

# THE ECONOMIC TIMES

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## C. W. E. to handle more items

The C.W.E. is planning to undertake the purchase of locally produced foodstuffs, such as pepper, onions, mustard and potatoes etc., and to distribute these products through the retail depots and co-operative societies.

This decision of the Ministry of Internal and Foreign Trade is expected to act as an incentive to producers.

The C.W.E. will also distribute, among other consumer goods, children's garments, matches and joss sticks. The distribution of candles is likely to become a C.W.E. monopoly.

# STATE PLANTATIONS FLOP

THE ESTATES AND FACTORIES MANAGED BY THE CEYLON STATE PLANTATIONS CORPORATION HAVE MADE LITTLE OR NO HEADWAY DURING THE YEAR 1968-1969. THE TEA ESTATES (WITH THE EXCEPTION OF PALLEKELLE) HAVE ALL SHOWN LOSSES, WHILE THE RUBBER ESTATES BY COMPARISON HAVE FARED SATISFACTORILY SHOWING REASONABLE PROFITS.

This is revealed in the Annual Report of the Corporation for the year under review.

The unfavourable trading results in the tea estates are attributed mainly to the declining tea prices experienced during this period and also due to the breakdown in machinery. In this connection the Report states: "At the Pelawatte Tea Plantation, the crankshafts of two of the engines broke and the factory could not be worked for a

period of nine months. The bulk of the leaf 1,000,082 lbs. had to be manufactured at factories situated over 30 miles away. This together with the shortage of labour, poor output and low tea prices resulted in Pelawatte running at a loss of Rs. 127,782.08."

"Rubber, coconut and cocoa prices were at satisfactory levels during the year under review and the Corporation properties producing these commodities were run profitably."

Details of the profits and or losses incurred by some of the tea plantations from 1964-65 to 1968-69 are shown in Table A below.

### Question in Parliament

The poor performance of the State Plantations has prompted Mr. P. B. Balasuriya M.P. to ask the Minister of Plantation Industries the following question:

(a) Will he state the income and expenditure of the estates belonging to Government, such as the Udugoda, Higgoda Estate and the Gera-gama Estate in respect of the years since 1965?

(b) What was the or loss shown by each estate.

It is reliably learnt that when this question was referred to the State plantations Corporation by the Ministry for the necessary data on the profit or loss, the Corporation reply had excluded provision for depreciation and Head office

charges, thus showing inflated profits or considerably reduced losses for each of the accounting years under reference. On the instance of the Ministry the necessary adjustments were made in the profit and loss accounts.

In regard to the overall profit and loss the Annual Report points out that in 1968-69 the "estate profit" was Rs. 520,323; a sum of Rs. 508,467 has been set apart for depreciation, Audit fees, Head office Administration charges etc., leaving a net profit of Rs. 11,856/-.

### Mitigating factors

In order to obtain a proper appreciation of the Corporation's activities the Chairman states in his Annual Report that the factual position regarding these properties and factories and the manner in which they came to be administered by the Corporation must be taken into consideration.

The estates could broadly be classified under three categories—those planted by the Corporation, those taken over by the Land Commissioner and those handed over to the Inland Revenue Department in settlement of tax

dues, and subsequently purchased by the Corporation at the instance of the Government.

The Report adds that: "It will be observed that the properties handed over to the Corporation one and all were in poor condition. Certainly they were not properties any investor would have cared to purchase."

Those rubber properties which were really bad and where replanting was not worth while have been handed back to the Land Commissioner to be alienated among peasants under the village expansion scheme, and it is proposed to hand back two more properties of this category.

The rubber properties have been replanted and have been brought into good agricultural production.

### Exchange earnings down

Foreign exchange earnings of the Corporation amounted to Rs. 8,870,000. This shows a fall of Rs. 630,000 on the previous year. The fall in tea prices for low and mid-grown teas was the main contributing factor for the decline in exchange earnings.

## GEM CORP. IN SIGHT

The Gem Corporation of Ceylon is scheduled to be set up within the next three months, according to Finance Ministry Sources.

It is expected that about Rs. 25 million worth of gems will be put up for sale at the Corporation's Auction Centre in the first week of operations.

Meanwhile, a large number of overseas buyers will bid at these auctions. They will be from the principal gem purchasing centres in Hong Kong, Singapore, Germany, the United States, the United Kingdom and France.

The Corporation will be set up in Colombo and purchasing centres will be set up in the gemming districts.

### State take-over of Plumbago Mines

Mr. T. B. Subasinghe, Minister of Industries and scientific Affairs, is seeking Cabinet approval for the taking over of plumbago mines and developing the country's mineral resources.

The planned programme for the development of the mineral resources of the country is expected to bring in more foreign exchange earnings.

TABLE A

	+ Profit	- Loss
<b>Geragama—Tea</b>		
1964-65	— 9339.24	
1965-66	— 96440.37	
1966-67	+ 24,90.21	
1967-68	+ 54730.14	
1968-69	+ 53086.92	
<b>Yatawatta—Rubber</b>		
1964-65	— 20069.03	
1965-66	— 6776.81	
1966-67	— 42035.87	
1967-68	— 1794.17	
1968-69	— 89120.77	
<b>Pelawatte—Tea</b>		
1966-67	— 407,115.23	
1967-68	+ 50204.81	
1968-69	— 382,318.78	
<b>Knaresmire—Tea</b>		
1964-65	— 29783.24	
1965-66	— 70328.76	
1966-67	— 84713.83	
1967-68	+ 5837.73	
1968-69	— 55286.89	
<b>Nella Oolla</b>		
1964-65	— 15213.47	
1965-66	— 41439.63	
1966-67	— 29966.57	
1967-68	— 19385.70	
1968-69	— 11451.60	

## India gets "untied" U. S. loan

The United States loaned India 155 million dollars (Rs. 116.25 crores) under a new policy by the U.S. President. Mr. Nixon, which permits procurement of goods from non-communist developing countries as well as from the U.S.

The loan is repayable in dollars over 40 years with a 10-year grace period. Interest was set at 2 per cent annually for the first 10 years and 3 per cent thereafter. The funds will help finance a wide range of commodities to help expand both industrial and agricultural production.

In the industrial sector, India will use the loan to im-

port iron, steel, copper, aluminium and other metals, and in the non-industrial sector for fertilizers, pesticides, and agricultural equipment.

Other import items for which the loan provides financing include bulk pharmaceuticals for processing into finished drugs; chemicals; newsprint; industrial machinery and equipment; spare parts for aircraft and for diesel locomotives; petroleum additives; tractors, tractor spare parts and accessories; and tubewell drilling equipment.

This is the 13th non-project loan made by the U.S. Agency for International Development to India.

### In this Issue

- \* Export Intelligence Page 3
- \* Plantation Industry: Page 3
- \* Pakistan Republic Day Special Supplement: Page 4 & 5
- \* Agriculture Plan 1971 — 77: Page 8 & 10
- \* Small Industries—The Indian Way: Page 9
- \* Demographic Revolution in Ceylon—Part iii Page 8 & 9
- \* Global News: Page 7
- \* Ceylon Steel project—4th Anniversary Supplement: Page 11 & 15

# MARKET PRICES

## COLOMBO

CLOSING PRICES 15.3.70

TEA (Rs. Cts. Per lb.)

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

High Grown	2.55	5.15	2.25	3.90
	1 at 5.25	1 at 5.30	2 at 4.00	1 at 4.05
	1 at 5.45	1 at 5.50	3 at 4.10	1 at 4.40
Medium Grown	1.75	3.00	1.75	2.50
Small leaf Low Grown	1.60	1.80	1.60	1.80
Tea for Price	1.50	1.65	1.55	1.65
Leafy B.O.P.	1.53	1.72		

F. B. O. Ps.	F. B. O. P. F. O
Tippy Teas	1.60 1.70 1.60 7.80
	2 at 1.75 1 at 1.78 1 at 15.101 at 15.70

## RUBBER

PRICES FOR THE WEEK ENDED 8.3.71

	Rs. cts.—per lb.)			
	Closing	Avg. to date	Avg. Same	
	Quotations	1971	Period 1970	
RSS No. 1	..	75 3/4	81	101 1/2
RSS No. 2	..	73	77	97
RSS No. 3	..	72	75	95

(Rs. per candy)

## COPRA

Opening Price Clos., Price

Estate copra No. 1	235.50	237.75
COCONUT OIL (Rs. per ton)	Open, Price	Clos., Price
March	1,530.00	1,530.00
April	1,530.00	1,530.00
DESSICATED COCONUT		(Per lb.)
March and April	50 cts.	Closing Price

PRICES FOR THE WEEK ENDING

Commodity	Buyers Quotations	Export
	(Per lb.)	Duty
Cardamoms	18.00—18.50	40% on
Cardamom Seeds	..	true
Cloves	27.00—28.00	F.O.B
Clove Stems	3.00—3.25	value
Mace	6.50—7.50	
Nutmeg (Shelled)	3.25—3.50	
Nutmeg (Unshelled)	2.00—2.25	
Pepper (Black)	6.00—7.56	
Papain (White)	13.50—13.50	
Papain (Brown)	10.50—11.50	
Cinnamon H/1	3.65	20% on
Cinnamon H/2	3.60	true f.o.b.
Cinnamon Quilings No. 1	2.50	-do
Cinnamon Quilings No. 2	..	-do-

per Cwt. Export

Cocoa	241.00	40% on
Coffee	unquoted	true f.o.b
Kapok (Clean)	160.00	value
Kapok (Unclean)	50.00	
Croton Seeds	100.00 125.00	
Essential Oils	Per 25 oz. lb. Export duty	
Cinnamon Leaf Oil	22.00	
Cinnamon Bark Oil	Per oz 24.00	
Citronella Oil Estate Quality	6.90	10% on
Citronella Oil Ordinary	6.50	true f.o.b

SUBSIDIARY CROPS—WEEKLY PRICE LIST POYA  
ENDING

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 58 Lbs) (Per bushel)
Paddy	
Samba	5.00
Other varieties	13
Rice	.00
Par Boiled	65.0014

## TEA REPORT

Auction No. 10 14th and 15th  
March, 1971.

The total quantity offered was 6,916,143 lbs. comprising 3,410,248 lbs. Leaf Grades, 685,596 lbs. Dust 14,684 lbs. Reprints, 58,808 lbs. Sundry Lots and 2,761,491 lbs. Ex-Estate. Quality on offer was about at peak and some fine flavoured tea was available.

**High Grown Teas:** Best Western Broken with fine quality and flavour sold well at the beginning of the Auction but demand for the best teas eased as the Sale progressed with some of the high priced sorts often substantially lower. Below best sold well and although prices were irregular, they could be generally quoted fully firm. Top grade BOPFannings were dearer but poorer sorts a few cents easier.

**Medium-Grown Teas:** There was a very strong demand for all Medium and Uva Broken with the best 10/30 dearer and lower sorts advancing 5/15 cents. All BOPFannings were 5/15 cents higher. Pekoes sold well at dearer rates with OP's about firm.

**Low-Grown Teas:** There was a strong and general demand for all Low-Grown Types with prices showing little change on last week.

**Dusts:** Except for the best Mediums which were dearer,

others and Uvas were easier by 5/10 cents. Westerns were irregular following quality with the best rather dearer. Grainy Low-Grown were 5 cents dearer. All powdery sorts eased a few cents.

**Off Grades:** Medium and Uva Fannings were firm to slightly dearer. Westerns were irregular and generally easier with only a few select lines being dearer. Low-Grown were firm. BP's and FM's were barely steady.

**Tippy Teas:** FBOP's were fully firm. Small leaf Flowery Fannings were 3/7 cents easier. There was very limited quantity of showy invoices on offer and were dearer.

## RUBBER

Poya week ending 10th March 1971.

World Rubber Markets were irregular this week, trading being somewhat erratic. The SINGAPORE MARKET opened fairly steady with some renewed buying support by the People's Republic of China but lack of follow-through and the absence of overseas advices caused the market to decline once again. At these lower levels there was considerable

covering activities although the quantity involved was paltry when compared with the present supply position. The LONDON MARKET remained idle with values once again being depressed due to consumer inactivity. There was a fair amount of activity, however, in the forward positions mainly for April/June 1972. The NEW YORK MARKET too continued to be dull and inactive with no real lead from the East.

On balance London and Singapore declined by 0.3 pence per kilo and .75 dollar cent per kilo.

**SHEET:** RSSI opened the week 3/4 cent easier at 75 3/4 cents, and remained at this level throughout for a fleeting dip to 75 1/2 cts. on the 4th day of trading. Approximately 98 tons of sheet rubber were sold by Members of our Association of which 78% consisted of No.1 sheet.

**LATEX CREPE:** 375 tons of Latex Crepe were on offer at the two sales held during the week showing a decrease of 210 tons on the previous week's figure. Pale Crepes at the first sale (316,304 1/4 lbs.) opened firm showing fractional improvements on the previous week's IX and No. 1 quotations, but eased somewhat towards the close. Duller sorts and off grades encountered a much easier market and these showed losses of between 2 to 7 cts per lb. for duller sorts and 2 to 5 cts per lb. for off grades.

**Cocoa:** There were 24 lots totalling 159 cwt. on offer showing a decrease of 110 cwt. on the previous week's figure. There was fair demand for No. 1 quality which was quoted at Rs. 241/- nominal per cwt. Those below best fetched prices of between Rs. Rs. 225/- and Rs. 235/- per cwt. off quality cocoa sold at about the previous week's level of Rs. 195/- to Rs. 210/- per cwt.

There were no grabblings or Shell Cocoa on offer. At the close of the week the London futures price was quoted at £.250/- Sterling per ton and Ghana at £. 230/50d. per kilos. **Coffee:** There were 9 lots totalling approximately 49 cwt. on offer and most of these were off-grades which sold between Rs. 189/- and Rs. 221/- per cwt. The market was unquoted.

**Pepper:** 2 lots totalling 489 lbs. of black pepper were on offer, one of which fetched Rs. 7/50 per lb. for quotation to be made at this price of the sale the London futures price was unchanged at 92 1/2 per lb.

## Commodity Commentary

## Produce Report

Poya week ending 10/3/71

**Cardamoms:** There were 44 lots, totalling 2,999 lbs. on offer this week showing a decrease of 2,677 lbs. on the previous week's figure. The market remained firm to irregularly dearer and at the close of sale quotation for No.1 quality was made at Rs.18/- to Rs. 18/75 per lb. Grades

next to best were once again firm and were quoted at between Rs. 16/50 and Rs. 17/25 per lb. There were no seeds on offer. The highest price paid at the sale was Rs. 19/10 for a very small parcel. There were no superior quality cardamoms on offer. The lowest transaction was at Rs. 10/- per lb. for splits. At the close

Country 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	26.00	
—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	820.00	(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	Per Lb.	
—Ground Nut	55.00	

## Rubber Review: February 1971

Producers are presently faced with the problem of obtaining their requirements of Acids and other Chemicals for the manufacture of Rubber. Kraft Paper bags used for packing the better latex crepes and paper for interleaving Sole Crepe were also in short supply.

RSS No. 1 opened  $1\frac{1}{2}$  half cents easier at -80 $\frac{1}{2}$  cents per lb., recovered temporarily under fluctuating conditions to touch 81-cents per lb., on the 12th instant declined once again thereafter in line with overseas advices to close at -78-cents per lb.

Approximately 1,591 Tons of LATEX CREPES were offered at the Public Auctions during the month, a substantial decrease of 1,494 tons compared to the previous month's total and also a decrease of 927 tons compared to the total in February, 1970. Latex Crepe No. 1 opened  $1\frac{1}{2}$  cent dearer at Rs. 1/10-11 half per lb. but declined temporarily under minor fluctuating conditions to Rs. 1/07 $\frac{1}{2}$  - 11 per lb. on the 18th instant before recovering gradually thereafter to close at Rs. 1.11-14 $\frac{1}{2}$  per lb.

Approximately 556 tons of SCRAP CREPES were offered, a substantial decrease of 291 tons compared to the previous month's total also a decrease of 166 tons compared to the total in February, 1970. 1X Browns opened about unchanged at -72-73 half cents per lb. but declined gradually thereafter to touch -67-68 cwt. per lb. on the 21st instant before recovering somewhat at the close to fetch -68-70 cents per lb.

### SHARE MARKET REPORT

Conditions on the Share Market were easier for teas and Commercials and inactive in other sectors, according to the Report of the Colombo Brokers' Association.

Teas	Previous March 9th		+ or -
	Rs. Cts.	Rs. Cts.	
Ceylon Provincials .. ..	5.50	5.50	—
Estates of Uva .. ..	4.00	4.00	—
Nahavillas .. ..	3.50	3.25*	— .25
Strathedeons .. ..	8.50	8.00*	— .50
Uplands .. ..	5.00	5.00	—
<b>Commercials:</b>			
Ceylon Brewery .. ..	18.25	18.25	—
Ceylon Tobaccos .. ..	17.00	18.00	—
Browns .. ..	11.00	9.00	—2.00
Swadeshi Industries .. ..	10.00	8.75	—1.25
Gestetners .. ..	22.00	15.00	—7.00
Hunters .. ..	1.60	1.00*	— .60
Carsons .. ..	11.00	10.00	—1.00

There was no Business in Preference shares and Govt. loans and no business in Tea- Cum- Rubbers, Rubbers and Coconuts.

The following were quoted ex-dividend:-  
Aome Aluminium Co., Ltd., -10% Final on 31.3.71.  
Reckiff & Colman of Ceylon Ltd. 7 $\frac{1}{2}$ % Final no be notified.

Approximately 74 Tons of SOLE CREPE were auctioned a substantial decrease of 51 tons compared to the previous month's total but a increase of 44 tons compared to the quantities offered in February, 1970. Sole Crepe Rubber values opened 7 to 10 cents easier at between Rs. 2/10-22 per lb. and continued to decline further during the month on restricted buying attributed to less foreign interest, to close at between Rs. 2.00-05 per lb. Off grades and miscellaneous thicknesses were heavily discounted and were difficult of sale.

### FOREIGN MARKETS

Trading in the Singapore Rubber Market remained subdued with price movements small and conditions thin, in the absence of fresh features to stimulate initiative. The slide in values continued as an excess of supply over demand continues to exist, with only periodic short covering to decline, which however did not represent a revival of consumer interest. Some concern is felt by the apparent paucity of fresh Soviet Union demand, whilst China was also less in evidence. This market was closed on the 11th and 12th instant on account of the change over to metrication.

SMR trading held a satisfactory daily level. Most demand was for SMR 20 of minimum PRI 60 or SMR 10 in substitution. Small orders for SMR 5 L comminuted were only filled slowly at 8 cents premium to RSS 1. Buyers of the premium grades found supplies becoming scarcer.

London Rubber Market prices continued to fall during the month, with sellers predominating in a market depressed by over production. Absence of demand was due partly to the discouraging economic situation, with buying largely on a hand to mouth basis. The main feature in an otherwise inactive market was the change to decimal quotations on the 15th February.

There was no new development in the New York Rubber Market. Activity was routine and consisted of scattered factory buying and dealer covering. The undertone was reported soft, with supplies and sellers redominating.

### Scope for mulberry cultivation

Ceylon can produce all its requirements of silk yarn through the scientific cultivation of mulberry & rearing of silk worms. The climate, temperature and humidity here are ideally suited for such a project, according to Mr. K. Iwasaki, a representative of a silk-worm raising association in Japan.

Mr. Iwasaki was full of praise for the plantation Ministry's plans to cultivate 10,000 acres of mulberry in the Matale district. It would be a project holding much promise for the economic development of the country, he said.

## PLANTATION INDUSTRY

### NEW TYPES OF PESTICIDE

Eight varieties of new farm pesticide claimed to be entirely free from the danger of poisonous contamination of vegetables, rice or any other farm crops and farm soil have been developed by a Japanese research institute.

Development of the new kind of harmless farm chemical from amino acids and other organic matter, believed to be unprecedented in the world, was announced by Dr. Tomomasa Misato of the Wako branch of the semi-governmental Institute of Physical and Chemical Research in Tokyo. Wako is a new city in Satama Prefecture adjoining western Tokyo and was formerly known as "Yamato".

Dr. Misato made the announcement on behalf of his branch during a symposium on development of pollution-free agricultural chemicals held at the same branch recently.

All conventional farm pesticides of mercury, organic chlorine and organic phosphorous groups are posing serious problems of environmental pollution as well as slow poisoning. Such chemicals are not dissolved by natural actions of micro-organisms, hence their persistent sticking to farm crops or contamination of farms.

### More crops under G.P.S.

The guaranteed price scheme is likely to be extended to cover minor crops such as spices.

This decision has been taken by the Minister of Plantation Industry, Dr. Colvin R. de Silva, in order to give an added incentive for cultivation in view of the foreign exchange earning potential that exists as these products do not have much competition in the foreign market.

## NEW EXPORT PROMOTION CENTRE FOR DEVELOPING COUNTRIES

The Netherlands Government has always actively associated with assistance to developing countries both on a bilateral basis as well as through the United Nations and its affiliated agencies and organisations.

One of the major difficulties of these countries is the lack of market research. Export marketing in the developed countries is indeed a difficult task for developing countries to perform particularly in view of the difficulty in obtaining

correct market information, high costs of such information, finding suitable agents, importers, etc. in these developed countries.

The Assistance given to developing countries International Agencies such as GATT and UNCTAD is of a general nature, where the emphasis is on a regional scale. Even the GATT/UNCTAD International Trade Centre at Geneva concentrates more on general theory and education than in direct assistance.

The Netherlands authorities have therefore decided to supplement the work of both GATT and the UNCTAD by more practical approach to assist these countries. Consequently, the Government has now established a centre for the promotion and welfare of Exports from Developing Countries. This centre will work in close relation with the UNCTAD/GATT international Trade Centre in Geneva.

This centre is equipped to provide on a very wide scale information on goods of developing countries and assist exporters in these countries to find a market in the developed world.

Initially this centre will concentrate to assist exporters market their goods within the Common Market countries but this would gradually be extended on a global scale.

The formal status of this centre is that of a State Agency with its own staff assisted by a Committee of Advisors of which the President is the present Director-General of the International Co-operation Division of the Ministry of Foreign Affairs in The Hague.

The President of this center is Mr. W.J. Rijpma - a former Export Manager of a well known Netherlands manufacturing firm.

The office of this centre is Coolsingel 58, Rotterdam.

### INDUSTRIAL EXHIBITION - IN RAWALPINDI

Rawalpindi will be the venue of a big industrial cum-agricultural exhibition to be held from April 2 to 30, 1971, in which a very large number of stalls will be set up by internationally reputed industrial organizations, commercial enterprises and agricultural agencies, besides those of the RCD countries.

The exhibition will accommodate big and small stalls for different articles representing the latest achievements in the field of agriculture and industry of the RCD countries.

Bezoar Bovia - hardened stonelike substance found in the gall bladder and stone ball in the stomach of cattle, buffaloes and goats, has a ready market in Japan.

### Export opportunities

If regular consignments could be shipped to Japan this non-traditional product could prove to be a valuable foreign export.

(Contd. on Page 15)

# Pakistan Republic Day — March 23rd 1971 *A Special Supplement*

## ECONOMIC DEVELOPMENT IN PAKISTAN

Economic development requires massive outlay of financial resources from both domestic and foreign sources. The sources of the latter are (i) earnings of foreign exchange from normal trade or service channels, (ii) inflow of foreign aid in the shape of project assistance and commodity aid and (iii) inflow of private investment on the promise of repatriation of profit and capital.

Pakistan's own foreign exchange earnings like most of the developing countries, have been inadequate to meet the ever increasing demand of economic development. The total foreign economic assistance received by Pakistan from 1950 to December 1969 amounted to 4, 717 million

in the form of loans, and US \$ 1,316 million in the form of grants. A number of countries including Australia, Belgium, Canada, China, France, U.K., U.S.S.R., Japan, Germany, Italy, as well as Agencies like IBRD, Ford Foundation etc. have offered credit. The largest chunk, however, has been given by the USA amounting to US\$ 2,670 million of which (US\$ 1,744 million was as loans and US\$ 926 million as grants).

### Industrial Sector

Substantial progress has been made in the industrial development of the country. This has been reflected in the exports which, in the initial years of Pakistan, consisted

mainly of primary commodities like raw jute, raw cotton raw wool, fish and the like. The composition of the exports has since radically changed and while primary commodities naturally continue to figure in exports, the share of manufactured goods has now gone up to 55 Per cent. During the year 1969-70, the total exports amounted to Rs. 3,240 million.

Starting almost from scratch in the industrial sector, Pakistan now boasts of a large number of textile and jute mills, sugar cement, fertilizer shoes, tyres and tubes, cycles plastic goods, agricultural implements, paper and newsprint factories, flour mills, vegetable oil mills and so on. A steel mill has been established in Chittagong. Russia has recently offered capital assistance for setting up a biggest steel mill in Karachi. Oil exploration on a large scale has taken place under the aegis of Oil & Gas Development Corporation but no oil has been discovered. In this process, however, natural gas has been discovered in East and West Pakistan on a large scale, and is now being used in industries as well as households.

The Government has set up a number of corporations for industrial and agricultural development. Important among them are the Pakistan Industrial Development Corporation, Industrial Development Bank of Pakistan, Pakistan Industrial Credit and Investment Corporation, Agricultural Development Bank of Pakistan, and a Water and Power Development Authority for East and another for West Pakistan.

The main responsibility for establishing and opening industrial enterprises was placed on the private sector, while the Government besides laying down national priorities, mainly played a promotional role by developing infrastructural facilities and improving the investment climate. In the sphere of shipping and air services, National Shipping Corporation and the Pakistan International Airlines were created, and both have been playing a notable role.

As a result of various development programmes carried under the successive Five-Year Plans, Pakistan's G.N.P. has risen from Rs. 24,460 million in 1949-50 to Rs. 54,280 million in 1968-69. Contd. on Page 15

## Message from H.E. the High Commissioner

On this day, thirty one years ago, a resolution for the creation of Pakistan was passed under the leadership of Quaid-i-Azam Mohamad Ali Jinnah. Pakistan attained independence in August 1947 and became a republic on the 23rd March in 1956.

It gives me great pleasure to represent my country in Sri Lanka, a country with which we have enjoyed close cultural historical links for over 2500 years. Buddhism flourished in Pakistan through the ages and Buddhist monuments abound in both the wings of the country. Buddhism still is a living force in Pakistan wherein more than half a million people profess the message of love and compassion of the great Gautama Buddha. Pakistan is proud of its Buddhist cultural and archaeological heritage and Gandhara culture which have greatly enriched the cultural life of Pakistan.

On the attainment of independence, Pakistan made a special effort to develop relations with its neighbours. In this, Ceylon has always enjoyed a privileged place. During the last 23 years, cultural, political, economic and commercial links have grown from strength to strength. Pakistan now has sizeable trade

with Ceylon. Pakistan dry fish chillies sugar etc. are used in every household in Ceylon. Ceylon tea, copra, rubber, spices etc. can be seen in all corners of Pakistan. The trade exchange between the two countries have been by and large balanced.

There have been close links between the leaders of Pakistan and the leaders of Ceylon. The late Mr. S. W. R. D. Bandaranaike was a friend of the founder of Pakistan, Mohamad Ali Jinnah. The late Mr. Bandaranaike was well known in Pakistan and the people of Pakistan have great regard and respect for the Prime Minister, Mrs. Sirimavo Bandaranaike. The close personal links have helped a great deal in strengthening the existing ties between the two countries.

I wish to recall with gratitude Ceylon's spontaneous offer of sympathy and the generous donations made by the Government and the people when tragedy struck a part of Pakistan last year in the form of a cyclone.

I take this opportunity to convey the good wishes of the people of Pakistan to the people of Ceylon.

**ALTAF AHMED SHAIKH**  
High Commissioner for  
Pakistan

Our Warm  
and  
Sincere Wishes  
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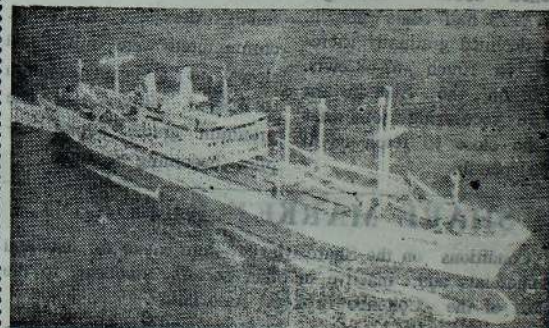
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# PAKISTAN'S MERCHANT FLEET

The strength of the Pakistan Merchant Fleet, which consisted of 55 ships with 5.3 lakh deadweight tons at the end of the Second Five Years Plan (June, 1965) has gone up to 64 operating ships with 6.46 lakh deadweight tons and over 6,000 passengers capacity. This fleet which comprises 56 dry cargo ships and 8 passenger and passenger-cum cargo ships (including 3 ships used for Hajj) is operated by the National Shipping Corporation and 10 Shipping companies in the private sector. Another 4 ships (2 oil tankers and 2 dry cargo ships) are on order in Yugoslavia and one dry cargo ship is under construction and another on order at the Karachi Shipyard.

The present Pakistan Merchant Fleet is handling the entire normal inter-wing trade and carrying about 14% of the country's total foreign seaborne trade. Recently the Government of Pakistan have taken a number of decisions to strengthen Pakistan's merchant fleet. The decisions aim at liberalising the Shipping Policy with view to speeding up the acquisition of more ships to meet the growing trade requirements of the country on inter-wing and international routes. Provision of special incentives has also been made to attract capital from East Pakistan and to broaden the structure of existing and new shipping companies.

## INTERNATIONAL ROUTES

Pakistan ships are presently operating on the following international routes:—

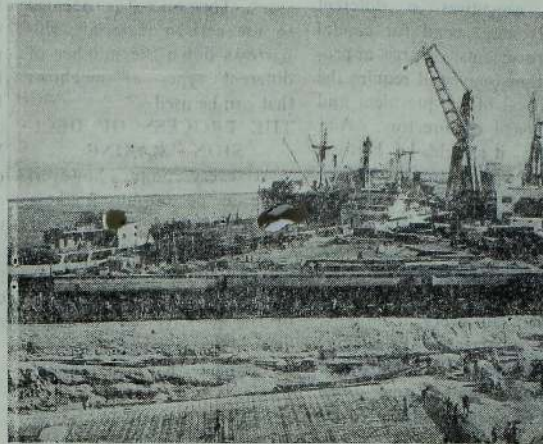
1. Pakistan-U.K.-Continent.
2. Pakistan-USA-Canada

3. Pakistan-Adriatic-Turkey-Black Sea.
4. Pakistan-Persian Gulf/Red Sea.
5. Pakistan-Ceylon-China-Far East.
6. Pakistan-Indonesia-Australia.

## NATIONAL SHIPPING CORPORATION

The National Shipping Corporation, which was set up in 1963, now possesses 26 dry cargo ships with 2.81 lakh deadweight tons. Another dry cargo ship of 12,860 deadweight tons is under construction at the Karachi Shipyard which is expected to be delivered to the National Shipping Corporation before June, 1970. During the year 1968-69, the Corporation carried 12.51 lakh freight tone-10.70 lakh tons on international routes and 1.81 lakh tons on the inter-wing route, with total freight

earning of Rs. 15.66 core. The Corporation's foreign exchange earning/saving during the year amounted Rs. 15.01 crore gross and Rs. 7.41 crore net. It has paid to the shareholders for this year a Cash Dividend of 20% Bonus issue, i.e., One bonus share for every five existing shares and 20% Right Shares at a premium of Rs. 5/- per share of Rs. 10/-



A general view of the Karachi Shipyard and Engineering Works, West Pakistan.

The Marine Academy at Juldia in Chittagong District as well as the Seamen's Training Centres at Karachi and Chittagong Ports are res-

ponsible for imparting vocational training to officers and ratings of the Merchant Navy. The cadet officers so far trained by the Marine Academy number as against 185 in the past year, while the figure of trained seamen stand at 5,200 approximately as against 4,150 in 1969. The number of Pakistan seamen engaged so far on national and foreign ships total to 72,400

ember 1969, 213 candidates appeared for Examination of Master and Mates, and 307 for Marine Engineers. The successful candidates were granted Certificates of Competency. The Certificates issued by the Government of Pakistan as a result of the Examinations are recognized as valid in the United Kingdom and other Commonwealth countries.

## INTERNATIONAL CONVENTION ON TONNAGE MEASUREMENT OF SHIPS

An International Convention on Tonnage Measurement of ships was held in London in May/June 1969 under the auspices of the Inter-Governmental Maritime Consultative Organization (IMCO). The Conference adopted the International Convention on Tonnage Measurement of Ships, 1969 which embodied a unified system for measuring the tonnage of merchant ships engaged on international voyages. Fifty-four countries including Pakistan attended the Conference, together with the representatives of a number of International Shipping Organizations and of the Suez Canal Authority and Panama Canal Company. The Convention was signed by the High Commissioner for Pakistan in U.K. subject to acceptance by the Government of Pakistan. The Convention will be ratified in due course.

## EXAMINATION FOR CERTIFICATES OF MASTER AND MATES AND AS MARINE ENGINEERS

Examinations for the Certificates of Competency as Master and Mates and Marine Engineers are being held in Pakistan at regular intervals since January 1963, and November 1966 respectively. During the year ending 31st Dec-

## REVISION OF MERCHANT SHIPPING ACT, 1923.

The basic law of Pakistan on merchant shipping is the Merchant Shipping Act, 1923 which has been amended no less than twenty eight times since it was originally enacted. In spite of these several amen-

(Contd. on Page 6)

## GREETINGS

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# MANAGEMENT

When a supervisor makes a decision on the disposition of a grievance, he may be unconsciously giving away the right to decide otherwise in similar cases—not only in his own right, but that of other supervisors as well. It is well known that unions are likely to seize on any concession and use it as precedent; and arbitrators, too, lean heavily on precedent in their decisions. Thus what seems like a short-range decision involving only a single incident may actually have the effect of modifying the union agreement. And the modification may be carried over into future contracts.

Another important factor is the amount of risk attached to a decision is the proportion of the company's resources that must be used to carry out the decision. Committing £1,000 to a project may be fatal for a small company if a decision

doesn't turn out to be correct, but such a loss would not be too serious in a large company.

Where decisions commit a large proportion of the company's resources to a project, the commitments should be made by those in a position to see the whole picture. That's why companies frequently set money limits on the amounts that executives at different levels may spend for capital improvements. Large appropriations may well require the approval of the president and the board of directors. And this is it should be because only the very top executives are in a position to see the entire situation. Also, they're the ones who are ultimately responsible for the company's survival and growth.

Then, in every company, there are streams of decisions making because an individual decision made at one point produces the need for deci-

sions at other points. Thus if top management decides to produce a new product, decisions must be made by different people on the manpower machines, materials and methods to be used, on the sales strategy, on the money needed for all this, and where it should come from. Certain decisions will be

quality or *vice versa*. So to make a good decision, he has to determine the relative importance of each objective.

The next step is to make an analysis of the situation in the light of objectives. Suppose, for example, that the company objective in a given case is to raise production to meet

shift or authorizing overtime might be the most profitable course. Using overtime would have the advantage of making an immediate increase in production possible, although it would, of course require extra labour costs and this would be taken into account.

It is not always easy to determine what competitors are likely to do, but we can try to find out what they can do and how quickly they can do it in the light of the resources available to them.

For example, one foreign automobile company that had been experiencing an increasing American demand for its small cars decided to build a new plant to produce more cars neglecting to take into account two important and easily obtainable facts:

1. The car was not American consumer's first choice among foreign cars. Many of them bought it simply because their first choice was not easy to obtain.

2. American automobile manufacturers had the resources to go into the manufacture of small cars as soon as it became clear that there was a sizeable demand for smaller cars.

The outcome was that production at the new plant had to be drastically curtailed shortly after it was completed.

## Techniques of Modern Management

sequential; that is, they will be in part dictated by other decisions. Thus once it is decided to use certain materials, this narrows down the number of different types of machines that can be used.

### THE PROCESS OF DECISION MAKING

At every point, however, some one person must make a decision, though the number of possibilities open to him may be limited by directives coming down from above and by the resources available to him. How, then, does he determine what he should decide.

The key point here is the objective. To decide what should be done, he must always keep clearly in mind what he is trying to accomplish. Also, there may be more than one objective, and he may have to balance one against another—that is, he makes what are called 'trade offs'. In deciding whether to use a certain process, he may, for example, trade off some speed in production against an increase in

increase demand. Before it can decide what to do, it must seek the answers to such questions as: How much more production do we need? Where is the demand coming from? Is the rise in demand likely to continue and at what rate? What is likely to be the effect on competition? Can competition take away most of the new markets if they really try?

The third step is to consider possible alternatives. In the case of rising demand, these might be:—

1. Build a new plant!
2. Buy better equipment!
3. Add an extra shift
4. Authorize overtime.

The fourth step is to consider these alternatives in the light of the situation and weigh them against the probable consequences. These consequences would include the costs of the various courses of action, both present and future. If analysis shows that the demand is only temporary, it wouldn't be worth to build a new plant or even to purchase new equipment. Thus adding a second

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Every answer must be accompanied by a coupon clipped from the corresponding issue of the paper.

The closing date for posting the last answer is June 15.

You can mail all your answers in one batch, or separately, just as you prefer.

The results will be announced in September 1971.

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## Moscow News - A Review

Published by the Union of Soviet Societies of Friendship and Cultural Relations with Foreign Countries "Izvestia" Price: Annual Subscription Rs. 11/- for 52 issues.

This weekly Soviet Journal provides very interesting and absorbing information not only on Soviet activity and its relations with friendly nations but also on the Soviet way of life Soviet culture and arts literature, science and technology are all featured in ample measure and profusely illustrated as well.

"MOSCOW NEWS" is meant primarily for the overseas readers who wish to know more on Soviet affairs. And this journal provides almost everything that one should know, whether it be on the state of the economy of the Soviet Union or the latest socialist fashion trends.

On reading through the pages one gets the feeling that he is being conducted on a tour of the Soviet Union, going through places of interest and seeing architectural monuments etc.

The Workers Forum gets a special place. An action thriller to interest the youth is a regular feature. Besides

there is also a sports page which spotlights Soviet achievements in this sphere. The Philatelist too is given a special column. Fashions for both men and women, as seen in socialist countries also gets pride of place.

A special supplement published from time to time gives an added attraction. These supplements tell the readers of the participation of the Soviet Union in international life and carry statements and notes of the Soviet Government and other material.

If you wish to speak Russian in just two years you could do so through the lessons that are published each week in this journal.

This Journal comes out in 16 pages and is published in English, French, Spanish and Arabic.

"MOSCOW NEWS" is presently conducting a Competition which offers four winners a week's free trip to Moscow besides other valuable prizes. This competition is based on what you know of the Soviet Union. Well, all that you want to know to be a winner is of course found in "Moscow News".

## MERCHANT FLEET

Contd from Page 5

dements from time to time it was never found to be either comprehensive or completely up to date. Important aspects, such as, ownership, registration, liabilities of ship owners, marine insurance, carriage of goods by sea, etc., were not provided for and reliance had to be made on the British Merchant Shipping Act which continued to remain in force after independence. Multiplicity of laws on the subject of shipping was found to be confusing. In order to consolidate and revise the entire merchant shipping laws of Pakistan and to keep pace with the technological advances that had been made, a new Bill called the Merchant Shipping Bill, 1969 has since been prepared and will be placed before the Legislature when it comes into being.

In order to provide better navigational aids of international standard for the benefit of ships a development scheme was prepared for the erection of 7 new lighthouses (3 in East Pakistan at Cox's Bazar, Kuubdia and St. Martin's Island and 4 in West Pakistan at Gwader, Ormara, Pasni and Jiwani) and the placing of two heavy-duty Life Buoys on the coasts of West Pakistan at an approved cost of Rs. 45 lakh with a foreign exchange component of Rs. 14,40,000.

# Britain clears half her foreign debt

London

A record balance of payments surplus last year enabled Britain to clear nearly £1,300 million of overseas debt, about half the total of short and medium-term debt outstanding at the end of 1969.

Figures just released by the British Treasury show a surplus on merchandise trade and "invisible" transactions combined of £631 million, compared with £437 million in 1969.

The increase effected a rise of £50 million in invisibles, which totalled £628 million last year. And there was a leap of £144 million in receipts from visible trade, which brought this account into a £3 million surplus—the first surplus here since 1958.

But in addition to these strictly commercial earnings, Britain enjoyed a net foreign currency inflow equivalent to £656 million. This brought her "total currency inflows" (the measure which has now replaced the concept of "basic balance" in Britain's balance of payments accounting) to £1,287 million. This was £544 million more than in 1969

Britain further received £171 million worth of Special Drawing Rights from the International Monetary Fund as her share of last year's allocation to all Fund members.

From these total receipts Britain used £1,295 million to pay off outstanding short

and medium-term debt to foreign monetary authorities £125 million to build up the official reserves; and £38 million to finance the gold subscription to the IMF in respect of her increased quota, which gave her enlarged drawing rights on the Fund.

## INDO-HUNGARIAN TRADE PACT

Budapest

India and Hungary have signed a five year trade and payments agreement which is expected to increase the trade at an annual rate of 10 per cent.

The agreement was signed last week in Budapest by Indian Ambassador C.B. Muthamma and Deputy Foreign Trade Minister of Hungary, Bela Szalai.

The main features of the trade plan for 1971 cover the export from India to Hungary during the current year non-traditional items such as iron ore, various chemical products, sanitary fittings and other engineering goods.

In addition Hungary has contracted to buy from

India in 1971 900 railway wagons in addition to the 60 wagons recently imported.

These exports will be in addition to the traditional items like tea, coffee, tanned and semi-tanned hides and skins, jute manufactures and textiles.

Hungary will export to India during the current year substantial quantities of steel products including tool, alloy and special steels, agricultural tractors, capital goods machinery and equipment tyres and axles or rolling stock and other railway equipment as well as complete wheel sets, air brakes and accessories for railway wagons, drugs and medicines, chemical and other commodities.



The total annual trade turnover between the two countries has risen from roughly Rs.2 million in 1953 to about Rs.320 million in 1970.

## PAK-POLAND 3-YEAR TRADE PROTOCOL

Rawalpindi

Pakistan and Poland have concluded a new three-year trade protocol for exchange of goods from 1971 to 1973 and the commodity exchange programme for 1971. The agreements were signed in Warsaw.

The programme for 1971 provides for further development of trade between the two countries. Exports from Pakistan will comprise a wide range of manufactured and semi-manufactured goods including textiles, wollenjute

carpets, hosiery products, cotton yarn products, ready made garments, tanned and semi-tanned leather, raw jute, cotton, raw wool, ores and minerals, basmati rice etc.

## REAL GROWTH RATE OF 10.1 PERCENT ENVISAGED IN JAPAN

Tokyo

The outlook of Japan's national economy for fiscal 1971 (April, 1971-March, 1972) prepared by the Economic Planning Agency envisages an economic growth rate of 15.1 percent in nominal terms and 10.1 percent in real terms for fiscal 1971. The gross national product is estimated at ¥84,320,000 million (US \$234,200 million).

## SCIENCE AND TECHNOLOGY

### Evaluating management decisions by computer

A powerful and flexible means of evaluating the implications of management decisions or of change in the market is provided by a computer programme which has been developed by RTZ Consul of London - Part of the Rio Tinto-Zinc Corporation.

#### ANSWERS ANY QUESTIONS

Designed for use by anyone versed in normal accountancy techniques, the programme—known as the Financial Modelling Programme (F.M.P.)—is applicable to companies in any industry. It can be used for all types of investment appraisal (including merger and acquisition studies), for determining the consequences of various alternative courses of action, for preparing budgets and cash flow forecasts, for modelling an entire company and, in fact, to answer any questions of the "what happens if" variety.

From data entered on a simple input form, F.M.P. will calculate—over a specified number of years—future annual production, purchases, sales revenue, stock and work-in-progress, expenses, capital expenditure, taxes, interest, loan drawdowns and repay-

ments, dividends, equity subscriptions, accounting ratios, earnings per share, and so on. It will also calculate net present values and discounted cash flow rates of return and will carry out consolidations and differential evaluations.

#### NORMAL LANGUAGE

The computer output is in the normal language of accountancy. It may take the form of profit and loss accounts; balance sheets, source and applications of funds statements; analyses of sales, purchases, production and expenses; tax computations; statements of loan balance and interest; cash flow statements or any other presentation. The reports are printed and their format is not predetermined but is specified by the user. In this way he can obtain precisely what he requires without any of the normal restraints imposed by computer programmes.

## New approach to architectural training

The first government building in Britain to be designed, costed and built by fourth-year architectural students has just been completed at Newcastle-upon-Tyne, in north-east England.

The project is an example of the revolutionary approach to the teaching of architecture through complete integration of theory and practice introduced in 1967 at the School of Architecture at the University of Newcastle-upon-Tyne.

During their work on the building the students were supervised by qualified architectural staff of the Project Office in the University's Department of Architecture. This unit, which has a fully professional and secretarial staff, undertakes the design and construction of live building projects in order to introduce an element of reality into the theoretical studies.

#### FROM START TO FINISH

By involving the students in the building process from start to finish it is hoped to overcome one of the main problems in architectural education, namely that of the student never sees any of his buildings erected and never gets any reactions to his design decisions.

The Project Office cooperates with outside consultants and maintains contact with the construction industry at all levels. The students working on different projects participate in all these transactions.

According to the Head of the Department, Professor Douglas Wise: "The growth in confidence, maturity and stature of the students participating in the projects has been remarkable."

The building recently completed by the students is a £200,000 four-storeyed local office of the Department of Health and Social Security, which was officially opened last month.

#### ELECTRO MAGNET AIDS OPERATION

An unusual operation during which the main instrument was an electro-magnet has been performed at the laryngological ward of the Lublin Clinic.

The patient was a 5-year old boy who had swallowed a pin. The pin stuck in the lower sector of the bronchus. Only operation which in such a case may save the patient's life is the excision of a part of the lung, but this would turn the boy into an invalid. In this situation surgeons from the Lublin Clinic began to look for another way out.

## EXPERIMENTAL DESALINATION PLANT

Japan's first experimental desalination plant, capable of turning out 3,000 tons of fresh water per day has just been completed.

This project is sponsored by the Industrial Science and Technology Agency of the Ministry of International Trade and Industry.

It is being built to obtain data necessary for the construction of a full-fledged desalination plant, which the Agency hopes to complete by fiscal 1975.

The projected plant, to use the multi-stage flash evaporator system, will have a daily output capacity of one million tons, according to Agency officials.

Desalination of sea water is gaining in importance as demand for fresh water continues to grow yearly. The Construction Ministry estimated Japan's water demand in 1985 approximately at 114 800 million tons.

With the assistance of the physics department staff of the Lublin School of Medicine and the clinic electricians they produced a circular electro-magnet producing a large homogeneous magnetic field. The patient was laid in the electro-magnetic circle so that the centre of the magnetic field was situated in the vicinity of his lung. A metal tube was inserted into the throat and trachea of the patient. The pin was pulled out through the tube with a piece of magnetised wire.

# DEMOGRAPHIC REVOLUTION IN CEYLON (Part III)

The main source of capital formation is domestic savings effected through refraining from consuming some part of the current gross national product and setting aside that part for the purpose of future production or for the rendering of future useful services. Though imported capital also contributed to capital formation in a large number of developing countries, by and large, the capital required for the development of a country must be generated by the people through savings and the useful employment of these savings.

Today our country adds over 300,000 to its population every year and has to use up a large part of the increase in the national income to feed additional mouths with ever little left to improve present living standards. From the demographic point of view, the saving potential depends, other things being equal, on the rate of increase of population and also on the ratio of employed persons to total population.

The sharp and sudden decline in the death rates during the post-war period without any significant fall in the birth rates has had far-reaching effects on the age-structure of our population. At present, our age-sex-pyramid is much broader at the base with the number of children in the age-group 0-14 years forming about 40 percent of the total population. The corresponding proportion in the developed countries is very low ranging from 22 to 30 percent. Persons in the working age, 15 to 64 years, constitute only 56 percent of the total population in Ceylon while in advanced countries they account for 65 percent or more of the total population. Thus in Ceylon, high fertility combined with declining mortality has resulted in a population with a high proportion of children in the non-productive ages and a relatively smaller proportion of those in the working ages. The bottom-heavy age-structure simply means that the childhood dependency in our country is very heavy with about 72 child dependents per 100 persons in the working age while in England and other developed countries there are only about 35 children per 100 workers.

## Distinct disadvantages

From the point of view of the development of the country, there are two distinct disadvantages to an age structure of the type found in Ceylon. In the first place, the broad base to our age-sex-pyramid illustrates the fact that each year the cohort of young men and women entering the years of fertility is significantly larger than the number of older people growing out of the age of fertility during that year. As pointed out earlier, the present age structure of our population has very high built-in potential for further rapid increase in the future.

Secondly, the large number of dependent children relative to the number in the labour force increases the burden of dependency, tends to promote spending for immediate consumption to restrict both private and public savings and hence to inhibit productive investment. Children below 15 years are economically dependent: they have to be fed, clothed and educated; and this increased burden on the economically active sector of the population means that resources available for economic development have to be directed to provide various facilities for them.

In other words, the present age-structure of Ceylon's population tends to divert whatever savings have been accumulated each year into social overhead expenditure, which have been remote, if not little, effects on economic growth instead of being converted into capital which contributes directly to the development of the economy. Hans Singer aptly describes the problem when he says that "one of the troubles of under-developed countries is not so much that there is not enough investments but rather that there is too much of unproductive investment. Practically all investments which occur in under-developed countries is investment in the feeding and bringing up of a new generation for productive work instead of investment in economic development". (Singer 1955). The higher the rate of population increase, the greater the required amount of unproductive investment of this kind.

## Social Services

During the period following the Second World War, we in Ceylon witnessed not only an upsurge in population growth but also a proliferation of a wide range of social transfer payments. The Government was subject to strong political pressures to provide for the people an expanded programme of education, health, housing and other social welfare activities on a per capita basis.

The progress made particularly in the field of education and health has been very significant. Beginning from October 1945, all education in the Island from kindergarten to the University was declared free

and under this free education scheme no tuition fees are charged in government schools, the Universities and the Technical Colleges. For a long time the Government assumed the major responsibility for the medical care for the people and towards this end established hospitals and dispensaries throughout the country. To-day ordinary out-door treatment is free at out-patients departments of all Government hospitals and dispensaries and in-door treatment in non-paying wards is provided free to all patients.

A separate Department of Housing was set up in 1953 to assist private individuals to construct dwelling houses by granting loans for the purpose, as well as to construct housing units particularly in the urban areas. Starting in the early 1950s, the Government has been issuing to all persons aged 1 year and over two measures of rice at subsidised prices. This scheme has subsequently been modified and at present each person is given a measure of rice per week free of charge while a second measure is sold at subsidised prices. The Department of Social Services administers a variety of assistance and relief programmes to help the poor and needy.

These and other population-linked expenditure occupy a very important place in the Government budget to-day. While in 1947/48, the expenditure on social service programmes formed about 24 percent of total Government expenditure, in 1968/69 this proportion was as high as 39 percent. A rapidly increasing population together with rising unit costs of providing most of these services pushed up rapidly to the outlay on these services.

According to a World Bank Study of Government expenditure patterns in 46 developing countries, Ceylon had the highest level of expenditure on social services (16% of G.D.P.) among those countries. Within its 18-country group with per capita incomes between U.S. \$125 and \$249, Ceylon occupied fourth place in the share of G.D.P. devoted to education, second place in health and first place in housing and general welfare services.

These social welfare type expenditures have been part of the implementation of government policy to achieve greater equality in the distribution of income. They have not been without their opportunity costs. Although they have, by no means, been irrelevant to the economic growth process, since they have contributed to raising

the quality of the labour force and perhaps also the maintenance of political stability in the country, they have been at the expense of high levels of expenditure on more directly productive investment.

## Impact of varying rates of population growth

In Ceylon, the present level of expenditure on social services is very high for a developing country. In the context of a

linked directly with the increase in population. It thus becomes important to determine the effect of a slower rate of population growth on government expenditure for education, health, the food subsidy etc. because whatever is saved in reaching the goals for these services could be used either to reach higher goals in terms of the quality of these services or invest in other directly productive activities.

BY

S. SELVARATNAM

Dy. Director, Perspective Planning Division,  
Ministry of Planning & Employment

rapidly increasing population and limited capital resources, we cannot hope to achieve rapid expansion on our agricultural and industrial production concurrently with a rising expenditure on social services for the people. Nevertheless, for the future, the main point to be stressed is that the aim of at least maintaining the present per capita standards of a variety of social services is more or less immutable. Therefore, the increase in expenditures on these services will be

Separate studies have been undertaken recently to measure the impact of varying rates of population growth on the costs of providing education, health, transport, food subsidies etc. These studies were based on the three alternative population projections of Selvaratnam, Wright and Jones except the education study which used a different set of population projections prepared by Lesthaeghe and Chi at the Brswn University, U.S.A. The Lesthaeghe-Chi projections, however in-

corporated alternative fertility trends that are roughly comparable for most of the projection period to those used in Selvaratnam-Wright-Jones projections. The results of these studies are indeed very interesting.

The Jones-Selvaratnam study on the effect of alternative rates of population growth on the cost of providing public health care takes into account the fact that the rate of use of the Government health services is greater at the time of birth and infancy than at any other stage of life cycle except old age. According to this study (Jones and Selvaratnam 1970) the population dependent on public health care in Ceylon which was estimated to be about 10.1 million in 1968 will increase to 21.8 million in 1998 if population trends were to follow the high projections, and to only 15.8 million or 5.3 million less if the rates of population growth were to coincide with the assumptions of the low projections. Similarly, if availability of health services per head is to be expanded by two thirds

## Ceylon's Agriculture Development Plan

The basic aim of Government policy in regard to coconut production has been and continues to be that of increasing the productivity of the existing lands. This is reflected in the Coconut Fertilizer Subsidy Scheme and the subsidized seedlings scheme. In spite of the set-backs in weather conditions, the Coconut Fertilizer Subsidy Scheme has had a very steady response during 1966/70.

Table I shows the quantities issued each year and the quantum of Government subsidy. These issues include fertilizer given for the Citronella into Coconut Scheme.

The coconut fertilizer subsidy scheme has probably been the most important single factor in increasing yields during the past few years.

The estimated internal consumption has increased from 1,025 million to 1,710 million nuts (67 per cent.) during the period 1949 to 1969. The corresponding increase in total production is estimated to be around 32 per cent. Thus it is imperative that production per acre should be increased with the least possible delay, having in mind a possible decline in export earnings in the face of steadily increasing local consumption. The task of achieving this increase in production in the shortest possible time therefore becomes a mat-

ter of crucial importance. It would appear that the prospects for an expansion of the acreage under coconut are limited. For instance, the report of the Land Utilization Committee (1968) indicates that the maximum extent of new land which could be utilized for coconut was about 50,000 acres.

A small additional acreage may also come under coconut under the diversification scheme for uneconomic tea and rubber lands. The overall indications are the substantial increases

nitrogen, phosphorous and potassium. In certain areas—particularly in the wet zone—magnesium has also been found deficient.

Field trials in the Chilaw District—which is one of the best coconut growing areas in Ceylon—have shown that without fertilizers annual yields of about 2,500-3,000 nuts/acre/annum could be obtained. Fertilizer application stepped up production to about 5,000 nuts/acre/annum—an increase of 2,000 to 2,500 nuts per acre. At Madampe, in an experi-

TABLE I

Year	Quantity of fertilizer issued (tons)	Government Subsidy	
		Estates Rs.	Small-holdings Rs.
1964	47,406	2,766,902	4,418,879
1965	50,711	2,963,706	5,055,187
1966	55,931	3,188,726	5,936,116
1967	52,694	3,020,986	5,459,966
1968	65,433	6,328,500	8,671,500
1969	61,661	N.A.	N.A.

in coconut production have to be obtained from the existing acreage of about 1.15 million acres. In the short-run the most effective way of achieving this would obviously be in increasing fertilizer use. This view is strongly supported in the following extract from a paper presented by the Director of the Coconut Research Institute:—

"Field experiments have shown that coconut production on most of our coconut soils is limited by deficiencies of

ment on young plants, plots which have not been treated with any fertilizers from the time of planting gave 2,400 nuts/acre/annum in their 15th year. Plots treated with 4.5 lbs./palm/annum of C.R.I. coconut fertilizer mixture 'A' (which contains equal proportion of an ammonium sulphate, saphos, phosphate and muriate of potash) gave 4,200 nuts/acre, while the plots receiving 9 lbs. per palm/annum of the same mixture gave an annual yield of 5,720 nuts/acre. In

Part III)

alternative fertility are roughly compared to those used in the Wright-Jones programme. The results of these indicate very inter-

Selvaratnam study of alternative population growth on providing public health services. The rate of use at the time of infancy than at any of life cycle except according to this study and Selvaratnam the population health care which was estimated at 10.1 million in 1968. It is true that most of the savings come towards the end of the period but during the first twenty years Rs. 1,198 million or six times the 1968 expenditure will be saved while during the first 10 years the amount saved will be Rs. 228 million or more than the entire 1968 expenditure.

## Plan — 1971-1977

phosphorous and in the wet zone— has also been found

in the Chilaw which is one of the growing areas in the wet zone. It has been shown that withers annual yields of 4,000-5,000 nuts/acre could be obtained. Fertilization stepped up to about 5,000 nuts/acre—an increase of 500 nuts per acre. In an experi-

ment Subsidy Small-holdings Rs.

2	4,418,879
5	5,055,187
6	5,936,116
6	5,459,966
0	8,671,500
	N.A.

young plants, plots are not being treated with fertilizers from the planting gave 2,400 nuts/acre in their 15th year. The plots treated with 4.5 per cent of C.R.I. fertilizer mixture 'A' attained a higher proportion of phosphorus, potassium sulphate, and muriatic acid. The plots receiving 4.5 per cent of the mixture gave an annual yield of 5,720 nuts/acre. In

This is the third instalment in the series. Here the author deals with the impact of population growth on capital formation and government expenditure on social services, such as health and education; food subsidies; housing and transport etc.

during the 30 year period, the number of doctors required will increase by 233 percent according to the high projections and only 146 percent according to the low projections. Roughly the same figure apply to requirements for hospital beds. Health costs would rise much less rapidly and the savings over the 30 year projection period would be roughly Rs. 3,356 million or 17 times the entire sum spent by the government on health services in 1968. It is true that most of the savings come towards the end of the period but during the first twenty years Rs. 1,198 million or six times the 1968 expenditure will be saved while during the first 10 years the amount saved will be Rs. 228 million or more than the entire 1968 expenditure.

We publish here in part the development proposals outlined for the Coconut Industry in Ceylon. The concluding portion, of this instalment will appear in our next issue.

another experiment on underplanted young palms at Nattandiya, unmanured plots gave 2,500 nuts per acre in their 15th year whereas, plots treated with NPK coconut fertilizer mixture at the rate of 4 lbs./acre gave 4,200 nuts per acre. At Bandirippuwa (Lunuwila), unfertilized plots have given an annual yield of about 2,500 nuts/acre, while manuring increased yields to over 5,000 nuts/acre. Under comparatively better conditions in Bingiriya, where even without any fertilizer application annual yields were of the order of 4,000 nuts/acre, production was increased to 5,500 nuts/acre by the application of fertilizers at the rate of 5 lbs. per palm/annum. These experiments have demonstrated that fertilizer application brings about appreciable increases in coconut production even in the better coconut growing districts.

More striking responses to fertilizer application have been obtained in the poor coconut growing districts of the wet zone which cover an area of about 350,000 acres, or 30—

We in India encourage small industries because they provide employment to large numbers of our workers. This sector has become the life-wire of our economy.

In 1968, small units accounted for 91.6 per cent of all the industrial units registered under the Factories Act whereas large scale ventures accounted for only 8.4 per cent. While there are about 27,000 small enterprises, there are only 2,000 large industrial establishments. There are also about three lakhs unregistered small units.

In the last year of the Third Five Year Plan, that is, in 1955-66, modern small scale industries produced goods worth about Rs. 2400 crores. Their fixed investment totalled Rs. 390 crores and they employed about 27 lakh persons. The registered factories among them accounted for a gross output of about Rs. 1100 crores (about 46 per cent), a fixed investment of Rs. 200 crores (53 per cent) and employment of 10 lakh persons (37 per cent).

During the five-year period 1960-61 to 1964-65, there was a 28 per cent increase in the number of registered small scale industries eligible for assistance from the Small Industries Development Organisation. Their investment in fixed capital increased by 62 per cent, employment by 20 per cent, and gross output by 70 per cent. The net value added by manufacture in the small scale sector rose by about 50 per cent as against 35 per cent in the non-household non-factory units covered by the Small Industries Development Corporation. The factory and the non-factory sections together accounted for Rs. 633 crores of the net value added by manufacture in 1965-66 against Rs. 449 crores in 1960-61. The small scale sector thus recorded an overall growth rate of 41 per cent in the net value added by manufacture in the course of five years.

of our total coconut acreage. Field experiments at Veyangoda and Ahangama showed that in these areas without manuring, annual yields were as low as 600-800 nuts/acre. Application of coconut fertilizer mixtures at the rate of 3.5 per palm/annum increased the annual production to 2,500 nuts/annum—200% increase. Thus the evidence is incontrovertible that by systematic fertilizer application at the rate of 7 lbs. per palm

### What is small scale

Small industries were given an important place in the Industrial Policy resolution of the Government of India and the scope of the definition has been enlarged from time to time to cover more and more manufacturing units. Today, small scale units are defined as those having a capital investment not exceeding Rs. 7.5 lakhs in plant and machinery.

## SMALL INDUSTRIES—

During the last decade and a half, small scale units have become inter-woven in the industrial fabric of the country. By manufacturing units like machine tools, hand tools, diesel engines, basic chemicals and certain electronic instruments, they have proved to be catalytic agents for the development of producer

goods industries. They have contributed to the consumer goods group by manufacturing a variety of items like bicycles, sewing machines, domestic electrical appliances, readymade garments, plastic consumer goods, and so on. They are also servicing both the consumer and the producer.

### Modernisation

Although, at the beginning the small scale industries were established for meeting immediate domestic needs, action to modernise them was soon initiated by providing them with the latest technical know-how, machinery and equipment, factory spaces, etc. These measures have helped them to undertake the manufacture of diversified end-products and also improve the quality of the output.

A dynamic and modern production system must have an in-built capacity to keep itself abreast of the latest technologies and methods of production. The evolution of such a system is the main objective of the programme of develop-

ment of small scale industries during the Fourth Plan. As the resources available are meagre the programme has to be selective. The industries selected for the purpose should be such as will create a salutary impact on the operational efficiency of the rest of the small manufacturing units. They may include such basic units like machine tools, foundry heat treatment, etc. Among the small industries which have a decided cost advantage are

hosiery, leather, footwear, hardware, plastic articles, pesticides formulation and automobile ancillaries. Already a large number of industries have been reserved for the small sector. In drawing up a list of reserved items the first decision to take is on whether an item

should be manufactured in the large scale or small sector and whether it can be manufactured economically. The two sectors should not be regarded as water-tight compartments. The policy should be such as would encourage both to live collaboration, though competition should never be ruled out in the larger interests. With a proper environment, the large scale units will themselves start producing a number of basic products required by the small scale industries at competitive prices. The small scale sector, in turn would find it advantageous to buy these products, process them and either feed back the large scale sector or undertake marketing through other channels.

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## The Indian way

By

K. L. NANJAPPA  
Development Commissioner  
Small Scale Industries

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an acre to 2,500 nuts an acre per annum (except for 1966 and 1967 when two consecutive droughts adversely affected coconut production) could be largely attributed to the implementation of the Coconut Fertilizer Subsidy Scheme. Nevertheless, it is worth noting that on well-managed estates yields of around 4,500 nuts per acre per annum are consistently recorded. In exceptionally well-managed estates,

### Import Substitution

Import substitution is the slogan of the day and our efforts are directed towards manufacturing every item that is being imported. At the same time, there are certain items the production of which be economically viable at present and which have to be imported for along time to come to meet domestic requirements. Electronics, aeronautics etc. are example of such industries.

Once the item to be substituted has been selected, production should be designed not only to meet the home demand but also with an eye on competing successfully in the international market. Plan and equipment must therefore be sophisticated. We have successfully replaced certain imported raw materials; e.g. aluminium wire has replaced copper wire in the electric wire and cables industry, and die-cast aluminium motors are being used in electric motors particularly of small ranges. It is true that development of these items need not necessarily be only in the small scale but such projects can undoubtedly be assisted by small scale sector.

While the achievements of the small scale sector are very encouraging because of the inherent advantages available in the country it should not be taken for granted that everything must be produced in the small scale sector. The only criterion for deciding whether a particular item is to be manufactured in large or small scale is the merit of the scale of work.

tes, yields of 6,000 nuts per year have also been obtained. The average annual yields of the small-holdings are still around 1,000 to 1,500 nuts per acre. The task of increasing the productivity of coconut lands above the present level is a complex one largely on account of the preponderance of small-holdings where cultivation and management practices are clearly below optimum levels.

(Contd on page 10)

# AGRICULTURE DEVELOPMENT PLAN...

Contd. from Page 9

A vigorous programme for expansion of fertilizer use in the coconut lands will have to be undertaken during the period of this Plan. The provision of credit has been recommended as one of the ways in which fertilizer use can be popularised, especially among the small-holders.

The Committee appointed in 1966 by the Ministry of Agriculture & Food to report on the measures required to improve the productivity of coconut lands emphasized the need for two types of credit support for, (a) estate owners, and (b) small-holders in order to encourage a greater use. The Committee stated that—"It was felt that the chief obstacle to increased fertilizer usage both by small-holders and estates was lack of adequate credit facilities". The Committee proposed two schemes, one for estate, to be operated through the nationalised banking system (Bank of Ceylon and the People's Bank) and the other for small-holders, to be operated through co-operative societies. The former has been implemented by Government through the Bank of Ceylon and the People's Bank and credit is now available to fertilizer permit-holders who own estates in extents of 20 acres and over, provided the loan is guaranteed by "a person acceptable to the Bank. The response to this scheme from estate owners has so far been poor.

The credit scheme for small-holders however has yet to be implemented. It is expected that the People's Bank would begin operating a loan scheme similar to the new agricultural credit scheme for paddy and subsidiary food crops. Rice ration coupons would be hypothecated as security. The implementation of this scheme will receive consideration in 1970. The details of the scheme as worked out at present by the People's Bank is as follows:—

- (1) loan for purchase of fertilizer to be Rs. 50 per acre per year
- (2) the loan to be given in kind
- (3) the applicant should be a non-defaulter of all loans granted by the society after 1st July, 1967.
- (4) in addition to the usual guarantee of the members, the assignment of rice-

ration books of all the household will be taken

- (5) the second loan will be granted after inspection
- (6) payment will be once in two months from the sale proceeds of coconuts
- (7) the payments for the 1st year will be K. 1 per pick and there after Rs. 12 per pick
- (8) if the outstanding of the two loans of Rs. 50 each is not reduced to Rs. 400 at second year, the

third loan will not be given

- (9) if the third loan is not granted and the outstanding is not reduced to Rs. 40 at the end of the 2 years action should be taken for the seizure of the rice-ration books
- (10) the rate of interest charged from member to be 3 per cent, more than the borrowing rate of interest which the society pays the Bank

In terms of the conditions stated above the loan account of an applicant for one acre would be as follows:

Date of grant of loan	Amount of loan given	Rs. per pick	Loan balance	
			Payments of capital during the year	at the end of 12 months
1/5/70	Rs. 50	Rs. 1	—	50
1/5/71	50	12	60	40
1/5/72	50	12	60	30
1/5/73	50	12	60	20
1/5/74	50	12	60	10
1/5/75	50	12	60	Nil

It is suggested that the feasibility of implementing this credit scheme for small-holders on a pilot basis in a few selected areas be considered.

## Storage

Along with the provision of credit, the decentralized system of storage at the district, divisional and village levels in the principal coconut-growing areas will greatly contribute to increasing fertilizer use in Coconut. The experience gained during the last two years in distributing fertilizer for paddy through a chain of 1,000 ton stores constructed in different parts of the Island, has clearly indicated that the ready availability of fertilizer in convenient locations is one of the best methods of persuading farmers to use fertilizer. The possibility of utilizing the district fertilizer stores constructed recently for paddy fertilizer, for storing and distributing coconut fertilizer has received some consideration. However, several factors prevent the use of these stores from distributing coconut fertilizer as well. One reason is that these district stores have been located primarily for serving the needs of paddy cultivators. Another is that with the expanded use of fertilizer for paddy and the likelihood of paddy fertilizer being issued in smaller bags, the effective storage capacity available in the district fertilizer stores will not be sufficient to carry adequate quanti-

ties of coconut fertilizer, which are also required during the rainy months, when the demand for paddy fertilizer is also at its peak.

At present fertilizer for coconut has to be obtained largely from Colombo and the buyer has to arrange for his own transport by lorry or obtain it through the railway. There are unavoidable delays in this system of distribution. They can be eliminated only by making coconut fertilizer available in the district, divisional and village levels.

It is therefore proposed that as a first step fertilizer stores of 1,000 ton capacity each be constructed in the following coconut growing areas:—

- 1971 — Polgahawela and Chilaw;
- 1972 — Nattandiya and Galle;
- 1973 — Matara and Puttalam.

The funds required for the construction of these stores should be made available to the Ceylon Fertilizer Corporation by the Commissioner for Coconut and Coconut Rehabilitation. Once the stores are completed they should be managed by the Commissioner. At the divisional level the construction of fertilizer stores of suitable size for stocking and distributing coconut fertilizer could be undertaken by Co-operative Unions or by Associations of coconut growers who are in a position to establish and manage a larger fertilizer store.

It is also proposed that a programme of stores construction for coconut fertilizer at the village level be undertaken by co-operative societies on a loan scheme to be operated through the Department of Agrarian Services for the People's Bank, as obtaining in regard to village level fertilizer stores for paddy. A detailed programme for this purpose should be provided by the Commissioner for Coconut Rehabilitation in the annual implementation programme based on the present Plan.

The co-operative societies have played an important role in distributing coconut fertilizer to members under the fertilizer subsidy scheme. The tonnage of fertilizer handled by co-operatives under the subsidy scheme is as follows:—

Year	Tons
1965	9,970
1966	9,797
1967	8,640
1968	10,351

The co-operative societies will have to play a much larger role in fertilizer distribution to small-holders in the coming years. For this purpose it is proposed that the payment of an incentive to managers of co-operative societies be considered. This payment could be effected out of the commission paid by the Commissioner of Coconut Rehabilitation to the societies of handling fertilizer.

## Replanting

A long-term measure to increase productivity in coconut lands would be a replanting programme. The Government inaugurated in 1949 the supply of selected seedlings at subsidized rates. The selected seedlings were to be utilized for filling vacancies and in the replacement of senile and 'dud' palms. Since the inception of this scheme, an estimated acreage of about 250,000 has been planted. At the rate of 75 palms to the acre, the planting material issued during the past 12 years would be equivalent to an acreage of 18,000 replanted annually. The distribution of this has been roughly 50:50 for new planting and underplanting. The Coconut Research Institute estimates that about 7,000 acres of coconut lands pass the period of peak production every year. In effect, the replanting undertaken through the issue of subsidized seedlings should have compensated for this, besides renewing an extra 10,000 acres every year. These facts indicate that the conventional assumptions re-

garding the numbers of ageing coconut palms may have to be modified.

A Committee appointed by the Minister of Agriculture and Food in 1966 to report on the measures necessary to increase productivity on coconut lands, recommended a coconut replanting subsidy scheme under which 20,000 acres per annum would be replanted, on a subsidy to be paid in five instalments, as follows:—

- (1) first instalment of Rs. 140 per acre after fencing and planting with approved seedlings;
- (2) the second instalment of Rs. 90 per acre one years after replanting;
- (3) the third instalment of Rs. 90 per acre two years after replanting;
- (4) the fourth instalment of Rs. 90 per acre three years after replanting;
- (5) the fifth instalment of Rs. 90 per acre four years after replanting.

In recommending this replanting subsidy scheme, the Committee stated "..... the case for the replanting scheme therefore hinges entirely on the assumption made in the Agricultural Development Proposals that the replanting have not been carried out on a systematic basis nor have the young plantations been maintained up to the required standard". Experiments have shown that the replanted areas suffering from drop-outs in the early years cannot easily be corrected thereafter to produce in later years the desired standard of growth and productivity. The suggestion is made in the Agricultural Development Proposals that monetary inducements in the form of replanting subsidies should be offered to secure a systematic approach to the replanting of worn-out coconut lands with selected planting materials and to ensure that the young plants are maintained in a vigorous and healthy conditions.

(To be continued)

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# FOURTH ANNIVERSARY OF CEYLON'S STEEL PLANT

20th March 1971 — A Special Supplement

## STEEL — A new dynamism in development

Without iron and steel, civilisation as we know it today would be impossible. Every one of us, from the urban dweller to the village farmer, uses iron and steel goods every day of his life. Nuts and bolts, nails and wire, knives and spoons, hammers and saws, sickles and mamoties, cars and buses, railway engines and the rails they run—**all these and many other tools, instruments and machines that are so vital to our lives are manufactured from iron and steel.**

In modern times we have imported nearly all the iron and steel goods we need from abroad. But in the past Ceylon had her own iron and steel industry. The evidence of it is to be found in the old slag heaps scattered throughout the country, in the place-names which preserve the memory of old iron-working villages, and in the swords, spears, knives and ploughs made by craftsmen of the past that can be seen in our museums. The old Sinhala iron and steel industry was still flourishing in the early days of British rule. If Ceylon had remained independent, this ancient craft might have been developed into a modern iron and steel industry by the assimilation of more advanced technology. Instead it died, because colonial policy required Ceylon to produce agricultural raw materials for the imperial powers and import manufactured goods from the West.

This colonial pattern of thinking persisted even after independence. But the subsequent social and political changes brought a new attitude. The Government recognised that employment, and prosperity for a fast-growing population could not be achieved without the greatest emphasis on industrial development. In keeping with its socialist aims, the Government decided also that economically strategic industries (like iron and steel) should be owned by the people and not by private interests. In 1958 an Agreement was signed with the Soviet Union for financial assistance to meet the cost of sixteen projects, including iron and steel. After teams of Soviet Experts had visited Ceylon and studied the project, the Ceylon Steel Corporation was established in September 1961, and the work of constructing the factory began.

The Ceylon Steel Corporation began its present phase of operation on the 20th March 1967 with steel-rolling and wire drawing. At this stage, imported steel billets are rolled into standard shapes in the rolling mill; in the wire-

ings—and of wire-products are being supplied by the Corporation. These items were hitherto imported and involved considerable expenditure in foreign exchange. Now national wealth is saved by the establishment of the Steel Cor-

By

**PROFESSOR P. P. G. L. SIRIWARDENE**  
Chairman, Ceylon Steel Corporation

drawing unit, wire, barbed wire, wire-mesh, netting and other products are manufactured. The greater part of the Corporation's output is for the construction of the Oruwela wire-rope and wire-mesh factory at Oruwela. In addition the mill provides employment for our own workers and technicians and



The General Manager of The Steel Corporation, M. D. Manakulasuriya is seen in conversation with Soviet experts.

the country's requirements of merchant sections—steel and shapes used mainly in build-

has helped develop metallurgical and other skills not previously available.

The development of the present works site into an integrated iron and steel industry is the Corporation's objective. Iron ore occurs in various parts of the country—Panirendawa, Dela, Rakwana, Akuressa, Sadalan-kawa, etc.—and deposits of over 6 1/2 million tons have already been proved. Project Studies are now under way for the exploitation of these deposits and the use of local and or imported accretion of scrap to manufacture steel. Subsidiary raw materials like limestone and dolomite are also easily available in the country.

The Corporation is now actively planning the second stage of the undertaking, the installation of facilities for steel-making and then of iron-making. These plans will take into consideration the economic needs of the country, the locally available raw-material resources such as iron-ore, as well as the latest innovations in the technology of steel manufacture.

The development of subsidiary industries is also under way. A steel foundry 'the first of its kind in Ceylon' for the manufacture of steel castings has already been put into operation on a small scale and is due to be expanded shortly.

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# BIGGEST ENTERPRISE UNDER SOVIET-CEYLON CO-OPERATION

The 4th anniversary of the commissioning of the biggest state enterprise in Ceylon falls on the 20th of March this year.

This enterprise which was set up with Soviet assistance is the Iron and Steel Works with an annual capacity of 60 thousand tons of steel rolled products.

The characteristic feature of Soviet assistance to the developing countries is that it is directed towards strengthening the public sector in their economies. In this manner such favourable pre-requisites are being created to solve the most important industrial problems and expedite economic development so that it will strengthen the position of the national economy in its struggle against capitalist monopolies.

About 70% of the total amount of the co-operation agreements between the USSR and developing countries are to be invested in development of industries, and more than

50% of this amount are being utilized on construction of enterprises of heavy industry. This is applicable to Soviet-Ceylon economic and technical cooperation as well.

*The construction of the Iron and Steel Works proved to be one more decisive step taken by the people and government of Ceylon on their way towards economic independence.*

The Iron and Steel Works is not second in importance in the field of Soviet-Ceylon cooperation. The project was elaborated by the Soviet designing institutes and it envisages the further development of the Works.

The operation of the Work enables Ceylon to stop import of rolled products, wire and wire products thus saving foreign exchange so much needed for the economy of this country.

By



**V. KALNY**  
Counsellor for Economic Affairs of the USSR Embassy in Ceylon.

Ceylonese organisations are of a high opinion about the construction works and the Soviet equipment installed

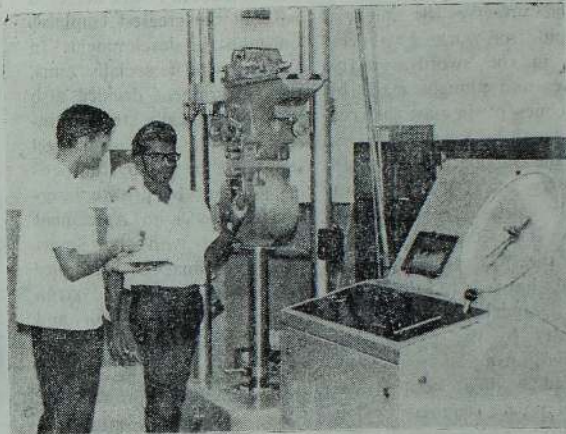
in the Iron and Steel Works. At present, this enterprise with technical assistance of the Soviet specialists, is steadily increasing production capacity.

## Important Features

One of the most important features of technical cooperation with the USSR in the construction of the above plant which was commissioned in 1968, now operating its full designed capacity, as from

workers and technicians besides those who were in the USSR.

At present, Ceylonese engineers technicians and workers, having successfully mastered the operation of sophisticated processes of Iron and Steel Works are fruitfully working for the benefit of strengthening and developing the Ceylonese national economy. Owing to their efforts this project is being operated efficiently and ended 1970 with profits.



Mr. V. Pasco, one of the Soviet experts is seen in discussion with local technicians in the laboratory at the Oruwala Steel Plant.

the middle of last year, is the training of local staff and qualified workers.

This enterprise has become a real training center for Ceylonese workers and technicians. During the construction and operation of the project, Soviet specialists trained many

On the occasion of the 4th anniversary of the commissioning of the Iron and Steel Works, may I congratulate the administration, workers technical staff and officers of this enterprise and wish them future success.

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# FOUR YEARS OF CEYLON'S STEEL PROJECT

Four years ago on the 20th of March 1967 the first stage of the Ceylon Steel Corporation consisting of the Rolling Mill and Wire Mill came into operation. The construction of the first stage and its commissioning were carried out under the Soviet-Ceylon Agreement on Economic and Technical Corporation signed in 1958.

Even before work was started on the construction of the Factory and the installation of equipment, steps were taken to train Ceylonese personnel to man the Plant. A large group of Ceylonese Engineers, technicians and workers went to metallurgical factories in the USSR for practical training. With the technical knowledge and experience they gained in the Soviet Union they were able to master the complicated technology of rolling and wire-drawing.

During the construction and commissioning of the Mills the Soviet specialists were there at every stage assisting the Ceylonese engineers

and technicians in acquiring further practical skills at their place of work and sharing with them their experience and skills. The Ceylonese personnel in the Factory speak cordially of the Soviet specialists with whom they have worked in the past.

## Exchange savings

In the course of 4 years of operations, the Factory has produced over 30 rolled profiles and the complete assortment of wire products. The production of trusses and steel castings was also commenced. This enabled Ceylon to stop imports of a major proportion of the rolled and wire products requirements and thus save a considerable amount of foreign exchange. During the last four years of operation of the Factory performance of the equipment installed has been satisfactory and has enabled maintenance of adequate levels of production. Through out the Ceylon Steel Corporation has earned reasonable profit.

A rapid achievement of project capacities and the mastering of a complete assortment of steel products by the Ceylonese engineers, technicians and workers with the assistance of the Soviet specialists will enable the country to meet her increasing requirements of steel which

billets of a bigger size than normally used. This problem arose due to the shortage in the Rolling Mill of small section billets resulting from a scarcity of these billets in the world markets. In spite of all difficulties and complications this problem was solved successfully and within a short period of time.

By

**A. SOULIN**

Leader of the Team of Soviet Specialists attached to the Ceylon Steel Corporation

will result in increased savings of the foreign currency spent on imports.

An important and complicated technical problem solved by the Ceylonese specialists in collaboration with the Soviet specialists recently (August 1970—February 1971) was the rolling of most of the popular small-diameter profiles from

The further cooperation between Ceylon and the Soviet Union in the expansion of the Ceylon Steel Project will be beneficial. During the period February-March 1971 a team of Soviet experts visited Ceylon to discuss the Technical and Economic Report on the second stage of the

Steel Project and to prepare a detailed Project Report.

The Technical and Economic Report on the second stage envisages the installation of a continuous Casting Plant and the construction of an Electrical Steel Melting Shop for using metal scrap as a raw material. The utilization of scrap as a cheaper raw material compared to steel billets will result in a greater savings of foreign exchange for the country. In addition it will enable the Corporation to be self-sufficient in its billets requirements. Billets are in short supply in the world market and this can adversely affect the attainment of project capacities.

The implementation of the second stage of the Ceylon Steel Project will provide greater employment and mark a further step in the development of an independent economy in the country.

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# Ceylon's first steel complex - A landmark in industrial progress

Plans are now being laid by the steel Corporation for the launching of the second stage of its steel plant. Completion of this stage of the project will enable the Corporation to produce its own steel from imported crude iron and from scrap that is at present available in large quantities, locally.

Implementation of this project, for which Ceylon has obtained both technical and material assistance from the Soviet Union, will mark an important step in this country's industrial progress. This was disclosed by high-ranking officials of the Steel Corporation, in an exclusive interview given to me.

A high-level team of experts from the Soviet Union is now in the island for discussions with officials of the Ministry of Industries and Scientific Affairs and of the Steel Corporation in this connection. A detailed report outlining all the technical aspects of the project, submitted by the Russian experts is now being studied. A formal agreement is expected to be signed soon.

The economic needs of the country, the availability locally of raw materials, particularly iron-ore and the latest techniques in the technology of steel manufacture will be among the principle factors considered in connection with this project.

The Government of the USSR, has already indicated its willingness to provide the technical expertise and machinery necessary to make this project a reality. A huge foreign exchange saving and the creation of more employment opportunities are anticipated if the plan works out successfully.

## Soviet Assistance

The Steel Works at Oruwa were designed and equipped by the Soviet Union under a line of credit granted in terms of the Technical and Economic Co-operation Agreement between our two countries.

Designs for the Plant were drawn up by Messrs. Gipromez Engineering Co. Moscow while equipment was provided and technical services rendered by Messrs. Tiajpromexport of Moscow.

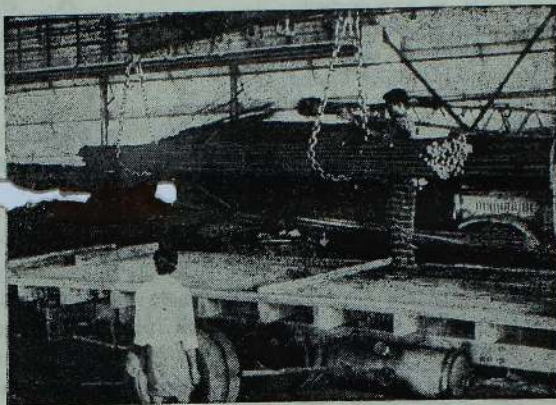
Besides undertaking the designing and equipping of the Steel Factory the USSR also trained 30 local engineers and technicians in steel mills in their country. Five of these persons completed an Advanced course in Steel Technology at Lumumba University, Moscow.

As many as 55 Russian specialists were loaned to the Steel Corporation to assist us in the initial commissioning and production stages of the mill.

These specialists in a comparatively short period of time trained local personnel to run the entire works. Today Ceylonese technicians assisted by two Russian Experts are responsible for the smooth running of the mill.

By  
E. MOLDRICH

The Steel Corporation was established in 1961. Clearing the land at Oruwa, a 307-



Picture shows the loading of manufactured steel bars which are used in many industrial firms

acre site, acquired by the Government in April 1962 was carried out by the Ceylon Army. Building work commenced in December 1962. The main civil engineering con-

tractor was the State Engineering Corporation.

Water is supplied to the factory from a pumping station at Nawagamuwa on the Kelani river. These facilities were designed and constructed by the Department of Water Supply and Drainage. The Factory's power is supplied by a 132-KV line erected by the Department of Government Electrical Undertakings.

A spokesman for the Corporation told me that the total

Explaining the technical features of the steel mill, a Corporation official said that operations had begun with steel rolling and wire drawing.

In the rolling mill, imported steel billets are fabricated into standard shapes, used mainly in the building industry. The rolling mill now functioning has a rated capacity of 60,000 tons of rolled products per annum (working on two shifts).

The steel billets are imported mainly from the USSR, Poland and India.

The items produced by the rolling mill include round bars, reinforcing bars, flats, equal angles and unequal angles.

In the wire drawing unit, the basic raw material used is wire rods. In this unit, wire, binding wire, nail wire, welded mesh and hexagonal wire netting are manufactured.

## Capacity

The raw material for the wire mill is imported from the USSR and Japan. The estimated capacity of the mill is 12,000 tons of wire products per annum.

A spokesman for the Steel Corporation disclosed when working at full capacity, the total value of the plant's production calculated at current market prices is Rs.65 million.

The Rolling Mill and Wire Mill are at present capable of producing Merchant Sections of Wire Products sufficient to meet the requirements of the country covering 90 per cent of the range of products now in use. The mill has been planned to cover adequately the growth of consumption in these varieties for the next ten years.

## Benefits

Outlining the principal benefits that the country derives from the establishment of the Steel Mill, the spokesman said: "Each year Ceylon imports 200 million rupees worth of iron and steel goods. Our existence in homes, schools, workplaces and fields is made possible by a host of tools, implements instruments machines and utilities made of iron and steel. A major portion of this wealth is now being saved by this factory.

Besides the foreign exchange saving, employment opportunities for almost 900 persons have been provided with the setting up of the mill.

The spokesman further said: "The benefits of the Steel Factory do not end with this. Steel is a strategic industry for any developing country. It consumes huge quantities of raw materials such as limestone, iron-ore and dolomite.

Contd on page 15

## INGRA-KONSTRUKTOR of Zagreb-Split, Yugoslavia

- completed the construction of the First Stage of Maskeliya Oya Hydro-Scheme; Mousakelle Dam; Laxapana Diversion Dam; Polpitiya Tunnel (5 miles long); Polpitiya Powerhouse (75 Megawatts);
- presently completing the construction of the underground powerhouse and driving of tunnel on Kafue Hydro Scheme in Zambia;
- completed hydro-schemes all over the world (India; Yamuna; Sholayar; Periar; Jaldhaka; Pakistan; Chichoki; Mallian; Gujranwala; Cambodia; Kirirom Project; Iran; Mahabad Scheme; Morocco; Mechra Klila, and others.
- Presently constructing Polgolla Diversion Project which is the first stage of the Mahaveli Ganga Development.

For all information, CONTACT:

## INGRA-KONSTRUKTOR

18/1, Alfred Place, COLOMBO 3.

Phone: 32517.

# STEEL COMPLEX . . .

Contd from page 14

it uses power on a largescale. Other new industries will process its products further into finished goods. In this way it will stimulate continued and rapid industrial growth.

## Technical Problems

Had the Corporation encountered any technical problems and how have these problems been solved?

No new industry is without its problems, particularly a heavy industrial plant like the Steel Complex where Ceylonese had to cope with technical peculiarities of a comparatively new nature, said the spokesman.

The Corporation had to face a frequent break down of supplies of billets of an important specification. This particular size of billets was necessary for the manufacture of a wide range of rolled products.

Local technicians of the Corporation assisted by the Soviet specialists, overcame this problem by introducing certain adjustments whereby steel billets of another size could be used. By this means, the Corporation was able to turn out the same items without a shortfall in production,

The spokesman further said that most of the problems that arose, particularly at inception of operations were overcome not at the conference table but by the joint efforts of the Russian engineers and local employees.

Commenting of future plans the corporation spokesman said that besides the proposed second stage for steel manufacture, the Corporation has already embarked on a number of subsidiary industries such as the steel foundry. "Our expansion programme, will be pursued with vigour in an effort to obtain for Ceylon a place among steel producing nations of the world," he added.

The establishment of the steel factory at Oruwala had brought modern industry in one of its most advanced forms to a traditionally rural area, the spokesman concluded.

Ceylon's Steel Corporation, one of the largest public-sector industrial ventures, the most modern and the most far-reaching in its potential effects, will no doubt play a leading role in transforming our economic and social pattern and in taking Ceylon into the fore-front of the industrial world.

## Export Opportunities . . .

Contd from page 3

change earner. It fetches U.S. \$1,388.00 per kilogramme C. & f. The present demand in Japan is about 20 - 30 kilograms.

Japan at present imports this product from Pakistan, Indonesia and Japan.

Ceylonese exporters interested in this export business may contact:-

Mr. H. W. Toyoda,  
President, Toyoda  
Incorporation,  
Higashimachi Mansion  
710,  
1-5-4, Minaminagaba,  
Minata-ku, Tokyo.  
Japan.

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

Asian Mercantile Co.,  
Box 1584 CPO,  
Tokyo.

Precious and semi precious stones, jewellery from semi precious stones. Wooden carving of quality manufactured goods in motifs.

Footwear gold and silver embroidery on velvet and leather: Stone carvings.

Managing Director,  
Port Moresby Watch makers  
Pty. Ltd.,  
Port Moresby, Papua,  
Australia.  
Evening bags.

## Economic Development . .

Contd from page 4

is to be borne in mind that the population during this period increased from 79 million in 1949-50 to 125 million in 1970.

The problem which Pakistan has faced in common with all developing countries is the

distribution of the benefit industrialisation and development among the masses. To bring about social justice in conjunction with economic development is the aim of the Government in the Fourth Five-Year Plan launched last July.

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# THE ECONOMIC TIMES

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## DEVELOPMENT AID

There is a growing tendency on the part of the wealthier nations to give less and less support for development to the poorer countries of the world. On the other hand, poor performance among developing countries has been characterised by a lack of commitment to economic development, limited capacity for economic management and unwillingness to face the political and social implications of basic structural change.

This is the essence of the Pearson Commission Report in its assessment of development aid.

Foreign aid takes many forms. It flows in from private sources in the form of investments and through official sources in the form of grants, projects and commodity aid. One of the persistent complaints made by donor countries is that foreign aid is not effectively utilized by the recipients. This is perhaps one of the reasons for development aid to flag in recent years.

In this respect Ceylon is not innocent. There are many instances where machinery and technical equipment etc., have been left to idle due to bureaucratic indifference, or lethargy, thus jeopardising the development efforts of the Government much to the chagrin of the donors. It need hardly be emphasised that such wanton waste of resources must be checked so that the country may obtain the optimum benefits of the aid received.

Developing countries like Ceylon have to depend on foreign aid for accelerated economic development however obnoxious or unpalatable this prospect might seem in the context of the political implications of the business. The increasing scarcity of international liquidity has necessitated the raising of interest charges and slowed down the flow of untied capital transfers. Developing countries are in dire need of softer terms, but unfortunately terms of aid seem to worsen and Ceylon is about the worse affected among the S.E. Asian recipient countries.

There is now increasing evidence that the developed nations are fast realizing that the developing world loath the concept of "tied aid" and the subordination of national objectives. The United States Foreign Assistance Programme for the 'seventies takes cognizance of this view. President Nixon's Report which we serialised exclusively states:

*"I propose that all donor countries end the requirement that foreign aid be used to purchase goods and services produced in the nation providing the aid. Because recipients are not free to choose among competing nations the value of the Aid they receive is reduced significantly these strings to our aid lower its purchasing power. . . . Aid with such strings can create needless political friction. Complete untangling of aid is a step that must be taken in concert with other nations."*

Developing countries can only hope that these good intentions would become a reality in the not too distant future. But relying on aid alone won't help much. The lower income countries must expand their exports to be able to afford the imports needed to promote their development efforts, and to lessen the need for concessional foreign assistance. Until such time there is no alternative but to eat the humble pie.

## U.S.S.R. to buy more non-traditional products

Canned pineapple products, spectacle frames, parquet wooden flooring and ready-made garments are among the non-traditional items which the Soviet Union will purchase from Ceylon this year.

According to the Trade Protocol for the current year under which Ceylon will export many new products, the USSR will purchase 200 tons of canned pineapple products. Last year She brought 180 tons of these items.

Arrangements are being made with the assistance of the Ceylon mission to finalise a contract for the supply of a large quantity of spectacle frames this year.

Introduced in the 1971 Trade Protocol. The appropriate Soviet Foreign Trade Organisation has now been contacted by the Ceylon Embassy and samples supplied by a local firm have been furnished together with prices and technical specifications. It is likely that the first consignment might leave Ceylon shortly.

### Teheran oil Agreement

Estimates made in London last week indicate that the effect on Britain's fuel bill of the agreement signed in Teheran last month between the Gulf States of Abu Dhabi, Iran, Iraq Kuwait, Qatar and Saudi Arabia and the oil companies will be in the region of £50-60 million this year. And by 1975 the extra cost will be more than £100 million in the year.

Still to be taken into account is the effect of the oil agreement now being negotiated with the Libyans.

The increases will, of course, be felt not only by Britain, but also by other countries in Europe who buy their oil from the region.

The full significance of the higher costs may not have been appreciated by the oil-producing countries who are well advised to bear in mind the pressure they apply to Western European consumers may also have a demagogic effect on the economies of developing countries.

#### Encouraging aspect

An encouraging aspect of the Teheran agreement, however, is that it is to remain in force for five years. The Gulf States have agreed that during this period they will not seek any increase in the government share or other financial benefits as a result of different terms which might be negotiated in the Mediterranean or elsewhere.

Ceylon-made ready-made shirts which have been exported to the Russian market for quite some time, will this year too be exported in large quantities. Final arrangement to secure a contract for the supply of shirts to the USSR is now underway.

Besides non-traditional exports the Soviet Union will this year buy more Ceylon tea than in 1970. As much as 3,000 tons to 4,000 tons of tea will be shipped as against 2,500 tons of tea last year.

In fact the entry of the USSR into the local Tea Auctions has already had a salutary effect on tea prices, according to trade sources.

## Ceylon-G. D. R. Agreement

The Government of Ceylon and the G.D.R. entered into a tripartite Agreement last week relating to: exchange of commodities; exchange of know-how in the fields of art, literature, sports etc; and the exchange of Scientific and technical expertise.

The Trade Agreement was signed by T. B. Illangaratne, Minister of Internal and Foreign Trade, Mr. S. S. Kulatilake, Minister of Cultural Affairs signed the Cultural co-operation Agreement while Mr. T. B. Subasinghe, Minister of Industries and Scientific Affairs signed the Scientific and technical co-operation Agreement. Mr. Otto Winzer signed these Agreements on behalf of the G.D.R.

#### TRADE PACT

The Trade Agreement relates specifically to the exchange of commodities between Ceylon and GDR in 1971. The schedule of Commodities which is an integral part of the agreement includes for export from Ceylon, besides

#### CEMENT CORP HEAD STUDIES PROJECT PLANNING IN U.K.

Now in Britain studying the planning and implementation of large scale industrial projects, is the chairman of the Ceylon Cement Corporation, Mr. E. M. Wijenaik, who is following a three-month Industrial Projects course for developing countries at the University of Bradford.

Mr. Wijenaik, was earlier chairman of the State Fertiliser Corporation and a Director of the National Textile Corporation. His training is financed by Britain under the Colombo Plan.

The aim of the oil companies is to achieve agreements which establish stable and harmonious financial conditions, and the fact that the Teheran agreement is for five years is helpful in this respect.

The hope in London is certainly that the talks between Libya and the oil companies will result in reasonable settlement being reached which will reflect an equitable relationship to the Teheran terms and thus achieve the desired stability.

the traditional commodities, other items such as parquet flooring, automotive and dry cell batteries, rubberised coir fibre, medicinal herbs and canned fruit juices. The two lists of commodities attached include from Ceylon, spices £150,000, Coconut oil £650,000, drugs, medicine and essential oil £150,000, automotive and dry cell batteries £25,000, handicrafts and batiks £25,000.

In the list of exports from the GDR is included deliveries of goods under economic aid and credit agreements including 30,000 tons of potash fertiliser. Total deliveries under this category is expected to reach £1 million. In addition the following are included: textiles machines and spare parts £150,000, printing and book binding machines and spare parts, £75,000, chemical products £75,000, films and photographic material £50,000, electro chemical instruments and equipment £40,000.

The agreement provides that both countries grant each other most favoured nation treatment. It also provides that goods exchanged under this agreement cannot be sold to third countries without prior agreement by the exporting country.

The payments agreement provides that all payments for specified transactions including exchange of commodities will be routed through clearing accounts established by the Central Bank of Ceylon and its equivalent in Berlin. Under this agreement a swing credit of £300,000 is granted by each country to the other. Any excess over the swing, if not settled by further trade transactions has to be settled in convertible currency.

#### Technical Co-operation

The Agreement provides for: ● Exchange of Scientific, technical and economic experiences, co-operation in organising and carrying out research work and various projects by delegating scientists, advisers and experts.

● Delivery of Scientific equipment, instruments and teaching aids and equipping research centres.

● Co-operation in the field of vocational training, exchange of instructors and setting up or organising such centres.