



# THE ECONOMIC TIMES

### Steel Corp. to Turn out more products

The Minister of Industries and Scientific Affairs Mr. T. B. Subasinghe, has decided to expand the activities of the by Steel Corporation in order to make it more profitable.

As a prelude to this, Government will shortly enforce a complete ban on the import of all similar items produced by the corporation.

A greater range of articles for home use particularly kitchen ware, will be produced by the corporation. This will include gas cookers.

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# CRITERIA FOR PRICE CONTROL

## Need for realistic assessment

Due emphasis should be placed on the replacement costs of business assets when determining the maximum prices of commodities for purpose of price control. The replacement cost today will naturally be much higher than the original cost to the business. This is inevitable in these days of rising prices, devaluation and inflation.

So states the Chairman of the Ceylon Association of Manufacturers, Mr. N. U. Jayawardane, in a Memorandum to the Minister of Industries and Scientific Affairs.

### Costs doubled

The replacement cost of machinery had nearly doubled during the last three years. Unless profits earned are sufficient to earn an adequate return on replacement costs, it is inevitable that return on any industry must contract without expanding and cannot attract fresh capital for investment. To overcome such a situation the Association has recommended that in determining the quantum of "capital employed" there must be an adjustment to the historical costs of assets engaged in business to allow for their current replacement costs.

On the question of profit quantum the Memorandum states that this should naturally be profits after tax. The practice of extending a tax free holiday to some industries should not be taken into account when determining a reasonable profit quantum for the reason that Tax holidays are given to attract investment into untried industries where the element of risks is comparatively high.

When relating the quantum of profits to the quantum of capital engaged in the business it should be taken into consideration that any judgement on reasonableness, must in turn depend on:

(a) an adequate return on the "capital employed" which the Association

suggests should not be less than 12%.

(b) provision for reserves

The current bank rate and interest on overdrafts, too, should be taken into account. At present Bank charges vary

from 9 to 12%, so that, on this ground alone, the return on investments should be more.

If any industry is earning excessive profits it is because of inadequacy of supply in relation to demand. The solution in these circum-

stances is clearly an increase in supply through approval of new units or expansion of existing units, or both. In our view it is economic from a national and individual point of view to permit existing units to expand before additional units are sanctioned

## Exchange scarcity hits Public sector

The Ministry of Planning and Employment has informed all Permanent Secretaries to exercise strict restrictions in utilising foreign exchange before applying for imports against allocations already allowed.

In view of the acute foreign exchange situation prevailing the Government may not be in a position to release the full exchange allocations to the various Government Departments.

In regard to suppliers credits departments have been requested to utilise such credit only in instance of utmost urgency in view of the mounting debt service burden facing the country.

The total foreign exchange allocated to departments for 1970-71 by the Foreign Exchange Budgetary Committee is Rs. 239.9 million. of this amount Rs. 118.9 million

comes from Ceylon's own resources Rs. 52.5 million from commodity aid Rs. 56.4 million from project aid and Rs. 12.2 million on supplier's credits.

Public sector corporations under the Ministry of Industries and Scientific Affairs have been allocated Rs. 243,358,982 in foreign exchange for the calendar year 1971.

This allocation will be utilised by 16 manufacturing corporations under the Ministry for the import of raw materials, spares and machinery, instalment payments and for consultancy services.

The allocation for raw materials this year has been increased by Rs. 10 million to Rs. 100 million because a number of corporations will be stepping up their output this year.

According to Ministry sources efforts are being made to cut down on the import of raw materials and use local substitutes without curtailing any activities.

Corporations using a high percentage of imported raw materials are the State Flour Milling Corporation—100 per cent, Ceylon Steel Corporation—90 per cent National Textile Corporation—90 per cent, and the State Hardware Corporation—70 per cent.

Others using a very high percentage of local raw materials are the Cement Corporation—94 per cent.

National Small Industries Corporation and the Oils and Fats Corporation—90 per cent each; Plywoods Corporation—86 per cent; and Ceramic Corporation—80 per cent.

## Boost for Fishing Industry

The Government has proposed to supply fishermen with 500 mechanised boats and 1000 outboard motors per year over a period of five years with a view to developing the fishing industry.

The 500 mechanised boats will be distributed under the hire purchase of the Department of Fisheries, while out of the 1,000 outboard Motors 300 will be issued on the hire purchase scheme and the balance sold.

The total foreign exchange cost of these imports is estimated around Rs. seven million.

Under this development programme an yearly increase of 4600 tons of fish valued at Rs. seven million is expected. It has also been proposed to set up eight additional training centers, each capable or providing training for 50 persons annually, in the course of the next four years.

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## Marketing deficiencies

"Most of the deficiencies in the marketing of vegetables emanate from the Pettah Market" states the Marketing Commissioner in his latest Administration Report.

The Report adds that one of the weakest links in the marketing of vegetables in Ceylon is the Colombo Wholesale Market.

In addition to the Marketing Commissioner foreign marketing experts who have visited Ceylon have urged the need for setting up a more streamline wholesale marketing

establishment in Colombo, but no positive steps were taken in this direction with the result that chaotic marketing conditions prevailed over the years while the consumer suffered.

The Commissioner however states that these proposals have now been accepted by Government and it is hoped that Colombo will soon have a up to date wholesale market.

# MARKET PRICES

**COLOMBO**

**CLOSING PRICES 26.2.70**

**TEA (Rs. Cts. Per lb.)**

Approximate range of prices (including teas sold Ex, Estate)  
BOPS B. O. P.F.s

High Grown	2.25	4.30	2.20	3.40
	2 at 4.50	1 at 4.55	4 at 3.50	1 at 3.60
	2 at 4.60	1 at 4.80		
Medium Grown	1.65	2.70	1.70	2.50
Small leaf Low Grown	1.57	1.70	1.58	1.73
Tea for Price	1.42	1.58	1.40	1.60
Leafy B.O.P.	1.57	1.68		

	F. B. O. Ps.		F. B. O. P.Fs
Tippy Teas	1.55	1.70	1.65
	1 at 1.75	1 at 1.76	1 at 9.10
	1 nt 1.80		1 at 16.00

**RUBBER**

**PRICES FOR THE WEEK ENDED 28.2.71**

	Rs. cts.—per lb.)		
	Closing	Avg. to date	Avg. Same
	Quotations	1971	Period 1970
RSS No. 1	78 3/4	82	103 1/2
RSS No. 2	75	77 1/2	97 1/2
RSS No. 3	73/12	75 1/2	95 1/2

(Rs. per candy)

**COPRA**

Opening Price Clus., Price

Estate copra No. 1	238.00	741.00
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**COCONUT OIL (Rs. per ton)**

	Open, Price	Clos., Price
March	1,530.00	1,500.00
April	1,530.00	1,500.00

**DESSICATED COCONUT**

March and April 56 cts. Closing Price

**PRICES FOR THE WEEK ENDING 23.2.71**

Commodity	Buyers Quotations	Export
	(Per lb.)	Duty
Cardamoms	18.00—19.50	40% on
Cardamom Seeds	15.50	true
Cloves	27.00—28.00	F.O.B
Clove Stems	3.00— 3.25	value
Mace	8.50	
Nutmeg (Shelled)	3.25 3.50	
Nutmeg (Unshelled)	2.00— 2.25	
Pepper (Black)	6.00— 6.25	
Papain (White)	12.50—13.00	
Papain (Brown)	10.00—11.00	
Cinnamon H/1	3.65	20% on
Cinnamon	3.55—	true f.o.b.
Cinnamon Quilings No. 1	2.50	-do
Cinnamon Quilings No. 2	2.75	-do

per Cwt. Export

Cocoa	229.00	40% on
Coffee	375.00 400.00	true f.o.b
Kapok (Clean)	150.00	value
Kapok (Unclean)	50.80	
Esoton Seeds	100.00 125.00	
Cisential 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	6.85	true f.o.b

**UBSIDIARY CROPS—EKKLY PRICE LIT POYA**  
ENDING 24.2.71

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 54 158 Lbs)	
Paddy	(Per bushel)	
Samba	15.00	
Other varieties	13.00	14.00
Rice		
Par Boiled	69.00	

**TEA REPORT**

Auction No. 8 held on 26th and 27th February, 1971.

The total quantity offered was 6,902,690 lbs., comprising 3,545,024 lbs. Leaf Grades 823,535 lbs. Dusts 37,940 lbs Reprints, 101,064 lbs. Sundry Lots and 2,433,067 lbs. Ex. Estate. There was a strong but selective demand throughout the Sale with quality generally showing an improvement particularly on second invoices.

**High Grown Teas:** The few fine invoices on offer attracted a strong demand and prices were pushed a little above last week's levels. Other High-Grown Broken were irregular but all teas below the Rs.3/- level were 10/20 cents dearer.

**OPFannings** also met a better demand with the poorer kinds advancing 10/20 cents although finest were barely steady.

**Medium Grown Teas:** Best Medium and Uva Broken advanced sharply and often where quality showed an improvement by as much as 30 cents a pound. Plainer kinds were 5/10 cents dearer. BOP Fannings also enjoyed more support with teas in the lower price range fully firm and the better kinds 10/20 dearer.

**Low - Grown Teas:** There was a continued strong demand for all Low -Grown types with small leaf sorts often a few cents dearer and leafy types a full 3/5 cents higher. Leaf grades were also dearer.

**Off Grades:** There was good demand and all Fannings were dearer especially the brighter liquoring sorts which advanced by 15/30 cents A few bright BP's were about 8 cents while others were fully firm. BM's eased by 5/8 cents.

**Dusts:** Good Medium types were 10/15 cents dearer with others fully firm. All West-erns were generally with the best gaining 20/40 cents while brighter secondary sorts were about 20 cents dearer. Low Grown eased a few cents

**Tippy Teas:** All Tippy Tras were generally dearer..

**RUBBER REPORT**

**Poya week ending 23rd February, 1971.**

World Rubber Markets remained idle this week in the absence of any stimulus which could boost the market. The SINGAPORE MARKET opened fairly steady but eased lat-

ter as buyers had satisfied their orders. The Chinese People's Republic remained out of the market but there was some inquiry for RSS1 and RSS 2 from Russian and RSS 3 for unspecified open port destinations. The main feature in otherwise inactive LONDON MARKET was the change over to decimalisation. The market fluctuated mildly through out the week trading being lethargic. Traders indicated that demand for Sheet rubber remained light in the NEW YORK MARKET with factories making only small - lot purchases for immediate needs. On balance Singapore -in creased by .25 of a dollar cent per kilo, whilst London remained unchanged.

**Sheet:RSS1** opened unchanged at 97 3/4 cts, but declined in stages throughout the week to touch 78 1/2 cts before rallying on the last day (pre-Poya) to close at 79 1/2 cts per lb.

Approximately 166 tons of Sheet Rubber were sold by Members of our Association of which 74% consisted of No. 1 sheet.

# Produce Report

**Poya Week ending 23/2/71**

**Cardamoms** There were 123 lots totalling 8151 lbs. on offer this week showing an increase or 2903 lbs. on the previous week's figure. The market eased by around Rs.1/- per lb. when at the close of the sale quotation for No. 1 quality was made at Rs.18/- to Rs.19/50 per lb. Off-grades however were stronger selling at Rs.13/- to Rs. 16/50 per lb. Seeds were dearer again this week

trading at Rs.22/- per lb. The highest price paid for the day was Rs. 20/- per lb. and the lowest sale for one lot of husks done at Rs. 2/50 per lb. At the close of the week London futures' price was quoted at 82 1/2d. per lb. It is the opinion of the trade that the the downward tendency during the post weeks has been due to the abundance of cardamoms available from Gautamala and India to Middle East buyers.

Cou—ntry Rice No. 1	53.00—	88.00
—Country Rice No. 2	68.00	72.00
—Samba Rice	95.00	98.00
—Kora Rice	100.00—	118.00
	Per Cwt.	
—Maize	25.00	
—Red Gram (Toor Dhal)	40.00	45.00
—Black Gram (Undu)	61.00	
—Bengal Gram	46.00	
—Green Gram	53.50	
—Bombay Cowpea	40.00	
Millet	Per Bushel	
—Finger Millet (Kurrakkan)	8.50	
—Sorgum	440.00	(per ton)
—Soya Beans	8 0.00	(per cwt)
Spices Condiments	Per Lb.	
—Mustard	5.50	
Chillies	Per Cwt.	
—Dried Long	Unquoted	
—Dried Round	"	
Off Grade	"	
—Goraka	125.00	
—Vanilla	"	
—Tamarind	Per Cwt.	100.00 — 115.00
—Nut Cashew	"	
—Ground Nut	Per Lb.	59.00

**Cocoa :** There were 51 lots totalling 465 cnts. on offer, showing an increase of 189 cwt. In the absence of N.1 quality all grades net with fair demand when grades next to best sold at Rs 225/- to Rs.239/- per cwt. Darker and poorer grades were about unchanged and remained at Rs. 195/- to Rs.210/- per cent. No garblings or shell cocoa were on offer. No quotation for No.1 quality was made. At the the close of the week London futures prices was quoted at £. 228/- Sterling per ton with Ghana at £. 228/-75d. per 1000 kilos.

**Coffee :** There was 11 lots totalling 92 cwt. the best of which fetched Rs270/- per cwt. Off quality and dealers grades traded at Rs. 185/- to Rs200/- per cwt. No. quotation for No.1 was made.

**Cloves :** One lot of 120 lbs. das on offer and was withdrawn due to the lack of suitable bids.

**Pepper :** One lot of 95lbs. was on offer and fetched Rs. 6/25 per lb. for quotation to be made at this price.

**Nutmeg :** One lot of 66 lb. of off-quality was on offer fetching Rs. 1/99 per lb.

**Mace :** Only 2 lbs. of this commodity were on offer selling at Rs. 8/05 per lb. Quotation was made at this price.

**Cinnamon :** 2 lots totalling 573 lbs. were on offer selling at Rs. 4/70 per lb. for quotations to be made at this price.

# World output of crops and products

**Citrus:** During the 1969-70 season the world production of oranges, tangerine and grapefruit was supposed to have reached a record level.

**Oranges:** World output of oranges in 1969 is estimated a record of 708.5 million boxes, 31.9 million more than the previous season. Spain accounted for the largest increase. On the other hand Italy the second largest producer in the Mediterranean recorded a decline. The U. S. also increased its output by 3% in comparison to 1968 output.

**Grapefruit:** Total production in 1969 rose slightly to 73 million boxes, compared with 72.3 million over the previous season.

**Lemon:** The world production of lemons dropped slightly from an estimated 59.2 million boxes in 1968, to 59 million boxes in 1969. Italy continues to be the world's major producer of lemons. Production in the U. S. was almost as same 1969 as in 1968. Greece Spain and Argentina expect large crops.

**Corn:** The world corn harvest in 1969 totalled 248 million metric tons 8 percent above the 1969 crop and 3% over the previous record of 1967. World corn area was 104 million hectares, up to 2% for the year and just over 1967 high.

The U. S. led the world in production of corn in 1969 with 116.2 million metric tons. Argentina, France, Italy and Soviet Union the other major producers of corn too registered impressive increases in production. Asian production of corn was estimate at 28.5 tons in 1969 an increase of 1968. India Indonesia and achieved substantial increase in production.

**Palm Oil:** Palm oil production in 1970 is estimated at 1.68 million metric tons. Palm Oil production has in the recent past improved considerably. The indicated increase for 1970 is 216,000 tons, compared with 1968 increase of 119,000 tons. Palm oil production is expected to continue to escalate at an increasing rate during the 1970's. This is anticipated on account of the widespread expansion in

Palm Oil planting in a number of equatorial countries chiefly Malaysia.

Among other countries which anticipate expanding production are Cameroon, Ivory Coast and Sierre Leone. 1969 Palm Oil exports of world totalled 750,000 tons 35,000 tons more than 1978. The 1970 figures for exports of are expected to be about 850,000 tons or 100,000 more than 1969. Malaysia leads the world in Palm Oil exports.

## PLANTATION INDUSTRY

### A. D B. assistance for subsidiary crops

The Asian Development Bank has agreed to finance a part of the expenditure involved in the intensive cultivation of subsidiary food crops under irrigated conditions.

The River Valleys Development Board, Walawe, will undertake this project. Under this Scheme about 5,000 acres of land will be alienated for paddy and subsidiary crops. This will create more avenues of employment as well. The unit of alienation will be five acres of both high and low land.

The paddy acreage may vary from 1.5 to 2 acres, depending on the soil pattern.

The balance land will be for subsidiary crops with particular attention to chillies, red and Bombay onions. Cotton cultivation too would be included in the programme.

### Export Opportunities

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

**Ditle Maloma Gniseppa,**  
Via Nazionale,  
Villapiana Scalo, Consenza,  
Italy.

**Arpico rubber carpets, Coconut fiber doro mats Table lamps and benite articles.**

**Giuseppe Bravato,**  
Via Trento, 15,  
Gioia Tauro (R.C.) Italy.

**Coir Yarn**  
Idris Sulaiman,  
M/S Simex, P. O. Box 20416,  
Abidjans (Ivory Coast)  
West Africa.

**Sarees—cottons, Silks and Precious stones.**

**Ali Marifiah Wali,**  
(Commission Agency),  
P. O. Box 422, Tripoli,  
Libiya.

**Tea Cinnamon, Soap, Eude-Cologne and Cosmetics in general.**

**M/S Ahmed Abdullah Walswati.**

**P. O. Box No. 202. Mrcca, S. Arabia.**

**Biscuits and confectionery, and textiles.**

### Share Market Report

The share Market was quiet through out the week, according to the Report of the Colombo Brokers Association.

	Previous Price		Feb 22nd		+ or -
	Rs.	Cts	Rs.	Cts	
Teas:					
Estates of Uva	4.00	..	4.00	..	
Nahavillas	3.25	..	3.50	..	+ 25
Poonagalla Valley	5.50	..	5.00	..	- 50
Strathpeys	6.50	..	8.00	..	+ 1 25
Uva Highland	19.00	..	19.00	..	
Tea-cum-Rubber:					
Rayigams	5.00	..	3.50	..	- 1.50
Saffragrams	7.00	..	6.50	..	- 50
Udabages	7.00	..	7.00	..	
Rubber:					
Horawalas	9.00	..	8.50	..	- 50
Commericals					
Chemical Industries	15.00	..	15.00	..	
Richard Piries	21.00	..	21.50	..	+ 50
Lambrettas	6.50	..	6.00	..	- 50
Development Finance	117.00	..	80.00	..	- 37 00
Hayleys	11.00	..	11.00	..	

There was no business in Preference shares and Government Loans.

### NEW FINANCIAL SERVICE FOR BUYERS OF BRITISH GOODS

A new service to overseas buyers of British goods, particularly for the benefit of developing countries, has been announced in London. The service is offered by a new company, Exim Credit Management and Consultants Ltd, of Fleet Street, London. ECMC has been formed to help co-ordinate and develop international export finance.

Says Mr. R. A. Dickinson, ECMC managing director: "We hope to develop use of buyer credit so that overseas purchasers will have competitive access to the British market on the widest possible basis".

#### Co-ordinated trade promotion

One of ECMC's functions will be to assist in the more competitive use of existing credit guarantees and financial and service facilities. It will also seek new opportunities for co-ordinated trade promotion in all parts of the world.

Mr. Dickinson was formerly top government official with the Export Credit Guarantee Department, where he was the principal architect of Britain's Export Credit Guarantee Service and responsible for introducing buyer credit insurance and financial guarantee systems. He has also advised several overseas governments in these techniques.



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**Bata**

### THE ECONOMIC TIMES

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# THE RURAL BANK SCHEME OF THE PEOPLE'S BANK

The Rural Bank's scheme was sponsored by the People's Bank with the assistance of the Department of Co-operative Development and its main objective is to evolve a stable rural credit structure based on village level Co-operative Societies and promote banking activities among rural masses. It is implemented by establishing Banking Departments in primary Co-operative Societies, the main functions of the Rural Banks being mobilisation of rural savings, granting of loans to members and provisions of pawn broking facilities to the rural folk.

The scheme was inaugurated in early 1964, and as at 30-9-67 twenty Rural Banks were established. A remarkable increase in the establishment of Rural Banks was observed since 1967. As at date 90 Rural Banks are functioning.

At the initial stages Rural Banks were mostly confined to predominantly paddy growing areas. But during the recent years, it was observed that the Scheme was gradually drifting and expanding to areas of mixed economies. The scheme now covers not only Rubber and Coconut growing regions, but also vegetable and tobacco growing areas.

As a consequence of its achievements the scheme has gained in popularity in village

areas and the number of societies seeking entry into the scheme has been increasing progressively. Apart from village societies desiring to join the scheme, it has evoked interest among the co-operators at all levels as well as the general public.

## FACILITIES

Under the Rural Banks scheme a member of a society is entitled to borrow for a variety of purposes such as Agriculture, Production, Consumption, Housing, Redemption of Debts, Animal Husbandry, Cottage Industries and Trade. Credit facilities up to a maximum of Rs. 5,000/- is allowed to a member depending on his credit needs and his capacity to meet his obligations. The smaller loans (up to Rs. 500/-) are secured by the personal Guarantee of two members of the Society, while advances exceeding Rs. 500/- require collateral security which includes lands with village title. Repayment programmes are arranged according to the members' income patterns. As a special concession to the Rural Banks in colonisation areas, where the farmers are unable to mortgage their allotment of land, the loan against personal guarantees has been increased from Rs. 500/- to Rs. 1,000/-.

Our recent surveys show that with the extension of these fac-

ilities Rural Banks have achieved a remarkable success in meeting the credit needs of the members and in minimising, if not eliminating their indebtedness to unsavoury sources of credit such as unscrupulous traders and usurious money lenders.

**By H. B. ILLANKONE**  
Chief officer, Rural credit  
Dept., People's Bank

In addition to the above credit facilities the Rural Banking Scheme provides a pawn broking service to both members and non-members. Here too the societies in the Rural Banking Scheme have displaced the private pawn broker. As at 31-12-70 Rural Banks have granted 18,092 pawning loans aggregating to Rs. 1,980,000/-.

A summary of the loans granted and deposits received as at 31-12-70 by the 90 Rural Banks is as follows:—

Deposits	
	Rs. Cts.
Svgs. Deposits	16,109,000/-
Exd. Deposits	799,000/-
	<u>Rs. 16,908,000/-</u>
Advances	
	Rs. Cts.
Sht-term. Loans	7,122,000/-
Pawn-broking	1,908,000/-
	<u>Rs. 9,102,000/-</u>

The above statistics show that the Total Deposits exceeded the total loans granted by Rs. 7-8 million.

Or let's take an example that might occur further down the line. A subordinate manager is authorized to make decisions in certain cases—but because he feels so keenly that he takes a risk every time he decides, he passes the buck to his superior whenever he can. In making the decision to avoid responsibility, he believes he's eliminating risk. But he isn't. He's running the risk, and a bad one, that his superior will come to think of him as indecisive and lacking in initiative. Thus he may be passed over for promotion.

## DEGREES OF RISK

Long-range decisions involve greater risk than short-range decisions because the uncertainty is greater. The consequences of many decisions will not make themselves felt until several years in the future, and it is difficult to tell whether the results will be appropriate to the circumstances at that time.

If management decides not to organize a research department, for example, it will not know the consequences until the results of its competitors' research become known. If its competitors succeed, after several years, in developing revolutionary new products, it may be too late for the com-

The establishment of Rural Banks has resulted in the increase in membership and share capital of the constituent societies. Before the establishment of Rural Banks in these societies the membership was 43,051 and the total share capital amounts to Rs. 1,455,000/-. As at 30-9-70 the membership had risen to 56,166 while the share capital had increased to Rs. 2,101,000/-.

As at 31-12-70 seventy-two Rural Banks were self-sufficient in that their advances were fully matched by deposits. These Rural Banks have been able to settle their borrowings from the People's Bank and meet the credit needs of their members out of their own deposits. At the end of December 1970, fifty-five Rural Banks had savings deposits exceeding Rs. 100,000/- each to its credit and this alone bears ample testimony to the enthusiasm displayed by the rural folk in the faith and confidence they have placed on Rural Banks. 50,831 customers have deposited monies and 28,109 customers have obtained loan facilities from Rural Banks.

## SELECTION OF SOCIETIES IN THE PAST

Hitherto in the selection of a society to this scheme primary consideration was given to its capacity to undertake the operation of the scheme both effectively and efficiently. In order to make the Rural Bank an economically viable unit a society was required to have a sufficient membership and resources. Generally societies with a membership of over 400 (or those with a smaller membership but with a potential for increase in membership) were eligible provided their record of past performance was satisfactory.

Prior to the selection of a society into the Rural Banks Scheme the recommendation of the Assistant Commissioner of Co-operative Development of the area was obtained and thereafter a comprehensive survey was carried out by the officers of the Rural Credit Department of the People's Bank to ascertain the soundness of the society and its eligibility for admission into the scheme.

Preliminary work was also undertaken by the People's

pany to catch up. But again, it may spend a large amount of money on research without without any significant breakthroughs, and the result may be merely a reduction in profits for a period of years.

On the other hand, the decision to use one man instead of two on a given job may be a short-range decision. As soon as the man is well started the

Bank staff at the society level in training a Credit Manager and in enlightening both the committee members and the general membership as regards the scope and functions of the scheme. Steps were taken to organise the credit and banking functions of the society as a separate unit.

## REPRESENTATIVES OF THE PEOPLE'S BANK

In the initial stages a representative of the People's Bank is also attached to the Rural Bank. He plays a positive role in assisting the society in maintaining high managerial and operational standards and advising the committee and ensuring the smooth functioning of the Rural Bank. He also acts as a Liaison Officer between the Rural Bank and the village folk.

However, in the past the smallness of the village level Multi-Purpose Co-operative Society has been the limiting factor which retarded the rapid expansion of the scheme on an island-wide scale. This is evident from the fact that over a period of nearly 7 years only 90 societies representing less than 2% of the total Multi-Purpose Co-operative Societies were qualified to operate the Rural Banks Scheme. **IMPACT OF THE RE-ORGANISATION SCHEME**

Steps are now being taken by the Department of Co-operative Development in terms of a decision taken by the Government to re-organise and re-vitalise Multi-Purpose Co-operative Societies. Under this scheme nearly 5,000 primary societies comprising mainly the Multi-Purpose Societies will be amalgamated to form about 400 large primaries, each covering approximately a Local Authority area. It is envisaged that every large primary society so established should also have a Rural Bank, henceforth re-designated as a "Co-operative Rural Bank" as recommended by the Royal Commission on the Co-operative Movement of Ceylon.

The reconstituted large primaries with their substantially increased membership, extended areas of operation and additional resources of managerial talent and qualified personnel are undoubtedly better equipped to give a greater dimension to the scope of this scheme.

manager can check to see how he's getting along—and if it is clear that two men will be needed, he can immediately assign another man.

However, some decisions that seem short-range at the time they are made may have far-reaching consequences.

(TO BE CONTINUED)

# MANAGEMENT

## MANAGERIAL DECISION-MAKING

A manager is responsible for the men, machines, materials and methods at his disposal. These are resources he uses to reach his objectives. And in determining how he will use them, he must constantly make decisions.

A decision always involves a choice among alternatives. It is not necessary to make a decision when only one course of action is feasible. The same is true when one course is obviously the best one, for in that case the situation dictates the decision. A real decision is required when there's some uncertainty about choosing one course rather than another—when the manager can't really be sure that it is better to decide one way rather than another. Thus true decision-making involves some degree of risk.

Perhaps that's why some people find it hard to make decisions. They're afraid of making the wrong decision,

and the result is they let things slide whenever they can.

Actually, they're not eliminating risk. They're really making the decision 'not to decide.' And the decision not to decide may be as risky as the decision to act—for if a problem is ignored, it may become more serious than it was at first.

Consider a company whose product is approaching the end of its life cycle. It is confronted with the question: *What new products shall we introduce?* There are, let's say, several possible products, but uncertainty exists as to whether one is better than another. Each requires new capital investment, and it is impossible to know for sure how much of any one could be sold. None the less, if management keeps postponing a decision, and the sales of its old products keep falling, the company may find eventually that it doesn't have the working capital necessary to start producing any new products at all.

# Wheat "food aid" to cost more

GENEVA

Developing countries are going to have to pay more for their wheat "food aid" in future following an agreement renewing the 1967 wheat convention.

The agreement is for the delivery of nearly 4,000,000 tons of wheat annually, but the United States delegation has insisted on introducing a new clause on the threat of reducing its contribution by over 600,000 tons.

The clause introduces sales on annuities over 20 years or more with cash payment of up to 15 per cent of the total.

Both the European Economic Community and the developing countries delegations strongly protested at the forging of this clause into the agreement, and considered it as bringing in a 'commercial' element into food aid.

Up to now under the 1967 convention which expires next June the aid has been given either under payment in currency of the country concerned, not transferable nor convertible into foreign currency or by gifts in cereals or other gifts in kind.

Britain and Scandinavian countries have refused to take part in the agreement which will reduce the total available by some 500,000 tons. Of the

## NO PREFERENCE FOR SOUTH AFRICAN GOODS

BRUSSELS

The question of a preferential agreement giving South African goods privileged access to the European Economic Community has not figured in the negotiations on British entry the Common Market. The Commission was answering questions from a Dutch member of the European Parliament, Mr. Vedeling.

Mr. Vedeling also asked whether it would be possible for South Africa to take advantage of associate status which might be granted to neighbouring independent states by shipping its goods through these countries.

The Commission replied that should associate status be accorded to Botswana, Lesotha and Swaziland, measures would be taken to prevent such a possibility. The Commission recalled that the control mechanisms set up under the Yaounde Convention—which links 18 French-speaking Afro-Malagasy states to the EEC—could serve as the base for preventing any South African attempt to indirectly gain preferential treatment—

## INDO-WEST GERMAN COLLABORATION

NEW DELHI

The Government of India has granted licence for the

remaining eight countries the U.S. contribution will be 1,890,000 tons, and the EEC 1,035,000 tons.

Under "exceptional circumstances" it was agreed that

setting up of a new factory for the manufacture of tractors with West German collaboration.

The factory, which is being set up at Nasik, in Maharashtra, by a leading Indian manufacturing firm, is expected to go into production by the end of 1972 and would produce tractors and air-cooled diesel engines ranging from 30 to 100 horse power.

The new project, with a capital outlay of Rs. 5 crores, expects to produce 10,000 units of tractors and engines per annum—

## GIANT REFINERY OPENED IN SINGAPORE

SINGAPORE

A two hundred million Dollar (Singapore) ESSO Refinery was opened last week by Singapore's Finance Minister, Mr. Hon. Sui Sen.

The refinery situated in the offshore island of Pulau Axol-hawan will produce 231,000 barrels a day when the expansion programme is completed by the middle of 1973.

It now produces 81,000 barrels per day. A further 90 million dollars will be invested by the company for the expansion of the refinery.

## TIMBER RESEARCH IN SARAWAK

KUALA LUMPUR

A Colombo Plan expert from Australia, Mr. John Beesley is to be responsible for starting a five-year programme in timber research in Sarawak.

The results of the research could lead to greater demand for the lesser known timbers of Sarawak on the world market, the spokesman said.

Some species which were not yet recognised in the world market had been sold as mixed light hardwood to Hong Kong where the prices were rather marginal.

With the service of Mr. Beesley, Sarawak hopes to popularise the use of the finished products from these species he added—

## EARNINGS THROUGH INVISIBLE TRADE

GENEVA

The United Nations Economic and Social Council has outlined a number of steps at national and international levels to promote earnings from invisible trade in developing countries. Primarily the ECOSOC has recommended that Shipping Lines of developing countries should be admitted as full

rice could partially replace wheat and would be counted as such by the International Wheat Council in London.

The new convention is for three years.

members of Liner Conferences operating in their national maritime trade and should be allowed increasing and adequate participation in carriage of goods generated by their foreign trade.

The ECOSOC has also advised that developing countries should expand the national and multi-national marines in order to gain an increase in the carriage of maritime cargo. The Shipping owners of developing countries in the interests of sound shipping should be able to compete in the international freight market.

## SOVIET EGYPTIAN AGREEMENT

CAIRO

An agreement on scientific and technical co-operation



between the USSR and the UAR has been signed here. It provides for an exchange of delegations, of scientific-technical information, for joint work by the scientists of the two countries in various fields of science and technology.

The agreement was signed by the Minister for Scientific Research of the UAR, Ahmed Mustafa, and the First Deputy Chairman of the State Committee for Science and Technology under the USSR Council of Ministers, L. N. Yefremov.

## FRANCO-ALGERIAN OIL DISPUTE

ALGIERS

The divergencies between Algiers and France mainly on the oil question sharpened

when President Houari. Boumediene called for a settlement one way or another.

His remarks coincided with a commentary by the official APS news agency suggesting France was showing "a total absence of desire to negotiate."

It said Algeria had called for "an immediate and serious resumption" of the talks which were suspended earlier this month for a period of 'reflection.' France had not proposed a date for resumption and was engaging in "a new dilatory manoeuvre," the agency added.

President Boumediene said in a speech at Boufarik, south of Algiers: "All the oil producing countries have settled their problems with the oil companies except Algeria which is still waiting for its partner to make a decision."

# EGYPT'S WONDER DAM OPENS NEW VISTAS

Egypt's modern day wonder, the High Dam at Aswan, which was opened recently is 17 times the size of the great Pyramid; it is also the largest rock-fill dam in the world, and holds behind it the second largest artificial lake in the world.

The Nile, like so many other great rivers, is irregular and highly unpredictable in its flow and that is essentially why it was so vital for the future of the United Arab Republic with its complete dependence on the great waterway for irrigation and power, to create that enormous feat of engineering in Upper Egypt which has become known simply as the High Dam.

At high flood the river's daily discharge at Aswan would rise to as much as 1,200 million cubic metres and then, during the low flood season, drop to less than 45 million. This brought the annual discharge to something between 151,000 and 42,000 million cubic metres—with an average of about 84,000 million over the last sixty years. With irrigation requirements not exceeding 32,000 million cubic metres this meant that 32,000 million were being irrevocably wasted each year as they poured themselves into the Mediterranean.

The storage of all this lost wealth to the nation could not be undertaken by the old Aswan dam reservoir. The only solution was the construction of a new and mightier dam one that would control and preserve the entire surplus of the gigantic stream that is

the life blood of Egypt. And so the High Dam, seven kilometres south of the old Aswan dam, was conceived, planned and built to develop the river's resources and ensure their very best utilisation and end forever the age-long fears of floods and droughts.

### Nerve Centre

At the same time the High Dam will serve as the nerve centre for a vast hydro-electric system to sustain and enhance the country's economic and social development, not only in the agricultural but also in the industrial field, and thereby assure a steadily rising standard of living for its people.

The High Dam has created the second largest artificial lake in the world. This man-made expanse of water is 500 kilometres long with an average width of 12 kilometres, a maximum depth of 97 metres and a capacity of 164,000 million cubic metres.

This rock-fill dam is 3,830 metres long, of which 520 metres is extended between the two banks of the Nile. The width of the base is 980 metres, and that of the apex only 40 metres. Its body is of granite aggregate, sand and silt and stands at a height of 111 metres above the river bed.

On the east bank are two diversions canals and the electric power station. The upstream canal leading to the inlets and outlets of the tunnels is 1,150 metres long.

### Characteristics

Here are just three of the many characteristics which distinguish the High Dam from all other dams in the world

1.—It is the largest rock-fill dam in the world—seventeen times bigger than the Great Pyramid of Giza;

2.—The injection curtain under the core of the dam which penetrates the sedimentary layers of the river

3.—The tunnels and other works controlling the flow of water through the downstream inlets were completed

4.—The construction of the electric power station foundation which started in 1963, was also completed.

5.—The course of the Nile was diverted to the upstream diversion canal, the tunnels, the power station, the downstream diversion canal and so to the rear course of the river; and

6.—The main body of the dam was built to a length of 390 metres on the easy bank and of 50 metres on the west, and the remaining section of 80 metres was filled up after the submerging of the two diversion canals.

The High Dam is without doubt the backbone of the U.A.R.'s economic development plans for doubling the national income in ten years.

# HOW FOREIGN INVESTMENT PROMOTES NATIONAL DEVELOPMENT

From the very early times the United States Government has encouraged and protected the right of others to invest capital in our land, our industry and our commerce. As early as 1791, the first Secretary of the Treasury, Alexander Hamilton, stated the policy we would follow toward foreign capital: "Instead of being viewed as a rival, it ought to be considered as a most valuable auxiliary, to put in motion a greater quantity of productive labor, and a greater portion of useful enterprise, than could exist without it."

In America's early days, foreign capital financed the Louisiana Purchase, our transportation systems, our financial institutions and the development of American industry.

Today, investments from Europe are moving into the United States at a further rate than American investments are flooding across the Atlantic. The dollar value of U.S. investments in Europe is nearly double the size of Europe's investments in the United States—but Europe's growth rate of nearly double America's, and they are investing in a far greater diversity of enterprises than are we.

Some 500 foreign firms are now doing business in the United States and approximately that many are looking at the American potential. We welcome them. They bring new products and technology, add to employment and our tax base and benefit our balance of payments.

## URGENT NEED

But as valuable as foreign investment is to us, as the most capital-rich nation on earth, it is far more valuable to many other nations, particularly the

developing countries of the world. Without exemption, in each of the developing countries I have visited the principal matter of concern is economic development. In almost all of them, economic development is recognised as a necessity to social progress, and capital is urgently needed for economic development.

The developing countries are proud national entities, each with its own characteristics, but many similar features on their economic landscapes bear out their needs for investments:—

- Their own capital resources are invariably limited, and managerial skills are in short supply.

- Most have a common dependence on agriculture, and industrial production is handicapped by limited market

- Technology is lacking, adequate systems of technical standards are not developed, and banking is often rudimentary.

*But in spite of these and other handicaps, the value of foreign investment is least understood in some of the emerging nations where capital is most desperately needed.*

In portions of Latin America, for example, there is only limited recognition that U.S. investments have accounted for \$ 4,000 million of exports and another \$ 4,000 million of import substitutions over the past four years, according to the Council for Latin America.

In some of the nations which are struggling urgently to overcome their technology gap with the rest of the world, there is only a limited recognition that foreign investors bring technical knowledge and management skills not otherwise obtainable.

## SELF-DEFEATING ACTIONS

In many of the world's developing countries, where men seek to rise with dignity into the family of productive independent nations, freedom to invest is ringed with restrictions, and freedom to earn is surrounded by restraints. Foreign ownership often is limited to certain types of industry, or to 40 per cent or less of a given enterprise, or sometimes restraints exist on the payments of dividends, fees, royalties and other earnings.

Recently in a single country, for example, a series of government decrees on these subjects has virtually brought foreign investment to a halt:—

- One provides that a rising scale of income before taxes must be contributed to the so-called Industrial Community.

It amounts to confiscation of 50 per cent of the earnings.

- Another puts in a limitation on the number of companies which may produce a certain basic consumer product. As a result, two major American companies have pulled out of the picture.

By  
**MAURICE H. STANS**  
U. S. Secretary of  
Commerce

- A third decree says that when a foreign investment has recovered its initial capital, plus an undefined profit, its share of ownership must drop eventually to 31 per cent.

These examples typify the trend in some countries. Action of this kind are not only unrealistic. They are self-defeating.

No responsible company is going to invest new money in a climate where the nationalisation fever is running high. No company will invest, or want to stay, in a country where the rules of the game are frequently changed. Yet many present and prospective American investments overseas are faced with those possibilities today. In some of the nations where productive dollars are most urgently needed, they are faced with the uncertainties of administrative actions of even expropriation.

## UNREALISTIC SITUATIONS

Beyond these dangers, proposal recently was made by

a public figure in a responsible position in the United States that the developing nations should not allow American companies to invest and operate for more than a limited, specific period of time—perhaps 10 or 15 years. Then its properties would automatically be nationalised and its earnings cut off by the country where it had invested.

This is ridiculous. It is totally unrealistic. Nothing would deter investment in the developing countries more surely than such a scheme. In the highly competitive market for capital which exists today, no investor company is going to take the high risks and the headaches of the initial 10-year period, knowing that it would have to sacrifice everything at the end of that time. If these limitations existed, the companies would simply not invest.

*Capital will go only where it is welcome and where it is secure. And it is most likely to go where it is most welcome and feels most secure. This fact must be recognised and appreciated more broadly throughout the world, and at home, if our great investment potential is to be utilized in building progress to the future.*

Most of the developing nations of the world today do not yet have any clear concept of how great their economic needs will be in the years to come. Most of them look ahead only two, three or five years. They have not developed long-range national goals, and

there is little if any awareness of how much capital they will need in order to achieve realistic goals over the next 25 years or more.

We have suggested to many of the developing nations that a 25-year plan, fully priced out, would reveal their tremendous requirements for capital. Most will not be able to generate even half their capital needs internally. The balance must come from foreign sources, principally the United States. This being so, the developing nations ought to conclude that, if substantial growth is to be achieved, they must liberalise some of the attitudes which presently exist toward foreign capital.

## GUIDE TO INVESTORS

The investor company must remember that when it takes something out, it must also give back. It must exercise responsibility on an international basis—in such a manner that its hosts will be glad it came, and happy to have it stay.

It has not been easy for any of the new nations of the world today to carve out the fact of political independence. Achieving the stability of economic independence will be even more difficult. The need for assistance, co-operation and partnership is unprecedented—on both sides—if the world is to achieve both plenty and progress.

We live at the most exciting economic time in history. Never before has so much of the world tried to develop or achieve a better life at a single time. Never before has the potential for satisfaction been greater—for the donor, the investor and the beneficiary.

To American investors we say the opportunities—in the right countries—have never been greater, for several reasons:—

- First, with obvious exceptions, the governments of most developing nations profess a strong belief in private enterprise. In many it is recognised as essential to help bring about economic growth and security.

## Ceylon's Agriculture Development Plan 1971 - 1977

### PROCESSING OF RAW RUBBER

The expansion of rubber production in Ceylon will require additional rubber factory processing capacity. This increase in factory capacity can be met either by making expansions to existing rubber factories or by the construction of new factories. Taking into account the changing trend in rubber manufacturing requirements, it is proposed to discourage the establishment of new factories for the conventional types of rubber as far as possible to promote the construction of new factories for the manufacture of new forms of rubber.

**Block Rubber versus Synthetic Cis-polyisoprene and Conventional Smoked Sheet NR**

The Natural Rubber Industry has evolved a process to manufacture a rubber of uniform quality which is marketed, in polythene wrapped small bales and sold to a technical specification. This innovation was developed to counter the competition from

similar synthetic rubber (cis-polyisoprene).

The cost of production is not lower than in an efficiently run sheet factory, and the process is unsuitable for small scale processing, but the process takes much shorter time than conventional sheet and crepe manufacture, the product is easier to handle in transit as well as in the end user's factory and with the consistent and specified properties the new process of rubber is far more attractive to the buyer than conventional sheet rubber. The new process rubber has come to be known as "block rubber."

### Manufacturing Trends in other Natural Rubber Producing Countries

Malaysia, which produces more than a million tons of raw rubber a year, has been in the forefront in promoting the manufacture of rubber in forms more acceptable to the consumer. The production of block rubber on a commercial scale commenced in 1965. The production was 80,000 tons in 1968 and is expected

to have exceeded 130,000 tons in 1969. Less than one-third of this rubber is processed directly from fresh latex coagulum while the balance is manufactured from scrap and other field coagulum.

The estate sector in Malaysia has not yet shown any tangible interest in switching over from production of latex crepe or smoked sheet to block rubber, in spite of many estate groups being sufficiently large to warrant the establishment of a block rubber factory. The change-over, where it has occurred, has been limited to estate groups with old and outmoded factories, which were unable to cope with the increased crop from replanted areas.

The premium above RSS1 obtainable for latex grades of block rubber has so far not been attractive enough for estate companies to change their manufacturing processes. However, the Malaysian Government is considering incentives to encourage the manufacture of block rubber by this sector. The conversion

of scrap to block rubber is the field in which much progress has been made. It appears to be highly profitable, and many remillers as well as some large estate groups have switched from scrap crepe to block rubber.

The central processing of small-holders' latex has been tried in the past by private enterprise as well as by various Government-sponsored organisations in Malaysia, but success has been limited.

As up-grading of small-holders' rubber is of great economic importance, the Rubber Research Institute of Malaysia has established and operated two factories to demonstrate that central processing is possible. Data on costs are not easily available, but it would appear that factories with a daily throughput of 5—10 tons have proved uneconomic or marginally economic, and new projects are being designed for a capacity of 20—40 tons rubber per day.

Since the private sector would be reluctant to invest

We conclude this week the development proposals, relating to the Rubber Industry. In our next instalment we bring you the proposals relating to the Coconut Industry in Ceylon

in central processing factories, the Malayan Rubber Fund Board has formed a separate corporate institution which will take over this activity, including the two block rubber factories for small-holders set up by the R.R.I.M.

In Indonesia, the situation is very favourable for block rubber production. Most of the rubber had hitherto been exported in a semi-coagulated, unprocessed state (slab rubber) whilst a large proportion of the balance consisted of low grades of rubber. Moreover, many estate factories required urgent rehabilitation. The scope for large scale manufacture of block rubber is therefore extremely promising.

- The private sector, in collaboration with foreign investors, have erected or are in course of erecting more than one dozen plants, each

with a capacity of 200—300 tons per month.

The public sector has also prepared a programme for erection of a large number of block rubber factories which, it is reported, will be constructed, foreign financial and technical assistance.

Under this impetus it is expected that Indonesia will produce 150,000 tons of block rubber or about 20% of its total production, by 1973.

# NATIONAL DEVELOPMENT

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—Second, many are pre-occupied with achieving rapid growth in the development of major public enterprises—power, schools, transportation and the like. But the needs for increased private industrial capacity to provide more jobs and more earnings generally have been neglected.

—Third, almost every country feels that a major key to its economic development is the expansion of exports. Yet virtually none of them has effectively determined the kinds of products it can best provide to achieve a share of world markets. They need to improve their market research, their marketing facilities and their general manufacturing capabilities, if they are to lift their exports out of the traditional agricultural and mineral commodities and succeed in the competition of international trade.

—Given these conditions, we reach the question of what the United States can do to assist the economic development of emerging nations. New approaches are in order. In recent years, with growing disappointment in the results of government-to-government public aid programs, we have sought increasingly to foster private enterprise as a more effective means of achieving development.

In his landmark speech to the Inter-American Press Association in 1969, President Nixon said that each developing nation must decide for itself "whether it wishes to accept or forego the benefits that private investment can bring." He pointed out that constructive foreign private investment is the most expensible source of capital and that properly motivated private enterprise has a vitally important role in the social and economic well-being of these nations. In short, private foreign investment has emerged as the single most important means for transferring capital to the developing nations.

## Rubber Processing in Ceylon

Block rubber has not been prepared commercially in Ceylon although a small experimental plant has been set up in 1967. It is now operating with an output of 1,000 lbs. a day.

Not all the rubber produced in Ceylon need be manufactured as block rubber. Ceylon produces certain specialty rubbers which will continue

Contd on page 8

The problem of foreign trade planning in Ceylon is essentially the problem of planning the entire national economy.

Ceylon's dependence on the production and export of three primary commodities and the import of the basic requirements of food as well as a large proportion of intermediate and investment goods is the reflection of an economy continuing a mono-cultural pattern of growth, semi-colonial in nature. If trade planning has to take upon itself the task of exporting those commodities for which there is an effective international demand and importing only those which cannot be economically produced locally, it must necessarily form an integral part of the overall planning strategy designed to bring about structural changes in production. This strategy has to be long-term in scope.

Ceylon has so far been unable, due to various social and economic factors, to identify and implement the strategy mentioned above. The problem of foreign trade has hitherto engaged only ad-hoc attention mainly with the short term perspective of balancing the foreign exchange budget.

A long-term strategy designed to bring about structural changes in production, however must have within it a short-term programme of balancing an enormous trade deficit, especially because of the vicious circle of dependence caused by the need to ensure a minimum guaranteed flow of imported intermediate and capital goods necessary to bring about that structural change. This role has to be played essentially by an adequate flow of external assistance as well as increase in export earnings with the given structure. Import substitution schemes, however, take a relatively longer period to yield results.

Thus export promotion includes in its programme the need to increase earnings from the sale of traditional commodities as well as developing production and marketing of new commodities for which there would be an effective international demand.

Ceylon must in the short run increase or at least maintain the present level of earnings from tea, rubber and coconut despite the adverse price trends for them in the world market. The success of increasing earnings from tea depends to a very large extent on the outcome of the International Tea Agreement reached in Mauritius in July 1969. The decline in tea prices being associated with conditions of over-supply, the need was stressed at that meeting for an international agreement to prevent excessive supplies reaching the market. It was recommended at the tea talks that 90 million lbs

of tea should be curtailed leaving 1,311 million pounds to be allocated among 16 countries. This cut back in exports is expected to halt the price decline and attain the London auction average price of 1968.

## New Forms Needed

Increasing competition from synthetic rubber has been adduced as a reason for the continuous decline in world market prices for natural rubber. However, the UNCTAD econometric model shows that

the supply and demand for natural rubber roughly balances off up to as far as 1980 and that natural rubber and synthetic rubber are more complementary than competitive. An important factor may be the future release of US stockpiles which would no doubt have an adverse effect on prices.

The example of Malaysia shows that Ceylon too could take advantage of developing new forms of natural rubber. Nevertheless, the future of rubber in Ceylon as an export industry depends to a very large extent on the ability to convert natural rubber, which reach the world market in crude and semi-processed forms today, to finished articles for which there is an effective world demand.

Coconut is threatened by the rise in domestic consumption in the future to reduce exportable surplus sharply. The major problem here is to increase production, which however is a long-term prospect. Nevertheless, an examination of the pattern of coconut products exported the prices offered in the world market for different kinds of coconut products over the years seem to suggest that Ceylon could, in the short run, increase her earnings from coconut by exporting the correct product-mix.

The prices paid for the different kinds of coconut products during the last decade was such that if Ceylon exported her coconut oil during this period in the form of Copra she would have gained about Rs. 230 million more or in the alternative, if all coconut products during this period were sold in the form of desiccated coconut, Ceylon would have earned Rs. 1,500 million more in foreign exchange. 2

There are, however, two fundamental problems which will have to be overcome in order to achieve the type of product-mix required to maximize earnings. Firstly, it will be necessary to organise the rapid information flow that is required for forecasting

price trends. Secondly, the technological problems which inhibit quick shift from one form of production to another need to be solved. These are extremely difficult tasks for a developing country. Today, coconut oil in Ceylon is derived from copra and it would be necessary to develop a new technological process which could extract oil directly from the coconut instead of going through the present process.

## Long-term Strategy

Long-term export promotion

ing goods industries are mushrooming all over the world inspite of excess capacity already existing both in developed and developing countries. The alternative suggestion that in the context of Ceylon, it would be possible to develop "skills based" export industries taking advantage of the existence of a relatively well-educated work force seems plausible but needs much serious investigation. The argument for such a development is also strengthened

## Some aspects of foreign trade planning in Ceylon (part II)

strategy will demand on the one hand an assessment of future trends in the international market of commodities and prices, and on the other the availability of local resources—both physical and human—to meet these trends effectively. Ceylon so far has lacked this information and work is now being undertaken to study export possibilities on the lines recommended by the GATT-UNCTAD Interna-

by the fact that the surveys undertaken so far have revealed very little mineral resources in the country.

The scope for the expansion of manufactures from Ceylon is, however, limited and needs realistic and cautious assessment, especially due to problems associated with production. On the other hand the development of new agricultural crops, for which recent investigations have revealed much scope, may yield generous results provided the markets are found.

—By—

**BY LLOYD FERNANDO**  
Asst. Director, Perspective  
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## Factors limiting Import—Substitution.

The strategy of foreign trade planning in the context of a developing country must also determine the role of import substitution together with that of export promotion. Given that there is competing demand for resources between the two, the choice will no doubt have to be based on the comparative evaluation of costs and benefits. Generally, in equal conditions—with the same gestation period, identical capital output ratios and equivalent foreign exchange effect an import substituting project should take priority over the export-oriented one mainly for the reason that it strengthens the economic independence of the country while the export-oriented scheme subjects it to the vagaries of a world market.

1—The UNCTAD Econometric model on tea presented to the Mauritius Tea Talks indicated a growing world surplus in the tea market. "By 1975, the projected surplus of some 150 thousand tons would represent 13.14% of estimated demand in that year outside the socialist countries. If promotional campaigns are successful in halting the switch in consumer preferences away from tea, the projected surplus in 1975 would be reduced to about 110 thousand tons—still some 10% of world demand." The model also indicated that prices will continue to fall by about 1d., per lb., for every 8 million lbs. excess.

2—These gains are, however, hypothetical and it is not suggested that Ceylon could have sold all her coconut products in the form of desiccated coconut keeping the same price levels. What is suggested is the scope for an optimum product-mix to maximise earnings.

3—The work done by the GATT-UNCTAD International Trade Centre in compiling manuals of export promotion research is of much significance to developing countries in their drive for export diversification. These manuals recommend simple market research techniques which may be employed by developing countries without much cost.

# AGRICULTURE DEVELOPMENT PLAN...

(Contd. from Page 6)

to find an attractive market in the future. The scope of, an extent to which, the raw rubber can be processed into the new forms of rubber is examined in the following paragraphs:—

Ceylon's rubber production can be divided into 3 main types, viz:

Smoked Sheet (R.S.S.) .. approximately 60% production.

Latex Crepe (including Sole Crepe) .. approximately 25% production

Scrap Crepe .. approximately 15% production

The large estates (i.e., holdings above 100 acres) in Ceylon produce all the latex crepe and a high proportion of the top grade sheet rubber. These estates will continue to produce all these high quality rubbers throughout the Plan period.

It is estimated that the expansion and modernisation of the existing factories which service the large estates will cost approximately Rs. 2 million a year. The existing tax concessions constitute an adequate incentive for such investment as long as the Estate Companies operate at a profit. As stated earlier, however, the establishment of new factories for the conventional types of rubber will be discouraged and incentives will be provided for promoting investment in any new processing capacity that is required for the manufacture of block rubber.

**Latex Crepe** With the exception of off-grade latex crepe, this type fetches a price in the world market which makes it undesirable to switch over to block rubber. The off-grade crepe is obtained from the fractional coagulation of latex in about 50 estate factories situated in all rubber districts. Extensive tests on a small pilot plan have shown that fraction coagulum can be manufactured into high grade block rubber (SNR 5) and

be marketed as such, preferably as a special high tensile rubber because of its higher protein content. The amount of this fraction rubber will not exceed 5 million lbs. per annum.

**Scrap Crepe:** Scrap crepe is manufactured into five main grades. The quantity of each grade is unknown. The raw material for this production is cup scrap and cup lump, field coagulum, tree lace and earth scrap.

Fresh field coagulum and cup scrap as well as cup lumps are suitable for block rubber manufacture, while tree lace on account of its high manganese content ought to be excluded and made into scrap crepe (No. 1 and 2 if care is exercised) pending further development work. Earth scrap and other sources of scrap crepe are too degraded and are unsuitable for manufacture of block rubber.

The amount of scrap rubber suitable for block rubber is estimated at approximately 24 million lbs. half of which comes from the large estate size group.

**Smoked Sheet** This may be regarded as the general purpose rubber which is going to be replaced by block rubber. If Ceylon is to keep pace with the developments taking place in the major natural rubber producing countries like Malaysia and Indonesia, it is essential that Ceylon formulates a programme for switching over from sheet to block rubber manufacture.

Ceylon is in the fortunate position that most of its sheet production is sold under bilateral trade pacts. In addition to the prevailing market price, an amount is paid by the buying countries to cover Government handling charges. In order to encourage rubber growers to produce more of the top grade RSS 1, the Government pays an extra 2 1/2 cents. per lb. for RSS 1 to the producer.

As long as this favourable arrangement continues there is no need for producers of RSS 1 to switch over to block rubber manufacture. In a good, well run estate factory, it is possible to maintain an out-turn of more than 90% of RSS. 1. Such factories should continue to make RSS.

Between 15% and 20% of Ceylon's sheet production is in the form of RSS. 4 and lower grades. This rubber

## Demographic Revolution in Ceylon

Part III of this article will appear in our next issue.

could be converted into block rubber. As a temporary measure, the conversion of low-grade rubber into block rubber appears to be a feasible proposition but it would be better if the unprocessed rubber (latex) is directly diverted to block rubber instead of first processing into a poor quality sheet. Moreover, it would be difficult to obtain a uniform quality of block rubber from low-grade sheet rubber as it has been processed under greatly varying conditions and in some cases has been dried on the road surface and exposed to direct sunlight.

The sheet production of the holdings below 100 acres is distributed approximately as follows:—

	Production in 1968 (M. lbs)
RSS. 1 ..	20% 28
RSS. 2 ..	30% 39
RSS. 3 ..	30% 42
RSS. 4 ..	10% 13
Lower ..	10% 13
	100% 135

This is the rubber for which a programme should be drawn up for a progressive switch to manufacture of block rubber.

Where it is not immediately possible to establish central factories for processing smallholders' latex into the new forms of rubber, it is proposed that group processing centres be formed, so that a higher grade of sheet may be obtained. Such group processing centres can eventually be converted to collecting centres for latex if and when a block rubber factory is established. About 20 centres should be erected each year at a cost of Rs. 20,000/- per centre. The total cost will be Rs. 0.4 million a year. These group processing centres will be registered by the Department of Co-operative Development and will be supervised by the Rubber Research Institute.

To summarise, as much as possible of the following raw material should be diverted to block rubber production during the Plan period:—

	Million lbs. Year
Fraction coagulum from large crepe-manufacturing estates approx.	5
Cup Scrap and Field coagulum from all size groups approx.	24
Latex from small-holdings below 10 acres and medium estates 10—100 acres approx.	135
Total Approximately	164

## Manufacture of Block Rubber to Technical Specifications

The biggest potential for changing over from conventional forms of rubber into block rubber lies in the field of converting the latex produced by smallholders to the newer forms of rubber. It should be possible, although it will pose considerable organizational problems, to establish central processing factories to cater for latex produced by small-holders and small estates in places where sufficient raw material is available within a reasonable distance. It is estimated that a minimum daily intake of 5 tons of rubber is necessary to run a central factory without losses. To ensure a profit the daily through-put should preferably be 10 tons or more.

The private sector is unlikely to show much interest, at present, in making investments in central processing factories for the following reasons:

(1) The price differential between block rubber and the conventional grades is too small to cover both the cost of production, depreciation, and interest on capital. This however, could be off-set by granting a subsidy towards capital investment.

(2) There is a lack of technical know-how and skilled personnel in this field.

(3) Small-holders are reluctant to sell their latex to private or co-operative enterprises and prefer to manufacture their own smoked sheets. Purchases and collection of latex from smallholders is very

difficult, and has only a chance of success if the Advisory Department of the Rubber Research Institute is actively involved.

A recommendation has already been made that an outright grant of 1/3rd the cost of machinery and equipment be given to spur capital investment in block rubber factories. This is likely to be implemented shortly. However, the private sector will still be hesitant to invest in Central Processing Factories and will probably confine their activities, to manufacturing block rubber where the raw material is more directly controlled by it. For these reasons it is proposed that the first Central Processing Factory should be organised, established and managed by the Rubber Research Institute. With the establishment of this commercial factory, it will be possible to train personnel locally and provide some technical and managerial know-how for the industry. Moreover, the experiment will prove useful in planning the construction of further block rubber factories.

The present cost of a 2,500 tons per annum central processing factory is estimated at Rs. 2 million, of which approximately 50% represents the foreign exchange component.

A tentative target for production of block rubber is:—

Year	Production (Tons)
1971 ..	1,000
1972 ..	3,000
1973 ..	6,000
1974 ..	10,000
1975 ..	15,000
1976 ..	20,000
1977 ..	30,000

## FOREIGN TRADE...

(Contd. from Page 7)

However, the experience of Ceylon in the development of "import-substituting" industries during the last decade is not a happy one. The manufacturing industries which arose in the country since 1959 grew not as a result of a conscious policy directed towards creating a viable industrial structure but consequent on banning imports considered to be non essential. Many goods, the import of which was banned, found their way into the country as spare parts and components which were finally assembled locally.

A major factor limiting the scope of import substituting industries in Ceylon is the size of the local market. Quite often the economic size of the plant is much larger than the

entire domestic demand. In some cases the market is so small as not to be able to absorb the output of a single plant and in many others, two or three plants could saturate it. This has led to the creation of monopolies with little or no incentives for improvement of quality and lowering of costs.

By way of answers to the problems discussed so far the government of Ceylon has initiated action in three major areas: first in building up an institutional framework for the initiation and promotion of non traditional exports; second, the search for new and enlarged markets through regional co-operation; and third, the rationalisation of the industrial structure with a view to reducing the use of imported inputs as raw materials. (CONCLUDED)

## COMPANY MEETING REPORTS

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# TRAVEL AND TOURISM

## A Special Supplement



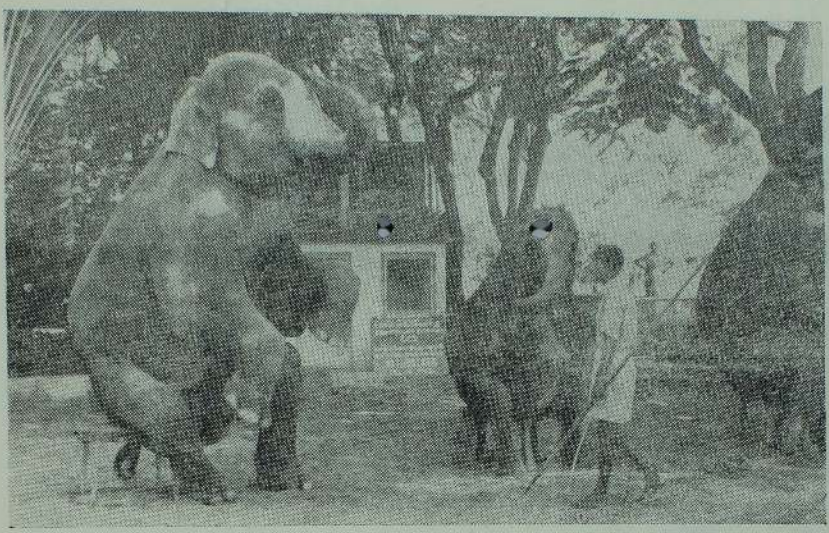
### Development Programme for Tourism

Ceylon's tourist industry has seen considerable development and consolidation in recent years. The Tourism Plan which will guide the development of the visitor industry, divides the country into 5 resort regions—Colombo and the west coast beaches, the south coast, the ancient and historical cities, the high country and the east coast. The programme envisages a total of around 4,500 new hotel rooms and comprehensive resort facilities to be distributed in these regions by the end of 1976.

The South Coast region will accent beach holidays on the scenic south coast, aquatic sports and the old Dutch city of Galle. The Bentota National Holiday Resort is one of the highlights of this region; the Resort now has a total of 150

hotel rooms. The present rooms in six hotels, 3 guest approved accommodation houses and 3 resthouses. strength of this region is 244. A village in the jungle located south-west of the Yala National Park has been programmed for completion by

1971, a 50-roomed hotel in 1972, and another 50-roomed hotel in 1973. This region has a present room strength of 326 distributed among 7 hotels, 4 guest houses and 9 resthouses. A total of 1,150 rooms is projected for this region by 1976.



The Dehiwela Zoo which is just six miles South of Colombo is considered the best in Asia. Picture shows the "Elephant circus" which always attracts a large and appreciative audience. (Courtesy Ceylon Tourist Board)

Tea and scenery, a pleasant montane climate and golf and trout fishing make up the potential of the High Country resort region which also has heavy domestic vacation traffic. The projected room requirements for this region are 250 by 1976, and almost the full complement is available

A capital almost always attracts tourists with its special personality; its shops amusements, amenities and cultural activities. The Colombo Region, centering on the capital and extending to the adjacent beach areas has a room projection of 1,850 by 1976. At present this region has a room count of 756—which will increase to over 500 by early this year. One of the newest additions to the hotel strength of this region is the luxury Pegasus Reef Hotel. Colombo will also have an Intercontinental and an Oberoi hotel in the future.

The East Coast resort region will develop the immense tourist potential of the scenic east coast and outlying points of specific interest such as Jaffna and Gal Oya. Picturesque and historic Trincomalee will be the nucleus of a major resort region which will accent beach holidays aquatic sport and visits to ancient cities. A pre-investment study is now in progress and the programme will probably operate between 1973 and 1976. The accommodation plant of this region is programmed to build up to 485 rooms by 1976; at present a available accommodation totals 121 rooms.

**HOTEL CODE**  
Of the total programmed accommodation of around 5,000 rooms by 1976, a total of 2,119 will be in operation during the 1970-71 tourist season. Meanwhile existing accommodation is inspected and classified at regular intervals to

the end of 1971 with small 20-room hotel units, cottages and camping areas. The 1976 room projection for the southern coastal region is 1,400.

The ancient and Historic Cities Region of Ceylon is an area with very potent domestic pilgrim as well as visitor appeal. The remains of the island's splendid ancient civilization at Anuradhapura, Sigiriya, Polonnaruwa and Kandy, and their pageants and ceremonies are some of the best travel attractions the country has to offer.

#### ACCOMMODATION FACILITIES

Three travel resort development schemes are under way for Sigiriya, Polonnaruwa and Giritala which will provide substantial hotel, dormitory camp and cottage accommodation and tourist facilities. The Polonnaruwa Resort is scheduled to operate with 2 hotels of 70 rooms as well as cottage and dormitory accommodation and tourist facilities by 1971. The first stage of the Sigiriya Resort is scheduled for operation shortly with ten camping sites; a 3-roomed hotel, 2 pension units, and 5 family drive-in units, will be constructed in 1971 and a 50-roomed hotel is planned for 1971. The Giritala Resort, 8 miles from Polonnaruwa, will have a complex of camp sites, family cottages, dormitory accommodation and resort facilities by the end of

## Lihiniya Surf

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# Development of Tourism in Ceylon

Ceylon has played with the idea of tourism for the past 40 years or so and has had tourism directors under one name or another, both part time or full time, during this period.

We have lost 25 years in which other countries have made good. The world's travellers would like to come into our country in shoals to enjoy our beaches, our sun, our greenery, our mountains, the ruins of our ancient civilisation, temples and tanks, our jungles, lakes and ruins. Up to a year or two ago the country had not seen one new hotel worth mentioning in the last 100 years.

In spite of the lethargy shown in the past, with the growing world interest in the subject and the highlighting of its importance as source of revenue for falling national economies, more accent has been placed on the subject in recent times.

More can be done in the next five years than in the past 25 years if we start now with an appreciation of the potential and put our shoulders to the wheels. The efforts of the Tourist Board are now relishing fruition in the opening of many new hotels. The Pegasus-Reef, the BOAC-Fortes enterprise with large scale Ceylonese participation, was opened in February this year and for the moment is the first of the Five - Star Hotels. These new hotels were opened in the new Bentota Tourist Resort. The 250-room Ceylon Inter-Continental is under construction.

Within a few minute's drive from Bandaranaike International Airport, Brown's Beach Hotel and the Blue Lagoon Hotel with 30 rooms and smaller hotels providing cottage type accommodation have sprung up at Negombo which, due to its proximity to the Airport, is becoming increasingly popular as a tourist

resort. More hotels are being constructed throughout the

country and more particularly in the beach resorts. The

By  
**V. E. H. De MEL**  
 Chairman, Association  
 for the  
 Promotion of Tourism  
 in Ceylon

acute accommodation shortage experienced especially during the peak tourist season from November to April will ease to a certain degree on completion of these hotels under construction.

## Role of Local Bodies

Tourism has now come to be developed on lines where the indigenous population are not directly interested in it. The Local Bodies and the inhabitants of an area do not often consider that tourism is a part of their business. In an effort to arouse enthusiasm, among especially the Local Bodies, our Association towards the latter part of last year organised a Seminar which was enthusiastically received.

The Association suggested to the Minister of Public Administration, Local Government and Home Affairs that the following clause be incorporated into the respective Ordinances to empower Local Bodies to expend money for the promotion of tourism:

*"To establish and maintain building facilities and services for the promotion of tourism and to provide information and publicity for this purpose".*

(Contd. on Page 14)



Picture shows tourists relaxing at the Coral Gardens Hotel at Hikkaduwa. The picturesque setting attracts many tourists here. [Courtesy Ceylon Tourist Board]

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# Relax charter flight restrictions

The Department of Civil Aviation's yester-year announcement in regard to charter flights, still seems to hold good. But it is certainly very distressing and discouraging. Instead of removing the archaic restrictions placed on Charter Traffic to this country it has chosen to tighten up and place further hazards on those persons arriving here for a short holiday.

This is particularly so in the case of home-sick Ceylonese based abroad, mostly in the United Kingdom returning home for a short spell with their loved ones, mainly to enjoy the festive season from December to January.

Under the new regulations laid down by the Director of Civil Aviation a Ceylonese returning to the island for a few weeks has to deposit £ 25, if he is to be allowed to set foot on home soil. This is ridiculous. Ceylonese compelled to bring foreign currency before they are allowed to enter their own country. For foreigners it is still worse. They must have £5 per day for the stipulated 30 day period in Ceylon. Today, when Ceylon is going all out to build its tourist industry, which is way behind other countries in this region it is an absolute shame that we should require this sum from foreigners visiting this island.

A person who travels on a charter flight are not those who can be catergorised as free spending tourists. They will spend all right, but within their means. It is a fact that even on the Continent a Char-

ter type tourist spends about £2 a day, i.e. £3 less than what we want of them.

The excuse trotted out by the Civil Aviation Department in placing these morbid restrictions are that they were very necessary safeguards, following the two charter fiascoes - one a few years ago where about 125 Ceylonese were stranded at Katunayaka. Both these charters were organised by Ceylonese residents in the U. K. But is it fair to burden others arriving here on charters? Most certainly not.

Today the Ceylonese in London have organised themselves into clubs and have launched on membership drives to enlist foreign members, to create a better Anglo-Asian relationship. They have been very successful in doing this so far.

Those foreigners who have arrived here already on charter flights have gone back home with high impressions of Ceylonese hospitality. They have all spent fair sums of money, but none of them can afford to return under the new regulations.

It is poignant to point out that at this stage that while the Ministry of Aviation has thought it fit to persecute charters with terms and conditions designed to deal a sledge hammer blow to the charters organised by genuine Ceylonese Social Clubs abroad it continues to allow foreigners arriving here on scheduled

flights to enter the island without their having to bring a penny. This is very strange, to say the least.

## Ban On Transit Tourists

It would be very interesting to know why the Director of Civil Aviation has thought it fit to ban tourists arriving on Colombo bound charters. Here are people arriving from abroad, wanting to transit from here to neighbouring countries. They will be carrying with them their schedule

Says . . .



ARTHUR L- ALVIS the well known personality in the Charter business.

return tickets to Colombo and also sufficient money for their stay here. They come back to Colombo to rejoin the charter on its return to whatever country it came from. What's really wrong with this?

It will look ridiculous if my passengers left Colombo for Paris and if the French Aviation authorities objected to their joining a French airline or an IATA carrier and rejoining the group flight to

Ceylon. They on the contrary will only encourage such invisible revenue.

I have travelled from Colombo to Singapore without an onward ticket or visa and spent a week in Singapore before reaching Bangkok, where I collected my charter flight ticket without a visa and travelled by charter to London after four days stay in Bangkok.

Singapore and Bangkok are two highly developed tourist countries and the Governments of the two countries know what they are about. One of the striking factors of their tourist drive is the courtesy and understanding afforded. So why not little underdeveloped Ceylon?

I realise that we are only four years in the tourist trade officially. It is in fact too short in the life of any organisation in which to have made vast strides. There is no reason why we should not forge ahead in our tourist programme, if we were to relax some petty ideas at the customs, landing rights and certain exchange control restrictions.

The travel world is increasing. The average European goes places. From London to Portugal by coach take four days with an inclusive of £110 for 2 1/2 weeks. It is these that I am thinking of diverting to Ceylon in 12 hour flights with an additional cost of say £55 half across the world. We must recognise that we are not on the Round the World Air Route.

When I am thinking of tourism my mind goes to the May-October off season when hotels are almost empty and idle. It is this period when the occupancy rate drops to 20 per cent. There is only

one way we could develop this by building up and encouraging tourist traffic and removing the new conditions.

*Has one thought of the East coast and the winter in Australia right now the Australian market has not yet been tapped.*

One country, that hits my mind as a Scientific approach to tourism is Switzerland, where tourism is an art. The people, the hotelier, the travel agent feels it is their patriotic duty to help grow this industry. Of course we cannot compare our tourist conditions to her for varied reasons.

It is a known fact that our scenic beauty, wonderful beaches and rich cultural heritage alone will not help build our tourist image abroad. What we need is to cater to western requirements, viz., clean palatable and varied foods, local arrack, if he wishes to taste it, better hotels and management, trained guides, waiters etc.. This will bring in the hard currency that we desperately need.

I have been authorised by certain business interests dealing largely with travel and air charters to guarantee the Government of Ceylon 7,000 pound sterling a month on charter traffic brought in by these firms. This would mean that for the first year our country will earn as much as Rs. 1,848,000 on these charter flights. This money is not to be sniffed at considering that our foreign exchange situation is very grave. We are in a position to double the frequency of our flights in the second year. So why not let us fly in. Let us bring in the passengers and we will bring home the money. Lets get one thing straight however. This is not just sales talk'.

(Contd. on page 12)

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\* Equivalent Ceylon currency Rs. 34/- and Rs. 10.56 respectively.

● Equivalent Ceylon currency Rs. 23/- and Rs. 14/- respectively.

NOTE: Children between 3 and 12 years will be charged at half the above fares.

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In the course of the last five years UTA has embarked on a world wide advertising and public relations campaign in Europe, U.S.A. and Australia.

- (a) 100,000 brochures and pamphlets were printed and distributed.
- (b) 6 Cocktail parties were held with 100 guests at each, and many smaller
- (c) 6 Important exhibitions in UTA premises were organised and 15 other exhibitions in departmental stores. With another to be held in March at Primavera Printemps.
- (d) 30 Travel Agents and top tourist officials were invited from France to Ceylon. Contracts were signed with repor-

ters, writers and film producers in order to publish press articles and produce films about Ceylon. More groups from USA and Australia were also invited with four more groups to arrive in Apr./May.

Altogether UTA spent more than 1 1/2 million Rupees not taking into account tickets given to guests of the airline (Travel agents), (Reporters, Film Producers) the value of which is more than 850,000 Rupees.

This year again UTA's advertising campaign in Europe, U.S.A. and Australia will give a large share to the promotion of Ceylon, mainly during the Spring & Summer seasons in order to attract the tourist when accommodation is available for them.

The sales kits sent to all UTA officers, representatives, and accredited Travel Agents contain several publications and specially a "South seas Travel Guide" a book as big as a telephone directory with a lot of useful information, picture:,s, maps and routing

suggestions. 500 Travel Guides have already been distributed. Five different folders with colour pictures have been prepared: One is to promote a trip of 14 days to Ceylon-all inclusive with air transport for no more than 4,500 Rupees. —Three others are suggestions for round - the - world trips with a stay of 8 days in Ceylon

Posters picturing a Kandyan Dancer, window display kits. 2 films sets of clour slides and, post cards, calenders - are the tools of UTA officers to attract the General Public.

One Million Rupees is the budget allocated this year by the UTA board of directors for the promotion of Ceylon. This amount does not include the cost of organising trips for travel agents, press reporters writers, TV producers-

This year U.T.A. will invite to Ceylon a new type of salesmen who in fact are the specialists of tourism. We mean the hands of international Airlines, Tourist Departments. Already two parties of 10 each spent one week in Ceylon.

Of course to attract tourist to Ceylon is one thing, but if no proper organisation is there to assist them, the consequences will be disastrous.

### Plan for tourism . . .

(Contd from Page 9)

maintain standards. Improvements and modernization of existing accommodation units has been strongly emphasised and considerable assistance in the form of import duty exemptions and tax relief is given to hoteliers to improve their establishments.

Steps have been taken with the introduction of the Tourist Hotel Code to inspect and classify tourist hotels in a attempt to maintain specific standards. The Tourist Development Fund will offer easy credit facilities to finance small and medium sized hotel projects and will also provide loans to modernize old hotels. Good prospects and liberal tax policies have led to substantial investment of both local and foreign capital in hotel projects.

Entry points and frontiers as obvious starting points for tourist drivers have not been overlooked. Immigration, Customs, Exchange Control and Health formalities have been streamlined and simplified to make entry and exit as quick and as easy as possible. The vastly improved facilities of the new airport at Katunayake have helped in this a great deal.

### TRANSPORTATION

Another important avenue of development is tourist transportation. Expansion of domestic and international air services and the development of steamship transport has been programmed. Air Ceylon and eight other international airlines now serve Ceylon. A considerable number of touring vehicles and two air-conditioned trains have been imported for surface transport.

Apart from a substantial number of private travel agencies, the Ceylon Hotels Corporation—which is a state institution—has also inaugurated a complete travel service. Expansion of tourist reception services, development of airports, highways, seaports, cultural institutions and protection of resorts is also programmed and considerable progress has been made.

### OTHER FACETS

Training of visitor industry personnel is another essential facet of the development programme and fair progress has been made. A Hotel School has been established in Colombo to provide technical training in hotel management and catering. Three regular full-time courses as well as a

This the reason why the welcome service section of U.T.A. in Colombo and the airport has been reinforced.

Five officers are detailed mainly, who are engaged in preparing of tours, making hotel bookings, and render all possible assistance to tourists and passengers at the airport.

(Contd. on Page 13)

number of brief in-services training schemes are provided.

In the development of the tourist industry, local industries, and craftsmanship accommodated very substantially. Local crafts, processes products and designs will be featured extensively in hotels —the Bentota Resort is a case in point. This adds more colour and character to a holiday in Ceylon. The development of the souvenir industry to make the products of Ceylon's traditional craftsmanship as well as modern ingenuity easily available to the tourist has also been programmed.

To take stock finally, arrival figures have kept an encouraging upward trend with substantial annual increases. An increase of 15% was recorded in 1970 over 1969 arrival figures with an estimated 46,300 arrivals. A projection of 292,000 visitors has been made for 1976 and present trends and growth patterns indicate that this target is a feasible one.—(Ceylon Tourist Board).

### Charter flights

(Contd from Page 11)

Only the Government will have to think of this new exchange earner and in the two years of flying in we would have brought the country Rs. 3,696,000 and on the fourth year of operation a sum of Rs. 7,392,000. Would any developing country working towards more income in foreign exchange afford to miss it? This is the million dollar question.

Today charter flights radiate from that little hub of the Commonwealth, London to the African continent, New York, Canada, the Carribean Islands, to Western Europe Scandinavia the Continent, the Middle East and the regular fantastic traffic to the Far East countries of Bangkok, Singapore Hong Kong and from there onwards to the barrens of Australia without any restrictions, as I have known organising charter flights to Ceylon since 1965.

In my opinion Ceylon should take the lid off these petty restrictions, have an open skies policy at our airport encourage foreign investors, clean up our cities from touts, beggars and other undesirables, train our tourist car and taxie drivers, hoteliers and their domestic staff for better results.

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## Ceylon Gets a New Hotel

The Pegasus Reef Hotel, in Ceylon, the second of four major hotels across the world in which Trust Houses Forte International Limited are associated with BOAC, was officially opened by Mr. P. B. G. Kalugalle, Minister of Tourism & Shipping for Ceylon. The Hotel is situated at Hendala, six miles from Colombo.

The other hotels which make up the trio are the Guyana Hotel in Georgetown, which opened on November 1, 1969, the Jamaica Pegasus in Kingston, and the Excelsior in Hong Kong both due to open in the autumn of 1972.

The building and management of the Pegasus is the result of the combined enterprise of -British Overseas Airways Corporation Associated Companies Limited, a wholly-owned subsidiary of BOAC and Trust Houses Forte International Limited a company of the Trust Houses Forte Group.

The three-storey Pegasus, fully equipped to meet the highest international standards, has two bedroom wings and a third block of public rooms containing the reception and

administrative offices, restaurant, bars, and coffee shop.

Accommodation is provided in 108 twin-bedded rooms, 5, luxury suites and one one VIP suite, all with private bathroom, balcony radio and telephone. The hotel has an air-conditioning system and



Mr. John Wareing, Manager of the Pegasus Reef.

each bedroom possesses individual control units. The average year-round temperature in Ceylon is in excess of 80° F.

The Pegasus boasts an elegant main restaurant on the

ground floor called the Ruwanara which can seat 205 guests. Centre-piece of the room is a red canopy with gold trimmings supported by four teak pillars. Adjoining the restaurant is a small private dining room which can cater for 25 guests.

Conference and banqueting facilities are available in the hotel and the large main function room can accommodate up to 300 diners.

The hotel is set in 29 acres of grounds which are still in the process of landscaping but already includes a swimming pool and are planted with coconut and palm trees and sub-tropical plants. Bordering the site is the Indian Ocean and the Pegasus has a 2,000 ft beach frontage, protected by a sandstone reef 200 feet from the shore.

The hotel manager is 35 year-old John Wareing, who has gained wide experience in the hotel and catering industry since first entering in 1955. Prior to his appointment as manager of the Pegasus Reef he spent two years as manager of leading hotels in Dacca, Lahore and Karachi.

## M. S. A. "sells" Ceylon abroad

On June 2nd last year, when Malaysia Singapore Airlines inaugurated its Colombo flight, it also commenced a very active campaign to sell Ceylon abroad as a must on every tourist's itinerary.

The inaugural month, June, saw the arrival in Ceylon of 3 separate groups of people who have a big say in the world of travel and tourist publicity. With the inaugural flight came a team of travel agents from Singapore, who were in Ceylon as guests of M. S. A. for 5 days. They were followed by travel agents from West Malaysia, and then TV, Press and Tourist Promotion Board personnel from Singapore and Malaysia. The third group included some well known travel writers from some of the best known publications on the subjects. These travel agents and writers saw the best that Ceylon had to offer by way of scenic beauty and historical and cultural attractions.

Later on in the year, M. S. A. played host again to travel and tourist publicists from abroad. In October, Australian travel agents and travel writers spent a week in Ceylon and in December a team of Japanese journalists too spent a few days studying Ceylon's attractions for the international traveller and tourist.

### Cultural ties

In keeping with the cultural renaissance in Asia, M. S. A. next launched a plan to help bring about closer cultural ties between Ceylon and Malaysia-Singapore. In October, a large troupe of artistes from Malaysia Singapore were flown down to Ceylon by M.S.A. and joint cultural show with a well known, Ceylonese dance Troupe was held before a large gathering at the Navarangehala. M. S. A. followed this up in December by flying out the same dance Troupe to Malaysia-Singapore and a cultural tour was arranged for the Ceylon dancers. Very successful dance recitals were held by them at Singapore, Kuala-Lumpur, Kota Kinabalu and Brunei.

Very recently, the Public Relations Divisions of M. S. A. Singapore, held an exhibition in Singapore to publicise all the tourist attractions of Ceylon.

As a result of M. S. A.'s policy of bringing travel writers here, Ceylon had the privilege of getting some rare publicity abroad, at no cost in foreign exchange. Mr. Kevin Kavanagh, News Editor of the popular "Courier Mail" of Australia wrote 3 articles to that paper on Ceylon with photographs of Ceylon scenes and maps. Mr. Kavanagh was one of the guests of M. S. A. on its inaugural flight of Cey-

lon. The Japanese journalists that M. S. A. brought to Ceylon in December last year wrote a series of articles on Ceylon as a tourist's paradise to the Japanese language newspapers.

Recently a four page article on Ceylon was published in the "Her World", a largely circulated women's magazine published by the Singapore Straits Times Group, by a Ceylonese journalist, M. S. A. played an important part in obtaining this publicity.

Ceylon stands to gain by yet another event that is currently taking place in Australia. M. S. A. joined Moomba Festivals, Melbourne, in co-sponsoring the very popular "Queen of the Pacific" Quest. Miss. Sriyanthi Fernando was selected to represent Ceylon, and M. S. A. flew her out to Australia on the 14th of February.

With the new Singapore - Bombay - London flight via Middle East and Europe scheduled to begin in June this year, Ceylon will be in the happy position of being able to reap the fruits of this publicity in a bigger way by virtue of her position as being midway on the route from Europe to the Orient and Australia, and vice versa.

### PRIVATE ENTERPRISE . . . Contd. from Page 12

Thinking of the future U.T.A. has placed an order for five DC -10 JUMBO JETS which could carry 300 passengers, and will serve long-distance routes including Ceylon.

In two years hence these aircrafts are expected to touch down in Colombo, while pre-suming hotels will be ready to cope with this traffic.

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# THE ECONOMIC TIMES

Editorial Department  
Tuesday 2nd March 1971

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

## TOURISM

The development of tourism in Ceylon has been accepted as a matter of policy by Government. The vast potential that the tourist industry held in store was fully realized by the previous regime when it gave the green signal to hotel investment projects in order to cater to the anticipated influx of tourists. As the Minister for Shipping and Tourism has pointed out recently: "The previous Government did a lot of work to develop Tourism. There is no difference of opinion amongst us in this regard". It is therefore clear that the tourist industry will henceforth play an increasing role in the economic development of the country under the able guidance and direction of the Minister who has already made a significant start in this direction.

Tourism is one field where the private sector should have no fears. The role of the private sector in this sphere has been appreciated by Government. At a recent seminar the Minister for Shipping and Tourism gave a categorical assurance to the private sector when he said:

*"I would like to make special mention that the private sector should have confidence in us. For the development of Tourism in Ceylon the private sector is very essential. Therefore I tell the private sector to invest money in new projects without any reluctance"*

In the light of this assurance it is expected that the private sector would spare no pains in making Ceylon a tourist paradise, thus helping the Government to boost tourist earnings and thereby obtain the much needed foreign exchange resources.

With the implementation of the Tourist Development plan for 1971 — 1976 Ceylon is expected to be equipped to accommodate the increasing tourist traffic not only by way of hotel accommodation, but also with ancillary facilities, including several holiday resorts situated in places of historical interest and a host of other tourist attractions.

A recurring complaint in recent times is that foreigners visiting Ceylon are harassed at several points where various formalities have to be gone through, such as Exchange Control, Customs, Immigration and Emigration etc., but no positive action has been taken by the authorities to eliminate these difficulties and to ensure that the visitor goes through these formalities with the minimum delay and inconvenience. This is a very important aspect as far as attracting tourists is concerned. No one would like to spend his money and also be subject to humiliation. It is therefore time that this situation was remedied without delay because no amount of propaganda is going to help if potential tourists are given the impression that they would be subject to harassment at this end.

Therefore, while ensuring the needs of the tourists and providing clean beaches etc., Government regulations must be enforced in a manner that would not give rise to such complaints. It must be realized that the booming affluence of the Western economies now enable millions of people to spend a holiday abroad. And more and more people are becoming travel conscious and heading for the East. If we fail to attract these tourists we might as well say good bye to tourism.

## More Bilateral Trade Agreements

Ceylon's trade delegation to the United Arab Republic and the Republic of Iraq led by Mr. T. B. Ilangaratne, Minister of Internal and Foreign Trade, has successfully renewed the existing bilateral trade agreements with these two countries.

Both the UAR and Iraq will purchase in 1971 about an additional Rs. 26 million worth of tea than at present

### UAR PACT

The annual trade protocol between Ceylon and the UAR for 1971 provides for a two-way trade of Rs. 108.6 million. Of the total exports of Rs. 543 million envisaged from Ceylon to UAR Rs. 42.9 million will be in respect of tea. In 1970 Ceylon exported to the UAR tea to the value of only Rs. 35.7 million.

Therefore, the fulfilment of the target for 1971 will actually mean an increase in the export of tea to the UAR by Rs. 7.2 million.

In addition Ceylon will export rubber, coconut products and cocoa to the value of Rs. 11.4 million.

In return Ceylon will be importing from the United Arab Republic raw cotton, cotton yarn textiles, phosphate and sugar.

At the end of December, 1970 the trade between Ceylon and the UAR had resulted in a favourable balance to Ceylon of Rs. 54.3 million.

In addition to the commodities mentioned above, 340,000 tons of crude oil for the petro-

leum refinery valued at Rs. 17.8 million and 10,000 tons of sugar valued at Rs. 7.2 million will be exported from the UAR to reduce the balance in favour of Ceylon from 54.3 million to approximately Rs. 29 million.

Both delegations agreed in addition that a part of this imbalance should be settled through a transfer of the balance in favour of Ceylon to the German Democratic Republic with whom Ceylon at present has an adverse balance.

Finally the UAR Government has promised to remit in convertible currency a further amount to settle the trade imbalance.

It is expected that by the end of 1971 trade between the two countries will be more or less in balance again.

### PACT WITH IRAQ

Ceylon and Iraq entered into a new trade pact for 1971. This agreement replaces the first trade agreement between Ceylon and Iraq also negotiated by Mr. Ilangaratne, in 1961.

Under the new agreement, both countries have agreed to increase the flow of trade between them. The new agreement provides for a minimum annual purchase of 40 million lbs. of tea valued at approximately Rs. 72 million by Iraq during the next five years. The actual exports of Ceylon tea to Iraq in 1970, amounted to about 30 million lbs. valued at Rs. 53 million.

Apart from increasing the purchases, the agreement guarantees a stable level of tea purchases for a period of five years. It is expected that the Iraqi Government would even buy more than the minimum specified in the Agreement.

Ceylon in turn will buy a slightly higher quantity of dates than it has been purchasing in recent years. The total volume of these purchases are expected to be about 14,000 tons per year. Hitherto Ceylon had been buying only dates from Iraq.

Under the new trade agreement however, Ceylon will be purchasing about 400,000 tons of crude oil per year from Iraq. In addition Ceylon will explore the possibility of importing other petroleum products and fertilisers from Iraq.

### TRADE WITH HUNGARY

Ceylon and Hungary will negotiate a long-term bilateral credit agreement under which Ceylon will receive equipment for development programmes.

A trade team from the People's Republic of Hungary is expected in Ceylon later this month to finalise details.

Under this agreement, Ceylon will receive automatic telephone exchange machinery for chemical industries, railway signalling equipment, diesel locomotives, industrial equipment, TV for educational purposes, glass factory equipment etc, while Hungary will purchase from Ceylon desiccated coconuts, rubber mineral sands handicrafts and ready-made garments.

## Development of tourism...

[Continued from page 10]

With the incorporation of such a clause, I am sure more enthusiasm will be aroused through the country than at present. There are many beautiful areas off the beaten track, which have potential for drawing tourists, not receiving attention due to the lack of publicity. Such areas will come into the limelight when they receive due publicity through the effort of local bodies.

There is fair agreement that tourism has an important contribution to make towards the country's economy. Tourism does not stand in isolation. It depends on specialised fields like hotels, transport, publicity, travel agency facilities etc., Each of these will have to be improved and developed if tourism is to grow. There are other phases like reception at Customs, at the Airports, Exchange Control formalities, etc., none of which are perfect in this country. We certainly aim at something better than what we provide today.

There are local objections to tourism like the possible loss of our culture, as if a culture can be lost by treating a foreigner as a guest. Catering to tourists in a honest way cannot in anyway damage the culture that we have and which is necessary to build up a future for Ceylon. Culture is not something static, it grows with the times. Contrary to the objections raised, local culture can get enriched when the craftsmen finds that he can sell his goods to an interested customer and at a good price.

A fair proportion of this spending flows into the hands of the local inhabitants. The provision of these facilities also provides employment to the inhabitants of the area.

Tourism can indeed help to bridge the wide gap which exists in the balance of payments account. We can learn many lessons from the Italian efforts. It was only in late 1950s the politicians

and industrilists busy with the Italian economic miracle & post war growth began to listen in earnest when the staff of the ENIT, the Italian State Tourist Office and leading tourist operators advised on the prospects of tourism in helping the country to cover its international balance of payments with Dollars, Pounds and Deutsche Marks from the tourists spending between Capri and Venice.

The statistics for Italian tourism are now startling. It attracted 30 million tourists spending \$ 1.6 billion.

Here in our country too, tourism has unlimited scope. According to the Ceylon Tourism Plan, the Hotel accommodation is expected to grow from 1,100 rooms in 1968 to 5,130 rooms by 1976, to accommodate the expected 3000,000 visitors. The tourist income is expected to grow from Rs. 10.3 million in 1968 to over Rs.300 million in 1976.