be needed to bring each steel making district to the point where it can produce the amount and type of tonnage required.

Meetings are then held to discuss each phase of the programme in detail—to make sure that everyone is in accord and understands the requirements. After that the plans are referred to the financial department, which starts a new set of studies to determine how the money can be made available.

The financial department develops a long-range financial forecast to show how the proposed plans will affect the company's balance sheet three, five, or ten years in the future. Will enough money be generated internally to support the working capital requirements? Will the company run out of cash—and if so, when and why? If it will, how much money must be borrowed and how long will it take to pay it back?

We continue the series on the **TECHNIQUES OF MODERN MANAGEMENT**. Here the author deals with Company planning procedure.

The answers to these questions determine top management decisions on the various projects that make up the plan. It may decide to defer or abandon some of them if too much borrowing would be required.

The financial department also prepares a short-term forecast showing the expenditure and expected receipts by months for the year ahead. This helps to prevent sudden needs for cash that will mean unplanned short-term borrowing and enables the financial department to plan ahead for investment of surplus cash so that it can be used in the most profitable way.

The financial people must depend largely on other people's estimates. The big problem, therefore, is to obtain accurate forecasts of trends on which the financial position of the company will depend. For this reason a great amount of time and effort is devoted to getting an agreement on future sales, prices, labour, costs, costs of plant and equipment and so on.

The 1000,000,000 Dollar American Economy

Washington

The United States now is producing goods and services—the gross National product or GNP—at the rate of one million dollars per year.

This figure was reached for the first time and was noted in a small ceremony at the commerce department in Washington by president Nixon, who spoke briefly.

The United States first reached the 100,000 million dollar mark in 1929. But then the great depression began and the United States did not again produce goods and services worth 100,000 million dollars until 1941.

As late as 1948, the GNP figure was 250,000 million dollars. Now it is four times that.

The real rise has not been as high as the figures indicate, for prices now are about fifty per cent higher than they were in 1950, but the growth and social changes have been far greater and more rapid than at any time in the nation's history.

ORDER TO END SEQUESTRATION

Cairo

The authoritative Cairo newspaper Al Ahram, has hailed President Anwar El Sadat's sweeping political and economic reform. The Cairo newspaper called it "one of the most important measures taken toward codification of the revolution of Nasser."

The reform measure orders the return of property taken from Egyptians over the last decade, sometimes for political reasons.

The news report adds that Mr. Sadat also ordered that any property-seizure action in the future be carried out under strict legal procedure in special courts with citizen representation in the juries. It was not clear whether such returns of property would apply to the thousands of foreigners affected, most of whom have left Egypt. It appeared doubtful that this would be the case.

The threat of confiscation has been a restraint on private investment in the economy of Egypt. Recently, the so-called private sector has been receiving assurances of a secure place in a largely socialized society. One of Mr. Sadat's first moves upon taking office as President, was reportedly to order a review of the practice of seizures known as sequestration.

How all this has come about is (and has been) the subject of countless books. Business week magazine said recently: "it has taken not one but several revolutions to produce the one million dollar economy; an agricultural revolution that allowed a few million farmers to feed a population of more than 200 million people; a revolution in transportation and another in communications that bound half a continent into one huge market; and an industrial revolution that first invented new products, then made them cheaply enough for mass consumption."

FRANCO-POLIS ECONOMIC RELATIONS

Warsaw

Trade relations between Poland and France have been developing favourably. In the course of the last 6 years mutual turnover increased almost two-fold. A negative factor is the progressing deficit of Poland in this exchange, which grew from 5 million dollars in 1965, up to approximately 45 million dollars in 1969. Although the conditions stimulated in trade agreements concluded with France as one of the most favourable among capitalist countries the still existing quotas and other restrictions hamper Polish export and hinder the re-establishment of trade turnover balance.

In 1969, a long-term agreement on trade exchange, economic and industrial co-operation for the years 1970-1974, as well as an agreement on the extension of mutual economic co-operation were signed with France.

JAPAN'S POPULATION ESTIMATED AT 104,649,017

Tokyo

The population of Japan, including that of Okinawa Islands, was estimated at 104,649,017 up to October 1, 1970 on the basis of the national census, the Prime Minister's Office announced. The figure surpassed the 100 million mark for the first time and ranked seventh in the world.

The census showed an increase of about 5,430,000 during the past five years since the last census. The increase is slightly less than the population of Kanagawa Prefecture which is about 5,470,000. The rate of increase is 5.5 per cent as compared to 5.2 per cent of the last census held in 1965 and 4.6 per cent of the one before that in 1960. The rate of increase is still notably high in large cities, the census shows.

By Prefectures, Tokyo led the list with a population of 11,400,000 followed by Osaka with 7,620,000, Kanagawa with 5,470,000, Aichi with 5,300,000 and Hokkaido with 5,180,000. The smallest population was that of Tottori Prefecture registering 570,000.

BIG GAINS BY SHANGHAI INDUSTRY

Shanghai

Shanghai's industrial output in meeting the 1970 State Production Plan was at an all-time high. The total industrial output was 14% over 1969 and 60% higher than in 1965, the year preceding the Great Proletarian Cultural Revolution.

Great efforts were made to reach and overtake advanced world standards and to adopt new techniques, work processes, products and materials. Metallurgical enterprise did successful experiments on improving about one thousand kinds of high grade and precision alloys, alloy steels, rare metals and special shaped rolled steel and produced a number of new grades of steel suited to production conditions in China. Chemical works added a number of special engineering plastics.

Instruments and meter factories created some new varieties of electric vacuum equipment and new-type semiconductor elements. Various industries more widely adopted electronic techniques and a new technique of working metal that calls for little or no cutting and the textile industry adopted "one-step process" in part of its production including the technological process of printing and dyeing cloth by one step. The use of science and technology was raised to a new level.

Big increases were reported for major products, including steel, rolled steel, transistors, solid-state circuits, silicon single crystals, ships, metallurgical equipment, textile machinery tractors, chemical fertilizers and cement. Consumer goods output rose by a big margin, which included cotton knitwear, synthetic fabrics, woollen fabrics, woollen yarn, bicycles, cigarettes, wrist watches and transistor radios. Quality was steadily improved. Water and land transportation and the volume of cargoes handled at ports topped state plans.

£ 10 MILLION RISE FOR BRITAIN'S RESERVES

London

Despite the repayment of £ 110 million of interest and principal to the United States



and Canada, Britain's official reserves of gold, foreign currency and Special Drawings Rights rose by £ 10 million during December to stand at £1,178 million at the end of the month.

The figures announced last week by the British Treasury suggest that the total net inflow of foreign currency into Britain in December was at least £120 million, the second month in succession when the apparent net inflow has exceeded £100 million.

This was the first December since 1960 that Britain's official reserves have risen after making the full end-year repayments due on the post-war North American loans, and in the absence of any drawings from the International Monetary Fund, on the basis of information released so far, it appears that the net inflow of foreign currency into Britain during the fourth quarter of 1970 was about £ 250 million

This more than redresses the outflow of £ 202 million recorded in the third quarter when international interest rate differentials turned against London.

In fact, the fourth quarter inflow was probably very much larger since it is reasonable to assume that £ 150 million, borrowed from overseas central banks to finance the third quarter outgoings, would have been largely or wholly repaid in the fourth quarter without being reported in the monthly reserve figures.

YUGOSLAV FIRM TO BUILD ABBATTOIRS

Teheran

An agreement to deliver equipment and machinery and build more than 60 slaughter houses in Iran was signed between the Ministry of Agricultural Products and consumer goods Ismail Sammie and the director of INGRA Ivo Pavilsko. The cost of the Project will be 819 million and the slaughter houses will be built in the major cities like Teheran, Tabriz, Shiraz, Isfahan, Mashad, Abadan, Khorombhar and Kerman.

The Contract was signed by the Deputy Minister of Agricultural Products and consumer goods Ismail Sammie and the director of INGRA Ivo Pavilsko. The cost of the Project will be 819 million and the slaughter houses will be built in the major cities like Teheran, Tabriz, Shiraz, Isfahan, Mashad, Abadan, Khorombhar and Kerman.

INGRA will implement the project in three phases and take approximately three years to complete the slaughter houses. The delivery of the equipment and machinery to Iran will be made on a long term credit advanced to this country. Yugoslavia is also expected to give Iran technical assistance on operating the slaughter houses.

CHEAPER CREDIT TO FARMERS UNDER STUDY

Delhi

The Government is considering the question of providing cheaper credit to farmers. India's Minister of State for Food and Agriculture Mr. A. P. Shinde, announced last week.

THE ECONOMIC TIMES

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For many years the developing countries were under the impression that there could be no meaningful economic co-operation among themselves. It was believed that the co-operation would mean only the distribution of poverty. Some of the developing countries therefore looked to the West and some to the East to accelerate the rate of economic growth.

Their erroneous impression has now fortunately been removed and the psychological barriers among the developing countries are being demolished. It is now being increasingly appreciated that the developing countries too have many things to give and take from among themselves.

India has been one of the first countries which realised the significance of economic co-operation among the developing countries. Fortunately for her, India is in a position to translate her intention into practice and initiate a two-way traffic with the neighbouring developing countries. India has already implemented three five year plans. Two out of them were specially aimed at building, deepening and diversifying the industrial base in the country.

Economic Collaboration

Though there have been some shortfalls in the original plan targets, yet the successes achieved in the field of industry, particularly heavy metal producing and machine building industries have been outstanding.

Today, India is not only self-sufficient but is in a position to supply a variety of industrial goods. To mention only a few items, India can supply road and rail transport equipment, heavy electrical equipment, including complete thermal and hydro-power stations, complete machinery for textile, cement and sugar industries, all types of manually-operated machine tools and lathes, equipment for the light engineering industries. India is particularly equipped to supply wherewithals for buildings in infrastructure of communication, transport, power,

irrigation, and water supply and technical education. India can also provide consultancy services in these and many other fields.

India's policy of promoting economic collaboration with developing countries has four distinct facets. These are: encouragement to the two-way trade promotion of joint ventures, both in the private and public sectors, Government assistance and facilities for giving technical education in colleges and universities and implant practical training.

Trade Policy

For some years now, India has been pursuing a policy of encouraging its trade with developing countries. With this in view, it has entered into bilateral and trilateral arrangements and has concluded many barter deals also

India, on its part, is willing to go in a big way to push up two-way trade with the developing countries.

India has also made a modest beginning with the Government-to-Government assistance to developing countries. As

INDIAN REPUBLIC DAY:

26. 1. 1971

A Special Supplement

PARTNERSHIP IN PROGRESS

BY
KAWAL VARMA

regards technical education, India has been in the forefront among the developing countries for many years now. It has been offering a large number of scholarships to students from the developing countries. It has also reserved certain seats in technical colleges and institutions for students from these countries. Many students from the developing countries come here to study under the Colombo Plan also. With the development of large industries, India also suffers facilities for in-plant practical training. Already, a large number of foreign trainees are working in steel plants at Rourkela and Bhilai, Heavy Electrical Plant at Bhopal and many other units.

to hold up to 49 per cent of shares in equity capital in a project in a foreign country. Though the Government does not allow the export of cash capital, the share could be obtained in lieu of export of machinery, equipment, tools and fee for technical know-how and consultancy services.

So far, more than 80 joint ventures abroad have been approved by the Government. Most of these joint ventures are in Africa and West Asia.

Joint ventures cover a number of industries, like cotton textiles, soaps, clock assemblies, electric fans, motors, pumps and diesel engines, automobile components, steel furniture, and so on.!!

In India's policy to expand economic collaboration with the developing countries, West Asia occupies a special position. This region is geographically very near to India.

Joint Ventures

India has of late started encouraging another field of economic co-operation. This is the field of joint ventures, both in private and public sectors. The Government of India permits Indian parties

The scope of complementarity between India and West Asia is also very large. In other words, India and West Asia are natural trade allies.

India has been making conscious efforts to exploit this complimentary character of the two economies. In 1969, India had notable achievements in this respect. Its exports to the UAR, for instance, increased by about 86 per cent. Exports to other Middle East countries, particularly Saudi Arabia, Qata and Syria were also substantially higher during 1969 as compared to 1968.

The West Asian countries are now going in a big way for building infrastructures and the development of industries, like that of textiles, cement, sugar and light engineering goods. India has a fairly rich experience in these fields. India parties, both in the public and private sectors, can take up these jobs on turn key basis. Moreover, Indian machinery and goods are competitive because of the freight advantage and low wages in this country as compared to those in the advanced countries. The margin of natural freight advantage itself is quite large but it has presently become really substantial following the closure of the Suez Canal.

Cont. on Page 7

While congratulating and wishing INDIA all prosperity, we are pleased to announce below names of manufacturers of India who have been helpful in supplying requirements through us for Ceylon Projects:

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INDIAN STRUCTURALS FOR WORLD MARKETS

The steel structural fabrication industry of India has made significant progress during recent years. The industry has not only geared up its production to meet increasing demand in the country, but has also been able to export sizeable quantities of structurals to world markets.

The structural industry has the credit of building a number of bridges, some of which were built over 150 years ago and are still in use. More recently, the industry had built the Howrah, Ganga and Brahmaputra Bridges which are recognised as engineering feats. Over the years, the industry has built up standards of engineering skill and workmanship comparable to that of the more advanced countries of the world.

In the field of exports, the industry has been able to win global tenders in stiff competition with many of the developed countries of the world. Some of the structurals which have already found markets in the various countries are also those which offer possibilities for export include transmission towers, cranes of all types, structures for building and bridges, etc.,

According to the working group on structurals of the Planning Group on Machine Building Industries, an export potential of about 3,25,000 tonnes in transmission towers, cranes, building and bridge structures shall be possible during the Fourth Five Year Plan period. The success achieved in the recent years

in the export field, particularly in the case of transmission line towers, bears testimony to the existence of vast potential for exports. There are good prospects for diversifying exports of structurals to a larger number of countries.

Most of the basic raw materials of the desired quality are being produced in the country. However, marginal imports of certain materials and components, are being permitted wherever required. Concerted efforts are being made to equip the industry to play its role both in the internal as well as the foreign markets.

The structural industry is gradually rising its capacity to meet increasing requirements for the various projects which have been taken up in this country as a part of the programme of economic development. The projects include such sectors as steel, petroleum, fertilisers, cement, bridges, etc., With the capacity already built and being further developed, the Indian industry could execute export orders for steel structurals, required for buildings, for factories, plants, power houses, aircraft hangars, multistoried buildings, etc., bridges for road ways as well as railways; electrical power transmission

towers, structures for electrical traction for railways; hydraulic structures like gates and penstocks; large-diameter fabricated pipes for carriage of water, gases, etc., structures for ropeways, conveyors, etc., for mining, metallurgical, fertiliser and chemical plants; tubular structures and cranes of all types required for steel

plants, fertiliser, cement and other industries; tower cranes and locomotives for buildings projects and dam construction and erection.

The structural fabrication industry in India has considerable capacity for further expansion and is poised for playing a significant role in the coming years.

Partnership in Progress

Contd. from Page 6

India has already won a number of high-valued contracts from these countries for the supply of railway equipment, wagon and coaches, complete plants for cement and textile industries, power equipment, particularly for transmission purposes, road building equipment and building of railway track.

Balance of Trade

It must however be emphasised that India is not interested in one-way traffic. It does not want only to export its goods. India is very keen that the trade between India and West Asian countries should be as far as possible a balanced one. In order to achieve this balance, India has entered into many long-term contracts for the import of goods from these countries. India would be interested to enlarge the quantities and the list of items of import from these countries. It is particularly interested to buy long-staple cotton, non-ferrous metals, rock phosphate, sulphur and last but not least mineral oil.

In fact, mineral oil is a problem in itself. At present the entire import of crude is from West Asian countries, mainly Iran. However, the crude is being imported through the intermediaries of international oil companies. As a result, neither the producing West Asian countries get their due nor does India receive crude at the competitive prices. Recently, a Government-appointed committee found that India had not been receiving crude at the genuine world market prices in the commercial sense. The committee said that the history of past transactions of crude showed that full benefits of the prevailing rates of discounts had not been invariably and

promptly passed on to India by the foreign oil companies. In this situation, India would be interested either to establish direct relations with the producing countries and import crude by-passing foreign oil companies or set up joint ventures for the production of crude.

Within the West Asia region, the two countries which are most interesting to India are the UAR and Iran. With UAR, for many years India has been striving to forge the closest relations.

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Ceylon's Agriculture Development Plan

Tea is by far the most important of the export crops. It is a major provider of foreign exchange (61%), the biggest single contributor towards the national income (15%), and the tea industry employs the largest labour force (800,000 workers) in the Island. In addition, tea provides the third highest source of revenue to the Government. This dominant role of the tea industry is likely to continue over the foreseeable future despite efforts to diversify the export sector of the economy.

In view of the continued deterioration in world tea prices and the relative stagnation of demand for tea in the traditional tea-drinking countries, it is necessary to promote such innovations as the production of instant tea, green tea and by-products of tea such as caffeine, tea seed oil, etc. In order to encourage the exports of instant tea, the Government has abolished the export duty and has also extended the benefits of the FEECs Scheme to the export of instant tea. Besides these concessions, new instant tea factories are also eligible for the subsidies payable under the Tea Factory Development Subsidy Scheme.

The possibility of setting-up factories in Ceylon for the extraction of Caffeine and Tea Seed Oil are being explored and it is hoped that it will be possible to set-up pilot projects for these products during the Plan period 1971-1977.

Tea has long been the leading traditional export commodity contributing as much as 60-65% of the annual exchange earnings. Despite increases in production over the years, earnings have been stagnant because of decline in export prices.

The recognised long-term policy for Ceylon has been to reduce the unit cost of pro-

duction through a programme of replanting low-yielding tea lands with high-yielding planting material. When the replanting scheme is fully implemented, Ceylon's exportable surpluses of tea can be harvested from a reduced acreage. This would mean that the balance acreages left will have to be diverted to the cultivation of other crops. Further in view of the drop in tea prices, the cultivation of tea has ceased to be economically in areas which have only marginal requirements of rainfall, relief or soil for tea.

The major problem confronting the tea industry in Ceylon has been the slow erosion of the unit value of tea exports. While Ceylon in recent years has displaced India as the world's largest exporter of tea, this has brought with it, not an increase, but a downward drift of the total foreign exchange earnings from tea. The re-

sulting stringent foreign exchange situation has had disturbing consequences, not only for the tea industry, but also for the economic growth of Ceylon as a whole. The fall in tea prices has not been confined to Ceylon although the impact has possibly been felt more acutely by Ceylon in view of the predominant place that tea occupies in Ceylon's economy over the last decade or so there has been a gradual and progressive decline in tea prices. Prices have been falling somewhat mildly from the latter part of 1950 till 1965. From about 1966 the gradual decline turned into a somewhat steep fall. The basic reason for this trend could be attributed to the prevalent imbalance between consumption and supplies available for consumption.

There are number of other factors which govern the course of prices in the tea market, but these operate in

We reproduce here the first instalment from the Agriculture Development Plan 1971-1977. We begin the series with perennial crops

The section here deals with tea and outlines the development strategy for the tea industry.

The next instalment will deal with the rubber industry.

the context of the basic imbalance between supply and demand. World tea production is increasing or is tending to increase at a rate of 2-3% per annum, whereas the demand for tea in the major importing countries has barely risen.

The fall in tea prices could be halted if supplies could be brought into conformity with the levels of world demand.

PROPOSALS
STRATEGY OF THE DEVELOPMENT PROGRAMME FOR THE TEA INDUSTRY

The outlook for trade in tea is that supplies will be running ahead of demand. Projections by F.A.O. and UNCTAD both indicate that surpluses are likely to emerge in the very near future. Prices are to be maintained at a remunerative level as the decline in prices is to be arrested, it will require concerted action on the part of exporting countries in order to restrain the rate of expansion of exports so as to keep it in line with world demand.

On the initiative of the Ceylon Government, discussions were held by the producing countries under the auspices of the F.A.O. in order to secure inter-governmental co-operation with

Greater selectivity in social services more costs to be met by user with exemptions for those in need; higher health service charges and new expenditure on hospital savings on school meals and milk and more school building Family Income Supplement for poor families; changes in housing finance to help most needy.

A policy of concentrating Government help in Britain on those people whose need is greatest and transferring part of the cost of certain social services from general taxation to users, who can afford to pay for them, underlies changes in the social services recently announced by the Government.

Setting out a new programme for public spending in the House of Commons, the Chancellor of the Exchequer, Mr. Anthony Barber, said that the Government intended to adopt a more selective approach to the social services. There will be increases in expenditure on the basic structure of the services — on schools, hospitals and social security payments to those in need — but the Government intends to confine the scope of free or subsidised provision more closely to what is necessary on social grounds.

The transfer of certain costs from general taxation to the user will be achieved partly by the abolition of subsidies and partly by new or increased charges. The savings thus made will allow for wider exemptions and better remission arrangements for those

who are poor or who have special needs, as well as for improvements in the services themselves.

Health and Welfare Services

In the health and welfare services the present arrangements for the supply of free welfare milk to needy families will continue — that is, to those where there are expectant and nursing mothers and children under five — and also to large families. But cheap welfare milk, which is at present sup-

plied to all other expectant and nursing mothers, children under five and certain handicapped children and is subsidised to the extent of 6d. a pint will cease to be available.

Measures are to be introduced to enable prescription charges to be related more closely to a proportion of the cost of the individual prescription — with a ceiling to the amount of the charge. In the meantime the flat-rate charge of 2s. 6d. for each item on a doctor's prescription will be increased to 4s. 0d. Children expectant and nursing mothers, people over 65, patients in specified medical categories, war pensioners and those receiving supplementary benefits will continue to be exempt from prescription charges. In the ophthalmic and dental services, tests and examination will remain free as at present but charges for dental treatment will be related to approximately half the cost of the service provided and charges for

spectacles will be increased so as to include the cost of dispensing.

People in receipt of supplementary benefits or with a low income will continue to be entitled to apply to the Supplementary Benefits Commission for a grant to meet these charges. These changes in health and welfare provisions are expected to produce gross savings of £ 71 million in public expenditure in 1971-72. At the same time the income

levels for entitlement to free milk and to exemptions from — or refunds of — the new charges will be revised, thus reducing savings in the health and welfare services by about £ 3 million a year and increasing supplementary benefit payments by about £ 4 million a year. Part of the savings will be used to develop further those services most in need of additional resources, especially hospital facilities for the elderly and mentally handicapped. New expenditure amounting to £ 110 million over the years 1971-72 to 1974-75 is planned.

Education

Savings within the educational system will be effected by increasing the price of school dinners from 1s. 9d. to the actual cost, which is at present 2s. 10d. This will be done in two stages. The first increase to 12 new pence (2s. 5d.) will take place in April 1971 and the second to 14 (2s.

10d.) in April 1973. The gross level of parents' income below which their children are entitled to free meals will be raised for an average family by about 30s. a week in April 1971 and by about 40s. in April 1973, thus increasing the provision of free meals to the most needy. Estimated net savings in 1971-72 is £ 20 million.

Free school milk — at present available to all primary school children — is to be discon-

tinued for children over 7. Free provision to children in nursery and infants' schools, pupils up to 12 who need milk for medical reasons and those in special schools for the mentally or physically handicapped will not be effected. In a full year about £ 9 million will be saved.

Discussions are to be held with local educational authorities in England and Wales on ways of increasing the fees charged in further education establishments for non-vocational courses and for vocational courses for those already in employment. But it is not intended that there should be a tuition charge for students under 18 attending full-time courses. The aim will be to save about £ 5 million annually. As a result of these savings it will be possible to increase school building programmes substantially to enable local education authorities to make faster progress in replacing and improving

old primary schools. Expenditure on educational building during the four years to 1974-75 will be increased by £ 28 million.

Social Security

In the field of social security, savings of about £ 20 million will be made by ending the present entitlement to unemployment, sickness and injury benefit for the first three days of absence from work where the claimant is unemployed or sick for twelve

days or more. Supplementary benefit will be payable in cases of hardship. As an immediate step in tackling family poverty a Bill has been introduced to provide a new cash benefit for low income families with children where the wage-earner is in full-time work. The new benefit, known as Family Income Supplement, will consist of a maximum benefit of £ 3 for the poorest, reducing to 4s. 2d. income levels roughly equivalent to supplementary benefit levels. It is expected to become payable in August 1971 and recipients will automatically become entitled to exemption from prescription charges.

New benefits are also provided under the National Insurance Act 1970 — the first legislation of the new Parliament — to provide pensions for people who were too old to contribute when the National Insurance Scheme began in 1948. This pension became payable in November 1970 to men aged

87 and over and women aged 82 and over. A new widow's pension is to be paid from April 1971 for widows with dependent children who were aged between 40 and 50 when their husbands died (at present a widow's pension is only payable to women over 50 although those with children are eligible for a widow's mother's allowance).

Housing

The Government has announced its intention of refashioning the system of housing subsidies (Exchequer grants to local authorities and rebates to tenants) so that more help goes to those who most need it and to areas where housing problems are particularly acute. Mr. P. Walker, Secretary of State for the Environment, said in the House of Commons that the system of rent rebates for tenants with low incomes will be extended to households in the private sector for the first time.

Steps are also to be taken to assist local authorities more adequately with the high cost of slum clearance and special help is to be given to the authorities with severe problems of overcrowding and obsolescence. A major campaign is to be launched to encourage people to apply for the grants already available to improve and rehabilitate older houses. These measures, said Mr. Walker, will create the conditions in which a national, fair and comprehensive housing policy can be pursued.

SOCIAL POLICY IN BRITAIN

t Plan (1971-77)

PROPOSALS

STRATEGY OF THE DEVELOPMENT PROGRAMMES OF THE TEA INDUSTRY

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view to arresting the con- tinuing decline in tea prices. At the Conference held in Mauritius in July, 1969, an interim agreement has been reached which would reduce substantially the amount of tea to be placed on the World market during 1970. This agreement which subsists for 1970* only is expected to be a prelude to long-term com- modity agreement on tea. If such a long-term agree- ment is achieved, there will be need for measures to con- trol the quantity of tea ex- ported. This, in turn, may

require production to be held below its potential level. Any such degree of limitation is unlikely to be severe before the second half of the 1970s but thereafter production con- trol measures would be in- creasingly needed in view of the very much greater yields of clonal tea. Subject to the modifications that may become necessary as a result of a long-term International Commodity Agreement on Tea the Development Programme for Tea for the period 1971—1977 have been based on:—

- (i) the reduction in the unit cost of production, by replanting the low- yielding seedling tea with high-yielding varie- ties of vegetatively pro- pagated clonal tea;
- (ii) the modernisation of tea factories with a view improving the quality of made tea and reduc- ing manufacturing costs
- (iii) the encouragement for the establishment of factories for the manu- facture of instant tea, green tea and by-pro- ducts of tea such as caffeine and tea seed oil, etc;
- (iv) the cultivation of alter- native crops on tea lands which, for agro- ecological reasons and in the context of ruling prices and costs are unsuitable or marginal for tea.

The above measures, coupled with promotion campaigns, are expected to ensure the competitive position of Ceylon teas in the world markets.

The strategy of the tea sector must take into account the changes which are occurring in both production in Ceylon and in world market conditions. Hence, any plan for tea industry will have to be constantly up-dated and

revised in the light of chang- ing conditions.

DEVELOPMENT PROGRAMMES

A major influence on pro- duction is the change over to the higher-yielding clonal tea which the development programme will encourage to continue and accelerate over the 1971—1977 period. Although the replacement of seedling tea by clonal tea will continue well beyond 1977 steps will be taken during the Plan period 1971—1977 to ensure that the replanting— which represents the greatest technological change in the

(Cont. on Page 13)

Co-operative way of the working peasantry

The world press carries reports of peasants being ruined on a mass scale in capitalist countries. Millions of farmers, small and medium owners, remain without means of subsistence. They are compelled to leave their places and to join the reserve army of unemployed. This process takes place in all countries where concentra- tion of production and tech- nical modernization takes place in agriculture.

Paradoxically as it may seem, the scientific and technical revolution in agriculture pro- duction, creating unheard-of potentialities for the develop- ment of productive forces, spells in capitalist countries a disaster for the working peasantry, it has made imminent, in fact, the abolition of the peasantry as a class in many bourgeois countries.

Where is the way out of this situation? Where is the salva- tion for the hundreds of mil- lions of working people living in rural localities on their farms?

This question agitated many participants in the recent 14th international Conference of Agrarian Econ- omists in Minsk and, first of all, of course, those who repre- sented the capitalist world there.

Unconcealed Concern

Owing to the scanty incomes of the working people, and they make up the overwhelming majority of the population in developed capitalist countries, as well as the inflation and incessant growth of retail prices on food-stuffs, supply of food-stuffs there exceeds demand.

The delegates of the agrarian economists' conference who came from capitalist coun- tries spoke with unconcealed concern of overproduction of farm products in their coun-

tries and of difficulties in selling them.

The overproduction is, of course quite relative. It does not mean that the popula- tion feeds as people must feed and as it is recommended by science. Even in the United States, the richest capitalist country, almost 15 million unemployed and tens of mil- lions of families whose incomes are below the subsistence

By
Yakov Usherenko, Novosti
Press Agency

tion of the working peasantry. It dooms them to ruin, poverty and unemployment.

Resistance

At the present time the gov- ernments of capitalist coun- tries, while supporting big

made public interesting data concerning peasants' farming associations. As distinct from supply and marketing agri- cultural co-operative socie- ties, which have long existed in France, in producers' co- operative societies peasants partially or fully pool their lands, they cultivate them jointly and jointly manage the whole farm. This is a com- paratively new phenomenon

now an average of 115 hectares of land, whereas the average size of an individual peasant farm in France does not exceed 20 hectares.

So far producers' co- operative societies make up, of course, an insignificant share in the rural economy of France, but it is significant that their number is incessantly growing. In 1970 the total number of such co-operative societies has been increasing by 50 every month, which takes place against the general background of unending ruin of individual farmers.

Collective System

Capitalist countries when working out their agrarian policy turn their eyes to the Soviet Union and other social- ist countries, where collec- tive farming successfully and fruitfully makes progress, overcoming difficulties and problems that arise before it. They show an increasing inter- est in the history and experi- ence of collective farm construction.

The 800 delegates from 53 countries attending the 14th International Agrarian Econ- omists' Conference included more than 100 scientists and practical agriculturists from the USSR. Their speeches were listened to with great attention at the plenary meetings, nume- rous sections' meetings and in the discussion groups.

The Exemplary Collective Farm Rules adopted at the 3rd USSR Collective Farm- ers' Congress and circu- lated among the delegates were read by them with much inter- est. Agriculturists from capi- talist countries had lots of questions connected with the organization of production, work, distribution of income, sale of products and relations with the states that have formed in the collective farms of the USSR. They received detailed answers to all these question-



The random harvesting of cotton is so far done by hand. Machines will enter the fields after the cotton has been defoliated. Picture shows cotton picking on the Lomonosov Collective farm

minimum live a life of semi- starvation. According to the FAO (specialized UN food organization) estimate al- most one billion people on our planet are undernourished, or go hungry.

The intensification of agri- cultural production typical of the epoch of scientific and tech- nical revolution is accom- panied in the capitalist world by concentration and speci- alization, which, in the final count, brings increased profits and incomes to big land- owners and monopolies, but in no way improves the condi-

agricultural enterprises, at the same time openly announce a policy of accelerated liquida- tion of small and medium peasant farms, which allegedly cannot be profitable and ham- per scientific and technical or progress.

The working peasantry in capitalist countries show resis- tance to this policy. They become increasingly aware of the necessity of joint action in defence of their interests. They ever more frequently turn their eyes to the co-operative form of agriculture.

The French journal *Les Jeunes Agriculteurs* recently

in the French countryside, where the farmers' attachment to their private plots of land is traditionally very strong.

Two years ago the 1,000th co-operative society was set up in that country. There are at present, the journal says, about 2,400 such peasant's associations. They are more frequently in the provinces of Champagne, Bretagne, Lor- raine and Bourgogne, as well as in the departments situated in the Loire valley.

The acreage of lands pos- sessed by such agricultural associations is also growing. One co-operative society has

Ceylon's Independence Commemoration Day: 4. 2. 71

A Special Supplement

THE DEMOGRAPHIC REVOLUTION

A rapid increase in population has been the chief demographic feature in Ceylon since the Second World War. Estimates based on census data show that, whereas between 1871 and 1946, Ceylon's population grew at an average annual rate of about 1.4 per cent, between 1946 and 1963, the rate of growth averaged about 2.8 per cent per annum.

The significance of these rates will be readily appreciated when one realises the fact that it took 75 years for our population to increase by about 4 million between 1871 and 1946, but it took only 17 years for the population to increase by another about 4 millions between 1946 and 1963.

What are the factors that were responsible for this phenomenal speed-up in population growth during the post-war period?

The growth of the Ceylonese population between 1871 and 1946 has been due to two factors—natural increase (excess of births over deaths) and migration increase (excess of immigrants over emigrants). During this period migration played a very important part, contributing to as much as 56 per cent of the increase in population between 1871 and 1901 and about

16 per cent between 1901 and 1946. On the average, during the entire period from 1871 to 1946 migration contributed to about 27 per cent of the increase in population. But the picture after 1946 is very different. As a result of several restrictive measures adopted in and after 1948, migration ceased to make any significant contribution to population growth between 1946 and 1963. In fact it is estimated that only 2 per cent of the increase in the population during this period has been due to migration. Yet, the average annual growth

rate of our population between 1946 and 1963 was almost double the rate recorded for the period 1871 to 1946. The acceleration in the rate of growth of the population since 1946 has therefore been due to an increase in the rate of natural increases caused by the widening disparity between the birth rates and death rates of the country.

The death rate had fluctuated violently around this level between 1900 and 1920. However since 1923 this rate showed a definite tendency to decline. By 1932 the death rate had come down to about 21 per thousand of the population and remained more or less at this level until 1946 except in 1935, when as a result of the severe malaria epidemic, the

reduction in fertility which for long continued to remain almost unchanged at traditionally high levels. For five decades from 1900 to 1950, the crude birth rates of Ceylon had remained fairly steady around 38 per thousand of the population, although the rate was subject to some fluctuations. The sharp decline in morbidity and mortality since 1946 helped to increase the fertility somewhat in the late 1940s. The birth rate which was 37.4 in 1946 increased to 39.7 in 1948 and remained at that level until 1951. During the 1950s, the birth rates showed signs of decline interrupted in 1955 and again in 1959. The crude birth rate in 1963, however, was 34.4, and this was, in comparison to a large number of countries, a very high birth rate. It will therefore be seen that while the death rate dropped from 20.3 in 1946 to 8.5 in 1963, the birth rate declined from 37.4 to only 34.4 during the same period. Rapidly falling death rates and almost static birth rates resulted in very high rates of population growth since 1946.

Thus, in Ceylon, the period immediately following the second world war witnessed a demographic revolution, the pace of which is without parallel anywhere in the world. Unlike other types of revolution, which have been preceded by long periods of preparation, the demographic revolution descended upon us very suddenly. It was also a peculiar revolution in the sense that the whole process was accomplished without any major changes in existing structures and institutions and without any sacrifices or loss of lives. Indeed it was a revolution that saved many lives and helped to produce still more lives. This was the significant contribution of the revolution and this was also its painful aspect.

The sharp decline in mortality combined with constant and high fertility had the immediate effect of boosting the rate of population growth to unprecedented levels causing what is very often termed the "population explosion." The rapid and accelerating population increase constitutes the most dangerous barrier that faces us in our drive towards raising the level of productivity in an effective and efficient manner. The runaway multiplication of people is already retarding our economic advance and holds the threat of economic stagnation and deterioration. (Cont. on P. 16)

IN CEYLON

(Part I)

By

S. SELVARATNAM

Deputy Director

Perspective Planning Division

Ministry of Planning & Employment.

DECLINING TRENDS IN DEATH RATE

At the beginning of this century, Ceylon had a crude death rate of about 30 per thousand of the population and this was one of the highest death rates in the world

death rate moved up to about 37 per thousand of the population. But between 1946 and 1947, there was a sharp and dramatic decline in mortality, the death rate suddenly dropping from 20.3 in 1946 to 14.3 in 1947. This revolutionary decline in mortality by about 30 per cent in one year is an event unparalleled in the annals of world demography. Since 1947 the death rate of the country continued to decline slowly but steadily and by 1963 stood at 8.5 per thousand of the population. The 1963 rate easily placed Ceylon among the countries of the world with the lowest mortality rate.

The spectacular decline in the death rate during the early post-war years was chiefly the result of the island-wide D.D.T. campaign started in 1945 against malaria, a disease which until 1946 was the chief cause of morbidity and mortality in the country. The campaign was vigorously and intensively continued upto 1949 and it is believed that malarial mosquitoes were almost completely eradicated from the island during the period of the campaign. Once malaria was eradicated, the death rate, which stood high mostly on account of this disease, suddenly started to come down.

In addition to the anti-malaria campaign, the widespread use of drugs and antibiotics to control endemic diseases also contributed to the precipitated decline in mortality during the post-war years.

The remarkable reduction in mortality that was achieved after 1946 was not accompanied, or even followed, by a comparative or significant

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Some aspects of foreign trade planning in Ceylon

The major problem that would continue to confront Ceylon in the years ahead is that of generating sufficient export earnings to maintain a viable balance of payments at a reasonable level of external assistance. Ceylon's import capacity over the last decade has been decreasing severely due mainly to a steady decline in world market prices for her principal exports and rise in the prices of imports. However a minimum flow of imports to meet the requirements of domestic production as well as of personal consumption was maintained during the same period by drawing on the country's external assets that had accumulated during the 2nd World War and by having increasing recourse to foreign aid. Ceylon's external assets today have reached a level at virtual exhaustion while foreign assistance may not be for the coming in the magnitude of the requirements. This foreign trade planning aimed at increasing the export earnings as well as at keeping low the import coefficient will have to play an increasingly important role in redeeming the economy from a threatened stagnation in the years ahead.

This paper attempts to outline briefly some of the major issues in the field of foreign trade planning in Ceylon.

Foreign trade plays a dominant role in Ceylon's economy. Over the period 1948-68 Ceylon's annual exports averaged about Rs. 1,700m. (U. S. \$ 357 m) while imports averaged Rs. 1,600 million (U. S. \$ 336m). Thus each flow of foreign trade approximated 25% of G. N. P. on the average during the same period. Per Capita exports

as well as imports averaged approximately Rs. 160 which is about seven to eight times as high as the corresponding figure for India. Customs duty on imports as well as exports during the last decade averaged 26% of total government revenue.

Imports constitute the life blood of the economy. Table I shows the direct import content of gross domestic expenditure over the last seven years.

The annual import bill is heavily weighted in favour of consumer goods. Food and drink alone constituted on the average approximately 43% of the total imports during the last 5 years. On the other hand the productive sectors were par excellence dependent on imported raw materials and capital goods. While almost all machinery is imported, 66% of the raw materials used in industries as well as 32% of inputs into agriculture are imported.

The export sector is heavily concentrated on three commodities tea, rubber and coco. nut. These three products together account for about 90% of the total export earnings—the share of tea alone being 60%. The heavy concentration of export earnings on three commodities and the declining world prices for them have been chief contributory factor to a persistent trade deficit since 1957.

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BY

LLOYD FERNANDO

Assistant Director, Perspective Planning Division,
Ministry of Planning & EmploymentPAPER PREPARED FOR THE
UNCTAD INTER-REGIONAL SEMINAR ON THE
PLANNING OF THE FOREIGN TRADE SECTOR
(The opinions expressed in this paper are those of the author
and do not necessarily reflect the views of the Government of
Ceylon of which he is an employee)

(Part I)

Annual Report 1969) However during the first six months of this years, there has been a marked decline in rubber prices and the temporary upsurge experienced in 1969 over the two previous years is not likely to be maintained.

(Contd. on Page 15)

TEA

Table II illustrates the effects of the continuous decline in prices of tea on the export earnings from that commodity

If tea prices remained at the average level for 1955-56 at Rs. 3.15 per lb., Ceylon would have earned Rs. 3,979 million more which is equal to thrice the net external debt as at September 1969 or five times the amount of foreign commodity loans borrowed upto that date.

NOTES:

- (1) The 1955-56 average price has been used for the calculation since it was beginning that period that prices recorded a persistent decline.
- (2) The price & proceeds figures for 1969 & 1969 are not comparable with the earlier observations due to devaluation of the currency in Nov. 1967. For purposes of our calculation these figures have been suitably adjusted.

Table—I. Import Content of Gross Domestic Expenditure, 1963-1969

	1963	1964	1965	1966	1967	1968	1969
(a) Private Consumption	18.4	24.9	16.1	20.8	15.2	16.5	15.8
(b) Public Consumption	5.1	4.3	5.1	7.0	6.4	3.8	—
(c) Gross Domestic Fixed Capital Formation	26.7	26.3	21.0	25.6	23.1	23.8	27.5

SOURCE—Central Bank of Ceylon—Annual Report 1969

Table—II Quantity and Value of Tea Exports, 1957-1969

Year	Qty. in m. lbs.	Average f.o.b. price (Rs. p lb.)	Actual value (Rs. m.)	Value (1) at 1955-56 average f.o.b. price	Loss in export earnings (Rs. m.)
1957	368	2.78	1023	1159	136
1958	411	2.75	1130	1295	165
1959	384	2.72	1044	1210	166
1960	410	2.67	1095	1292	197
1961	426	2.62	1116	1342	226
1962	452	2.54	1146	1424	278
1963	456	2.50	1140	1436	296
1964	456	2.51	1145	1436	291
1965	495	2.45	1213	1559	346
1966	441	2.33	1027	1389	362
1967	478	2.22	1061	1505	444
1968(2)	460	2.52 (2.02)	1159 (929)	1449	520
1969(2)	445	2.39 (1.91)	1064 (850)	1402	552
			13919	17898	3979

Quantity and value of Rubber Exports, 1961-1969

RUBBER

Rubber exports which comprise on the average 18% of export earnings too are subjected to falling prices. The persistent decline in rubber prices, however, started much later than in the case of tea—in 1961. See Table III

Rubber prices in 1969 averaged the highest since 1966 due to a steady upward trend in natural rubber prices in the international markets during the first eight months of 1969. The improvement in prices in the first half of the year has been attributed to nervous short-covering following unrest in West Malaysia, as well as to currency uncertainties. (Central Bank of Ceylon.

Table III

Year	Q'ty in m. lbs.	Average price (Rs. p lb.)	Actual Value (Rs. m.)	Value at 1959-60 average price (1) Rs. 1-53 to (Rs. m.)	Loss due to fall in prices (Rs. m.)
1961	197	1.32	260	301	41
1962	224	1.29	289	343	5
1963	209	1.23	257	319	62
1963	209	1.23	257	319	62
1964	253	1.15	291	387	96
1965	267	1.14	304	400	104
1966	298	1.13	337	456	119
1967	291	0.97	282	445	163
1968(2)	328	1.01 (0.81)	331 (266)	502	236
1969(2)	315	1.37 (1.09)	431 (343)	481	138
			2629	3642	1013

Notes :

- (1) Rubber prices upto 1959 were fluctuating.
- (2) Adjusted for devaluation.

Towards self-sufficiency in plywood

The Plywood Factory at Gintota was established in 1941 to undertake the manufacture of tea chests for the export of our tea. In 1956 under the State Industrial Corporation Act, the Ceylon Plywood Corporation was established.

The Corporation presently manufactures about 1/3rd of the island's requirements of tea chests, the balance being imported mainly from Russia at a cost of about Rs. 20 million annually. To conserve foreign exchange in the importation of plywood, an expansion programme was undertaken in the last few years to modernise the existing factory at Gintota and to establish a Second Plywood Factory and integrated Wood Complex at Avissawella. With the establishment of this new factory, self sufficiency will be achieved in respect of plywood requirements by 1972 besides having an exportable surplus.

Expansion

The Industrial Complex at Avissawella consists of several factories comprising a Saw Mill, Plywood Factory, Chipboard Factory, Luxury Timber Slicing Factory and a Furniture Factory. The Chipboard Factory will utilise the waste from the Saw Mill and Plywood Factory, and manufacture Chipboard. The Chipboard will be veneered with sliced luxury Ceylon timber and will be used in Furniture Manufacture. The main object of this integration in the Factory is to utilise wood waste to the maximum and turn out a finished product at minimum cost. The finished products of this wood complex will meet the requirements of most wood based industries in this country, releasing to a considerable extent the pressure on solid timber, which is now obtained from rapidly diminishing forest resources. The industries that will directly benefit are the tea chest industry, building and housing industry, furniture industry, fishing industry and sports goods industry.

Besides the expansion project undertaken at Avissawella, the factory at Gintota itself has undergone vast changes. Most of the old machinery is being replaced with modern machinery to achieve higher productivity. To make the best out of wood available, seasoning kilns, timber impregnation plants etc. have been established at Gintota. A feasibility report is also being made to utilise all wood waste at Gintota for the establishment of a Hardboard Factory.

Exports

For the first time in the history of the Corporation,

Plywood and veneer have been exported. Exports were mainly to the U.A.R., Germany, Romania, Czechoslovakia, Australia and other countries in the Middle East. Exports have brought in foreign exchange to the value of about Rs. 1 1/2 million.

Research

To turn out a finished product of the highest quality, a Quality Control & Research Branch was established at Gintota. A similar research laboratory has been set up at the Head Office in Colombo too.

With the establishment of the new factory at Avissawella, most of the research will be concentrated at the new factory where research on various aspects of timber will be undertaken.

By
GEORGE WEERARATNE
Chairman, Ceylon Plywoods Corporation

Timber Supply

To meet the increasing demand for timber at the two factories, a 25,000 acre block

of forest in the Hiniduma electorate in the Southern Province was taken up for mechanised timber extraction. The present requirement of timber at Gintota is 1.2 million cu.ft. per year. This will increase to about 4.5 million cu.ft. inclusive of timber requirement for the new factory at Avissawella.

Employment

In 1960 the total number employed in Gintota was 430,

In the last decade employment has shot up to 1,500.

By the end of next year when the Avissawella Factory would be commissioned, a further 2,000 will be employed.

The authorised capital of the Corporation which was Rs. 2.8 million until recently, has increased to over Rs. 100 million in the last few years.



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EASTERN PAPER MILL MAKES RAPID PROGRESS

The Paper Mill at Valaichenai was designed to manufacture 3,750 tons of paper a year of different types of paper. Earlier there was a smaller factory at Kakkapalliya in the Chilaw District, which was set up to produce wrapping paper. The raw material used was waste paper. This was soon after World War II, when the Department of Industries due to sheer necessity, hastily converted some old machinery and set up a small factory.

Valaichenai followed from this experience. Work on the factory began in 1952. Its management was placed under the Eastern Paper Mills Corporation by the Corporations Act No. 19 of 1955. The factory began functioning in September 1956.

Today, the Valaichenai Paper Project is one of the most successful industrial enterprises undertaken by the Ceylon Government. Annual production amounts to approximately 10,000 tons. When Project II—the Board Mill which is now under construction, is completed it is expected that the annual production capacity would reach 22,500 tons.

Raw Material

The orthodox material for making paper is long fibred soft wood from the temperate zones. But advanced paper

making technology has made it possible to use a very wide range of materials such as Bamboo, tropical hard wood and other agricultural wastes such as Sugar Cane Bagasse, Straw, Cotton Stalks, etc., Each of these fibrous raw materials has its own peculiar characteristics such as the length of the fibre, the ease with which the fibre can be extracted its continuous availability, its limitations for its use for the type of paper to be made and a number of other technical and economical factors. In Ceylon so far Paddy Straw has been found to be the most readily available material which can be used with satisfactory economic results.

It is available in plenty in the area around Valaichenai, and is converted into fine writing and printing paper. It is, in fact, widely used in many paper producing countries.

Boon to Farmers

Farmers in and around the Eastern Province earn over a million rupees a year by selling paddy straw to the paper mill. The mill requires about 90 tons of paddy straw per day to produce 30 tons of paper.

With the expansion of the Valaichenai project and the establishment of the proposed mills at Embilipitiya and Rajangana paddy cultivators will be greatly benefitted—they

could sell more and more straw to the Corporation. The Corporation pays Rs. 50-00 for a ton of straw dry weight.

Several chemicals are required for the manufacture of paper. These are soda ash, sulphur, chlorine, caustic soda, alum, resin, starch and China clay.

China clay is obtained from the Ceylon Ceramics Corporation, Boralesgamuwa, chlorine and caustic soda from the Paranthan Chemicals Corporation.

Exchange Saving

Today Ceylon spends only about 40 per cent of the foreign exchange that would have been needed if the country had to import the paper that is being produced locally. In course of time the foreign exchange saved would amount to about 90 per cent. The present foreign exchange savings are approximately Rs. 9,000,000.

Grades of Paper

We use so much of paper in our daily life that few of us are aware that the following grades of paper are now produced at the Valaichenai Factory:—

(a)—Printing paper — for school textbooks, Gazettes, Telephone Directories, Bus tickets, and almost all Gov-

Ceylon Independence Day Special Supplement

ernment Publications.

(b)—Writing paper for Exercise Books, Account Books Etc.,

(c)—Type-writing paper for all office work.

(d)—Duplicating paper for use on duplicating machines.

(e)—Kraft Paper for paper bags and for packing cement, poultry food, etc.,

(f)—Paper Board for file cover.

(g)—Bank Paper for Printing Letterheads, Noteheads etc.,

(h)—Paper rolls for bus tickets, Accounting Machines, tele-printers, etc.,

Research

Finding unexploited and waste cellulose containing material is another big problem tackled by the Corporation. Experiments with new varieties of fibrous material are being carried out at the Factory laboratory. Experiments in growing Eucalyptus, Bamboo, Kenaf, Sun Hemp, etc., are being carried in the Mill area and at the Research Experimental Farm.

This, in years to come, will be transformed into a Research Unit for all activities connected with technical and feasibility studies testing of fibrous raw materials and the general appli-

cation of existing technical knowledge to local circumstances.

Future Projects

Studies have been made on the establishment of a Newsprint Mill in the Ambawela-Pattipola area where Eucalyptus is under heavy cultivation.

Another new Paper Mill will be established at Embilipitiya, a major paddy growing area, with a production capacity of 16,000 tons, and yet another in the Rajangana area with a production capacity of 39, 00 tons.

Further projects envisaged are Hard Tissue Paper Mill with an annual production capacity of 3,000 tons, Disposable Tissue Paper Mill with a capacity of 3,000 tons, Straw Board Mill with a capacity of 6,000 Tons and a Coating Plant, using the paper and boards produced at the other mills as base material, with an annual production capacity of 4,000 tons.

These are expected to get under way when the necessary foreign exchange becomes available.

According to this development plan by 1975 the Corporation will be in a position to meet the estimated local demand of about 87,000 tons of paper and paper board.

Agriculture plan...

Contd. from Page 9

history of the tea industry—does not take place in unsuitable areas, and that as productive resources, particularly land, become surplus to tea requirements they are switched to alternative, profitable uses. Various factors will have to be taken into consideration in determining the elevational zones and areas where future replanting should take place, such as—

- the future growth of the world import demand for the various types of teas;
- the export prices fetched by the different teas, particularly in the context of the possibility an international commodity agreement restricting the quantum Ceylon's exports;
- The relative yields of clonal teas harvested from the different elevational areas;
- the possibility of large scale commercial production of instant tea necessitating the supply of cheaper teas for its manufacture.

Pending a detailed study of the above and other related factors which should guide the location of future replanted tea lands, it is proposed to curtail the issue of replanting permits in areas where the tea yields and prices have been consistently low and also where steep terrain, badly eroded soil and climatic conditions render the cultivation of tea no longer profitable. Generally, such areas are located in the mid-country where the Crop Diversification Scheme will provide for the cultivation of alternative crops on the marginal tea lands. The targets for replanting during the period 1971—1977 and the financial outlay by way of subsidy payable are shown below;

Year	Target for Replanting (in acres)	Subsidy Payable (Rupees Million)
1971	6,500	23
1972	6,500	23
1973	7,500	25
1974	7,500	26
1975	7,500	26
1976	7,500	26
1977	7,500	26

The estimated credit & subsidy payments under the Tea Factory Development Subsidy Scheme during the plan period 1971—1977 are given below:—

Year	Estimated Credit (Rs. Mln.)	Subsidy Payable (Rs. Mln.)
1971	14	4
1972	10	3
1973	10	3
1974	10	3
1975	10	3
1976	10	3
1977	10	3

The Projections of targets under the Tea Fertilizer Subsidy Scheme during the plan period 1971—1977 is as follows:—

Year	Area to be Fertilized (in acs.)	Quantity of Fertilizer (in tons)	Subsidy Payable (Rs. Million)
1971	60,000	12,000	3-2
1972	60,000	12,000	3-2
1973	60,000	12,000	3-2
1974	60,000	12,000	3-2
1975	60,000	12,000	3-2
1976	60,000	12,000	2-2
1977	60,000	12,000	3-2

The long-term programme for crop diversification will have to be formulated taking into account any long-term commodity agreement reached on tea, as well as in the light of the field trials and market prospects for alternative crops. Pending a detailed study with the collaboration of the UNDP on the suitability and prospects

Crops	Target (Acres)	Subsidy per acre (Rs.)	Financial Commitments (Rs. Millions)
Coconut	2,500	800	2
Cocoa	900	1,200	1-08
Rubber	750	1,400	1-05
Spices	750	900	-67
Fruits	750	1,00	-75
Timber	350	600	-21
Pasture	250	500	-13
Tobacco	50	500	-02
TOTAL	6,300		5-91

NEED FOR ADDITIONAL FINANCIAL RESOURCES

The present annual income of the Tea Subsidy Fund is around Rs. 20 million. This income is likely to remain static in view of the possible international regulation in respect of tea exports. The estimated total income for the Plan period for subsidies under the development programmes that have been formulated amounts to Rs. 224 million, which together with administrative expenses, will total to Rs. 250 million. This commitment will be further increased when the large scale Crop Diversification Scheme is undertaken.

of the various alternative crops to replace tea on part of the tea areas, it has been decided to make a start immediately on a pilot crop diversification programme by granting subsidies for the cultivation of selected proven crops on tea lands. The crops targets subsidies, etc. under the pilot scheme are given in Table II

ROLE OF THE R.V.D.B. IN DEVELOPMENT

The River Valleys Development Board which is a statutory Board entrusted with the Development of river basins in the island has inter alia the following activities as its functions.

- (a) Development of undeveloped areas
- (d) Colonization
- (c) Generation, transmission and supply of electrical energy
- (d) Provision of irrigation facilities
- (c) Flood control
- (f) Promotion of agricultural and industrial development and economic and cultural progress in the area of authority of the Board.

The activities of the Board are multifarious and covers a vast field of work. In the process of achieving these objectives the Board has to construct and maintain roads, dams, channels and other irrigation works. Construction of waterworks for the supply of water for industrial and domestic purposes has also to be undertaken by the Board. The Board has also to establish,

maintain and operate laboratories experimental and research in respect of utilization of water, electrical energy and the development of other resources in the area of authority.

The R. V. D. B. started its activities in 1949 by undertaking the development of the Gal Oya Valley. The work involved the construction of a massive reservoir of 35 sq. miles by impounding the waters of 62 miles long Gal Oya river and also a number of smaller detention reservoirs.

This Gal Oya Scheme is primarily an agricultural project. It has been estimated that well over 130,000 acres of paddy are now trapped annually for two seasons which yield a crop return of about 4,519,280 bushels of paddy. This production has saved the Government of Ceylon a sum of Rs. 34 million annually in foreign exchange. Apart from paddy, cigarette tobacco, vegetables, grains pulses, and fruits form part of the agricultural products in the Gal-Oya Valley.

The Hydrolic Electrical Power Houses erected below the Senanayake Samudra had been designed to generate 10,000 K.V. of power with Canadian Aid promised under L. C. Plan The Gal Oya Power System has now been linked with the Island.

Industrial Ventures

Industrial development too received pride of place in the in the Gal Oya Valley. Chavakadai has the largest Rice Mill in the country. Other industrial ventures are the Brick and Tile Factory Carpentry workshop and Saw Mill, Tyre shop and the Sugar Factory which is the largest industry found in the Valley. An alcohol distillery utilizing molasses by-product of the Sugar Industry as raw material has also been put up to manufacture arrack, gin, rum and brandy.

The Board has almost completed its activities in the Valley and arrangements are in progress now to hand over the various activities to the Government.

Multipurpose Project

The R. V. D. B. is now concentrating its activities in Walawe Valley where another multipurpose project has been constructed. The Uda Walawe Reservoir work which has now been completed will provide irrigation facilities to approximately 60,000 acres of land in the left and right banks of the Walawe Ganga. Two power stations have been constructed in the towers on the upstream side of the Uda Walawe Dam. The left bank power station will have an in-

stalled capacity of 3.6 megawatts and the right bank station has 1.8. megawatts.

Along with the agricultural development of the Walawe Basin provision has been made for the establishment of townships Village centres, Post and Telecommunication Services and the construction of a network of main agricultural roads.

The Asian Development Bank has agreed to provide financial assistance for the development of the Right Bank area. The main crops tried

are paddy, cotton and sugar cane. Emphasis has been laid on the production of subsidiary food crops.

Two Youth Settlement Schemes have been opened one at Kiri Ibbanwewa and the other at Tunkamae. The intention of establishing these Youth schemes is to train youths in agricultural pursuits.

The R. V. D. B. has at its disposal a trained and skilled set of personnel capable of undertaking development work of any nature.

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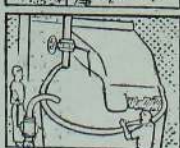
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FOREIGN TRADE PLANNING

(Contd. from Page 11)

COCONUT

The steadily declining price trends affecting tea and rubber were not discernible in the case of coconut products. Coconut products have been enjoying a fairly fluctuating price in international markets. However, Ceylon was unable to avail of this advantage due to an inability to create sufficient exportable surplus in domestic production. Hence the export earnings from coconut too are not on the increase.

Trade Gap

While a continued fall in export proceeds has been caused by declining prices of the principal exports, the

prices of imports have been continuously rising, thwarting all efforts to conserve foreign exchange by severely restricting the volume of imports over the last decade. Import prices according to the trade indices of the Central Bank have registered an overall increase of about 60% for all imports during the last ten years- the biggest increase being in the prices of investment goods.

Consequent to constant increases in import prices on the one hand and the steady drop in export prices, Ceylon has been experiencing a persistent trade gap since 1957. During the three years 1966-1968, the trade gap has been in the neighbourhood of Rs. 350 million rising up to Rs. 744 million (38% of export earnings) in 1969.

Ceylon's Independence Day Special Supplement

According to Balance of payment data of the Central Bank Customs data do not correspond to this due to the time lags in registration.

Up to 1964, these deficits were largely financed by a running down of the country's external assets and reserves, built up in the post war periods. By 1964, the external assets had reached the dangerously

low level of Rs. 304 million or an amount sufficient to cover only 2 months requirements; subsequent current deficits have been met by borrowing from the IMF and by aid disbursements. At the end of September 1969 Ceylon's external debt amounted to Rs. 1,300 million (as against annual export earnings of about Rs.1,800 million).

INDICES OF COCONUT EXPORTS—VOLUME- VALUE
AND PRICE

Table III

1959-1969

	Volume	Value	Price
1959 ..	100	100	100
1960 ..	85	75	88
1961 ..	120	84	68
1962 ..	135	93	70
1963 ..	106	81	77
1964 ..	142	112	81
1965 ..	111	113	103
1966 ..	88	80	93
1967 ..	81	68	86
1968 ..	96	108	113
1969 ..	79	73	94

Notes:

Derived from Central Bank of Ceylon Trade Indices. Price & Value Indices have been adjusted to take account of devaluation. Includes three major coconut products desiccated coconut, copra & coconut oil.

IMPORT TRADE INDICES, 1957-1969

Table IV

Import prices

	Consumer goods	Intermediate goods	Investment goods	all imports	All export prices	Terms of trade
1957	100	100	100	100	100	100
1958	92	91	98	92	98	107
1959	93	87	108	94	102	109
1960	93	86	118	94	102	109
1961	92	81	110	93	93	100
1962	90	78	90	88	91	104
1963	101	79	96	97	91	95
1964	117	78	188	119	93	77
1965	107	79	184	114	94	82
1966	103	79	180	111	89	80
1967	104	79	200	114	83	74
1968	139	94	230	143	98	68
1969	146	98	254	152	98	65

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DEMOGRAPHIC REVOLUTION IN CEYLON

Contd from Page 10

I should now like to refer to the tendency among many to compare the post-war demographic development in Ceylon with what happened in Europe during its post-modernisation period.

Immediately after the Industrial Revolution, countries in Western Europe experienced an upsurge in population growth as a result of improvements in the standards of living of the people and the advances made in medical knowledge and public health measures. There is, however, an essential difference between the demographic experience of the West during the 19th century and that of Ceylon during the 20th century. In the West, the whole process of declining mortality was extended over a period of 50 to 100 years and was dependent in the early stages on the more or less direct effects of economic development. By contrast, in Ceylon, the dramatic decline in the death rate was accomplished within two to three years and was the result of increasingly effective public health measures and improved medical knowledge. In fact, the sharp fall in mortality rates in Ceylon took place during the very early stage of the country's economic development and long before planning for such development was introduced in the country.

It is thus clear, that what countries of Western Europe went through in the 19th century was only a demographic transition; what Ceylon experienced after the second world war was a demographic revolution.

Further, in the industrialised countries of the West, the rate of population growth came to be checked essentially by a fall in the birth rates which followed improvements in the living standards of the people. It is to this factor and not to anything else that countries in Europe and America owe their present rather manageable rates of population growth. In other words, while in the West, the very factors that were responsible for the decline in the death rates also brought about a decline in birth rates, in Ceylon, not only has the decline in death rates been faster, but this decline has not been followed by a comparative decline in the birth rate.

The historical fact is that during the 100 years of demographic transition in Europe as birth rates followed death

rates downward, the population growth rates never exceeded 1.5 per cent, and in most countries, most of the time, did not exceed 1 per cent. Also, conditions prevailing in countries of Western Europe during the early stages of their development were far more favourable to lower rates of population growth. The birth

rates in those countries at that time were much lower than that of Ceylon during the post-1946 period, the death rates remained at fairly high levels and by the time the expanded public health programmes brought about drastic reduction in the death rates, the infrastructure of industrialisation was already in place. Since the demographic revolution

in Ceylon has taken place in a matter of few years, we are today experiencing a rate of population growth which is significantly more rapid than the West experienced in the 19th century.

It is, however, very heartening to note that the rate of growth of our population has decreased from 2.8 in 1960 to about 2.4 in 1969. The fall in the growth rate during these years has been

largely due to a gradual decline in the birth rate from 36.6 in 1960 to 31.7 in 1969.

This decline in the birth rate is only a continuation of the trend observed in the 1950s. On the other hand the death rate did not register any remarkable reductions. The death rate dropped from 8.6 in 1960 to 8.0 in 1961 and then rising to 8.8 in 1964, then falling to 7.5 in 1967 and rising to 8.0 in 1969. Nevertheless, the 1969 growth rate is one of the highest in the World.

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Role of the small Industrialist in Ceylon

Today Ceylon is undergoing a metamorphical change with a dynamic propensity towards a Democratic Socialist structure of administration. In the complex web of socio-economic factors, which are the essence of key elements taking a prominent role in the new structural change, the Small Industrialist can be figured as a vital cog in the set up.

If the question is to be raised as to who is a Small industrialist, the answer is that he is one amongst the common-weal or masses who in his particular society or environment has achieved a certain amount of success in the ladder of life through perseverance, hardwork, savings and ambition which is only attainable through the principle of democracy by having being given the liberty to exploit his own

talents and ambitions and to invest at his own risk, at the same time affording an opportunity of improving the socio-economic standards of the populace who come directly within the sphere of his enterprise.

The role of the Small Industrialist amongst the overall general setup of Private Sector Entrepreneurship in Ceylon today could be termed as "A Mirror on Production" achieved through ambition, talent, perseverance and hard-work.

The economic ills of the nation could be attributed to the inadequacy of the bureaucracy, viz., letharginess and official bungling resulting in waste of resources, the burden of which falls on the taxpayers.

In this context it is hard to imagine public officials handling dynamic commercial ventures which call for initiative hard work and loyalty.

BY



J. D. L. Abeyawickreme,
President, Small Industrialist
Association of Ceylon

The vast influence and contribution of the Small industrialist towards the economy of the Nation and society is so varied and diversified that it cannot be expressed in simple terms. Besides the revenue derived for the National coffers sources of various employment opportunities have been afforded throughout the Nation by these Small Scale Entrepreneurs, thus helping indirectly the Government in quelling social unrest which poses itself when there exists wide disparities and impoverishment in such areas. Unlike Capitalist and Monopolistic Enterprises built on Capital derived from foreign collaboration, legacies, overdrafts etc., the endeavours and achievements of the Small industrialist serves as a morale to the community and the Nation by the lesson derived in that it is not a question of what Govern-

ment has to offer them; but rather what they in turn have attempted to give the Nation through their own initiative.

This Association has formulated a project where the limited resources of its vast membership could be pooled in a venture to undertake other enterprises in the interest of the Consumer and National Apprentic ship Scheme. The profits derived from the proposed enterprises will be channeled into other development projects such as food production, industries and other social development enterprises.

However, the realisation of the above can only materialise if initially the unstinted patronage and support of Government is afforded not only towards this cause, but also for the development of individual Small Scale Industries through Agencies such as Banks, Associations etc.,

Need for incentives

It is felt among the Small Industrialists that if the Tax Statutes are altered, favourably to their particular sphere of activities, it will help permit virile private enterprises to make a greater impact and contribution to the economy of the country. This will further enable them to arrange their affairs to conform to the requirements of Policy without undue detriment to themselves and with a view to ensuring the continued development of the country's economy. Further, it is felt that the property used for the production of income should be categorised as legitimate expenditure and should be deducted as outgoings and expenses which are exclusively incurred for the purpose of trade. Development Rebate on Industrial Undertaking should also be applied to phased programme of expansion where capital investments are incurred.

It is also felt that grant of capital allowances, such as lump sum depreciation and development rebate of commercial stores, will provide an incentive for the construction of such buildings which will have the salutary effect of reducing the cost of living.

In terms of the Business Turnover Tax (Finance Act. No. 11 of 1963) it is felt that the considerable hardships experienced by the Small industrialists would be obviated if a sliding scale is introduced. This will not appreciably reduce the revenue of the Government.

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THE ECONOMIC TIMES

Editorial Department
Tuesday 2nd February, 1971

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TWENTY THREE PLUS

On 4th February, 1971 Ceylon completes twenty three years of political independence reaching almost the quarter century mark. During this post independence era the country has generally experienced political stability, with the democratic process working smoothly so as to bring about peaceful changes in Government. In fact Ceylon provides a model Parliamentary Democratic Institution in Asia.

The last General Election saw the advent of the United Front Government headed by Mrs. Sirimavo Bandaranaike as Prime Minister. Today, Ceylon is on the verge of being declared a Republic.

Democratic capitalism in Ceylon has given way to democratic socialism and this new system is now under trial. The country has also had its first socialist Budget which aims at transforming the economy in accordance with socialist ideals. The Minister of Finance has also successfully done away with World Bank dictates as regards economic policy and has called upon the community to rally round and see that Government economic policy does really deliver the goods for which the people have waited for over two decades. And for this a measure of austerity and sacrifice are called for, which we all hope would be forthcoming in ample measure.

Economic development in Ceylon has not been very significant. The growth rate has not been fast enough to have an impact on the well-being of the average citizen. This could perhaps be attributed to the rapid increase in population resulting in per capita income remaining at a low level. But as the Finance Minister has pointed out the increase in G.N.P. must not only mean an expansion in production, but also reflect an improvement in the standard of living of the majority of the people. It is now hoped that this new growth concept would find meaning under the economic policy of the Government and that the fruits of economic growth would be shared on an equitable basis.

In recent years Ceylon has exceeded the 5 per cent growth target laid down by the U.N. for developing countries, but it is apparent that a much faster rate of economic growth is needed if the country is to make any significant breakthrough. Government has no doubt drawn up the blue print for rapid economic growth, but for the successful implementation of these plans foreign exchange is needed. The lack of foreign exchange for development purposes is the limiting factor which must necessarily be overcome.

In this context steps are being taken to diversify the economy and set up new export sectors that would earn much needed foreign exchange for the country, while at the same time reducing our import bill—particularly the food bill which is today slightly above 50 per cent of the total import bill. Targets have been laid down for self-sufficiency in several items so as to divert foreign exchange towards development projects. In short, the Government has placed the country on a correct economic footing. It is now left to the people to co-operate and make these plans a success.

The Government is also endeavouring to bring about economic independence as well so that the country would depend less and less on foreign aid. But again as the Finance Minister has pointed out a developing country like Ceylon will have to depend on foreign aid for a long time more. As Ceylon is strictly non-aligned politically it is hoped that we would receive assistance from both the Western and Eastern bloc countries to achieve our goal.

Britain's E.C.M. entry & the C'wealth

Britain is fully briefing Commonwealth countries about the progress of her negotiations to join the European Economic Community.

Mr. Geoffrey Rippon, the British Minister conducting negotiations with the Commonwealth, had been to Australia and New Zealand and was soon to visit Canada and the Caribbean. Mr. Edward Heath, the British Prime Minister, had discussed the market negotiations in Cyprus, Pakistan, India and Malaysia on his way to the Commonwealth Conference.

Greater Prosperity

Mr. Heath expressed the view that if the negotiations were successful, Britain's entry into the EEC would enable her and her new partners to contribute more effectively

to the prosperity and stability of the world. A considerable majority of members of the Commonwealth would enjoy association or some other arrangement with the Community.

There was no Commonwealth negotiation as such with the EEC, nor was Britain negotiating on behalf of the Commonwealth. But problems of individual countries were being dealt with.

Mr. Heath said that after hearing some of the remarks about Britain in the speeches made (on South Africa) he had begun to wonder why some members of the Commonwealth wanted any association with Britain, let alone wished her to help them safeguard their interests.

Outward-looking

Commonwealth Conference delegates had stressed the need for Europe to be outward looking, he believed that the Community was in fact remarkably outward-looking already.

The Community's record on aid was also creditable, with their total flow of resource in terms of aid and private investment amounting in 1969 to 1.2 per cent of the gross national product. This figure was far above that of the other developed countries.

The EEC was not a selfish grouping. It was resolved to strengthen the safeguards of peace and liberty in the interests of all. With Britain in the Community it would be better able to achieve this aim.

Trade tour of West Asia

A trade delegation headed by the Minister of Foreign & Internal Trade, Mr. T. B. Ilangaratne, will undertake a tour of West Asia from February 10 in an effort to boost Ceylon's trade particularly tea.

The delegation will visit Egypt, Sudan, Iraq, Iran and Syria.

The composition of the delegation has not yet been finalised. But it is expected to include Dr. Jayantha B. Kelegama, Permanent Secretary to the Ministry of Foreign and Internal Trade, Mr. K. B. Dissanayake, Director of Commerce and another from the Ministry of External Affairs.

GUARANTEED PRICE FOR CHILLIES TO GO UP?

The guaranteed price for chillies is likely to be increased because the Department of Agrarian Services is experiencing difficulties in purchasing chillies from the producers at the current price of Rs. 252 per hundredweight in view of private traders paying enhanced prices for the chillie produce.

This has in turn increased the price of chillies in the open market.

Meanwhile the CWE is taking steps to set up centres to purchase chillies from the producers. These centres will be located in a number of chillie growing areas such as Anuradhapura, Jaffna, Hambantota, Moneragala, Rana-pura and Ambalantota.

With the implementation of the new scheme those growing chillies will be able to sell their produce to the nearest Co-operative Store.

In Egypt the delegation will hold talks with a view to renewing the bi-lateral trade agreement.

Under the agreement, the U.A.R. is one of the largest buyers of Ceylon tea. Its yearly purchases amount to over twenty million pounds.

In Iraq, the delegation is expected to hold talks with a view to establishing a bi-lateral trade agreement. It has been suggested that Ceylon sell tea to Iraq in return for crude oil.

CEYLON-AUSTRALIA TRADE

Australian exports to Ceylon were worth \$A14,717,000 (f.o.b. port of shipment) in the year ended June 1970, compared with \$A15,083,000 the previous year.

Australian imports from Ceylon were \$A11,358,000 in 1969-70; \$A15,184,000 in 1968-69.

Recent Aid Agreements

GIFT OF FLOUR FROM AUSTRALIA

11,109 short tons of flour worth about \$A701,000 is on its way from Australia to Ceylon.

The gift is part of Australia's food-aid commitment under the International Grains Arrangement. Australian aid to Ceylon in 1970-71 will be about \$A1,000,000 of which the flour gift will form part.

Australia is a member of the International Bank for Reconstruction and Development Consultative Group for Ceylon and has been contributing to economic development in Ceylon since the inception of the Colombo Plan.

\$625,000 LOAN FROM BRITAIN

Britain is making a £625,000 interest-free loan to Ceylon to improve the water supply in Galle. It is repayable over a period of 25 years, including an initial 3 year grace period.

The loan will cover the cost of British equipment and services to be used in the construc-

tion of a storage reservoir, intake and treatment works, a pumping main about 3 1/2 miles long, and about 40 miles of distributing mains.

The project, based on a WHO-financed feasibility study will make piped water available to the whole of the town. Rationing of water will be eliminated and facilities improved for all groups of consumers.

DEVELOPMENT LOAN FROM CANADA

The Prime Minister of Ceylon, Mrs. Sirimavo Bandaranaike, and the Prime Minister of Canada, Mr. Pierre Elliott Trudeau signed a \$41 1/2 million (approximately) Rs. 26 million Development Loan Agreement under which the Government of Canada will assist the Government of Ceylon to establish a Mechanised Logging Project in the Sinharaja Forest.

The loan will be interest-free with repayment over fifty years, including a ten-year grace period.