



THE ECONOMIC TIMES

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Price 50 cts.

Packeted tea exports up

Exports of tea in packets showed a marked increase last year from 9.3 million pounds valued at Rs. 29.4 million in 1968 to 15.1 million pounds, valued at Rs. 37.3 million.

This increase may have been stimulated by the reduction in the export duty by 15 cents per lb. in May 1968 to 25 cts. per lb. Over 75 per cent of Ceylon's packeted tea exports last year were destined to Middle Eastern Markets.

The manufacture of instant tea in 1969 at 300,572 pounds showed an increase of 3,550 pounds or 1.2 per cent over 1968. Customs Returns record that 312,437 pounds of instant tea valued at Rs. 3.9 million were exported last year. Exports to the United Kingdom amounted to 236,892 pounds while exports to West Germany and Australia were 37,161 pounds and 22,959 pounds respectively.

FOREIGN TRADE ABYSS DEEPENS

- ★ Less income from exports
- ★ Import bill soars

THE ECONOMY OF CEYLON IS STILL VERY MUCH IN THE GRIP OF THE VICIOUS CIRCLE THAT IS CAUSING A SEVERE FOREIGN EXCHANGE SCARCITY AND INHIBITING ECONOMIC PROGRESS. THE TRENDS IN CEYLON FOREIGN TRADE HAVE GROWN DETRIMENTALLY RESULTING IN A CONTINUOUS DECLINE IN EXCHANGE EARNINGS, WHILE THE VALUE OF IMPORTS HAS BEEN RISING SHARPLY.

THE MERCHANDISE TRADE DEFICIT FOR 1969 WAS RS. 697 MILLION.

The disquieting aspect of this situation is that the prospects of any improvements in the foreseeable future seem extremely bleak.

"Ceylon's capacity to import from its own resources had been declining as a result of a variety of causes. One of the most significant of these is the decline in export incomes", states the Central Bank in its Annual Report for 1969.

The Report adds: "In export performance, the country has been particularly unfortunate, in that whereas world exports rose by 11.5 per cent in 1969, Ceylon's own exports fell by 3 per cent, mainly because of changed demand

conditions in world trade for the type of commodities produced by Ceylon".

Contributory Factors

The main factors that accounted for the country's foreign exchange shortage and balance of payments difficulties were:—

- * Declining prices fetched by traditional export products.
- * Over supply of commodities such as tea, and declining consumption in the major consuming countries.
- * Marked increase in import prices.
- * Increase in freight rates, and
- * External debt servicing burden.

Debt servicing which includes interest and capital repayments was nearly 14 per cent of Ceylon's total export earnings. The problem becomes all the more disquieting when viewed in the context of the country's national income which comprises over 40 per cent of the total export earnings.

Limited Scope

The scope for substantial cuts in import expenditure is limited severely. In 1969 nearly 45 per cent of Ceylon's imports constituted consumption goods. About 23 per cent of imports were in respect of

intermediate goods required for the maintenance of industrial and agricultural programmes, and about another 28 per cent for development projects of which some are tied to aid programmes and would not therefore be a drain on the country's own resources in the immediate future.

Due to the failure of the domestic sector to increase production adequately any appreciable reduction of consumer goods imports was not possible without having to force prices upwards and causing more hardships to the wage earner.

CAPACITY TO IMPORT

Year	Rs. Million				Actual imports
	Domestic Exports	Terms of Trade	Net Movements	Net Capacity to import	
1960	1,777	— 11	2	— 44	1,724
1964	2,060	— 316	2	— 34	1,712
1966	1,928	— 505	—12	— 36	1,375
1967	2,002	— 667	—2	— 45	1,288
1968	2,002	— 784	—3	— 29	1,206
1969	1,951	— 811	—3	— 58	1,079

Capital formation rises

Gross fixed capital formation in Ceylon rose by Rs. 674 million or 43.0 per cent in 1969. Of this increase, Rs. 98 million was in the Government sector, Rs. 57 million in Public Corporations and Rs. 519 million in the private sector.

Total fixed capital formation in the government sector rose by 20.9 per cent between 1968 and 1969.

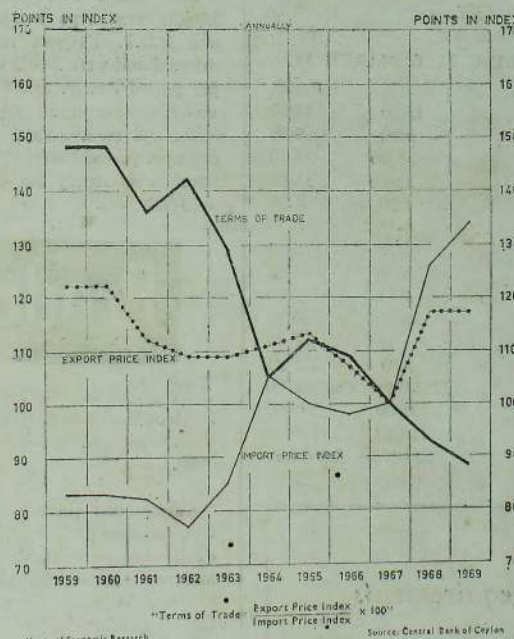
Investment in Public Corporations rose from Rs. 278 million to Rs. 335 million in 1969. This is an increase of 20.6 per cent. Of the total fixed capital formation amounting to Rs. 335 million, 43.3 per cent was in manufacturing, 30.7 per cent in agriculture and 20.1 per cent in transport.

In 1969, constructional activity accounted for 49.9 per cent of total investment in Public Corporations.

PRIVATE SECTOR

Total capital formation in the private sector in 1969 rose mainly due to the liberalisation of imports under the FEEC scheme. The value of imports of investment goods rose from Rs. 383 million to Rs. 700 million in 1969 — a rise of 82.8 per cent. Investment in plant and machinery increased by Rs. 200 million, transport equipment by Rs. 186 million and building and construction by Rs. 128 million.

Ceylon's trade indices 1967=100



The above chart indicates the rapid deterioration in Ceylon's terms of trade over the last decade.

In 1969, the value of Ceylon's exports was Rs. 119 million less than that recorded in 1968. The value of imports rose sharply by Rs. 435 million or 25 per cent in 1968. This rising trend continued in 1969 and the total for the year reached a peak of Rs. 2,543 million, and exceeded the previous year's level by Rs. 370 million or 17 per cent.

The average price index of all imports at 134 was 6 per cent higher than in 1968. The average price index of all exports for 1969 remained unchanged at 117 recorded in 1968.

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MARKET PRICES

COLOMBO CLOSING PRICES 9.4.70

TEA (Rs. Cts. Per lb.)	BOPS		B. O. P-Fs	
	low	high	low	high
High Growas	1-80	4-45	2-10	4-25
1 at 5-00	1 at 5-15		1 at 4-30	1 at 4-35
1 at 5-25	1 at 5-35		1 at 4-50	1 at 4-80
1 at 5-60			2 at 4-85	1 at 4-95
Medium Grown	1-35	2-30	1-40	2-20
Small leaf Low Grown	1-30	1-42	1-35	1-50
Tea for Price	1-15	1-30	1-10	1-35
Leafy B.O.P.	1-32	1-40		
	F. B. O. Ps.		F. B. O. Ps	
Tippy Teas	1-34	1-45	1-30	4-50
2 at 1-46	1 at 1-47		1 at 5-50	1 at 5-60
1 at 1-49			1 at 7-90	1 at 9-00

PRICES FOR THE WEEK ENDED 15.4.70

RUBBER (Rs. cts.—per lb.)
The Commissioner of Commodity Purchase paid the following prices to shippers.

Colombo	High	Low
RSS No. 1	94 1/4	89 1/4
RSS No. 2	89 1/2	87 1/4
RSS No. 3	88 3/4	86

COPRA (Rs. per Candy)
Estate Copra No. 1. 268/00 264/00

COCONUT OIL (Rs. per ton).
April. 1630 T. 1600 N.
May. 1560 T. 1540 N.

POONAC (Rs. per ton)
High 440 T. Low 430 N.

DESICCATED COCONUT (Cents per lb.)
April. 65 T. 65 T.
May. 65 N. 65 N.

PRICES FOR THE WEEK ENDING 21ST. MARCH 1970.

Produce Quotations	Per lb.
Papain White	13/50 14/50
Papain Brown	9/00 9/50
Cardamoms No. 1	33-50 34-50
Cardamom Seeds	33-00 33-00
Cinnamon H1	4/20 4-25
Cinnamon H2	4-15 4-15
Mace	4/75 5/00
Nut Meg (Shelled)	3/50 4/00
Nutmeg (Unshelled)	1-75 2-00
Cloves	20/15 20/15
White Pepper	— —
Black Pepper	3-10 3-25
Coffee No.1	275/00 Per. Cwc 300/00
Croton Seeds	135/00 145/00
Kapok Clean	150/00 150/00
Cocoa No. 1.	254/Nom. 254/Nom
Kapok Unclean	50/00 50/00

TEA REPORT

Nuwara Eliya Teas: The Small selection on offer met with good demand although at lower rates with prices closely following quality. The top price realised by a B.O.P. was Rs. 2/91 and a B.O.P.F. was Rs. 2/60.

High Grown Teas: The market for Dimbula/Dickoya broken followed very much the same trend as last week. The selection on offer which was mainly improved met active demand and were substantially dearer following quality. Others although irregular were on average dearer. Poor leaf light liquoring types were again a lower market particularly where quality was inferior.

Brightest Uvas were slightly dearer but plainer sorts dropped by 5 to 10 cents per pound.

Western O.P's and Pekoes were irregular following quality but Uvas were slightly dearer.

Medium Grown Teas: Best colour mediums particularly the Westerns which also had improved quality were dearer but others met less demand and were 5 to 10 cents per pound lower on last rates. Uvas which were rather plain were also lower and fell similarly by 5 to 10 cents per pound. Pekoes were fully firm to dearer but O.P's were lower.

Low Grown Teas: Leafy Middle East type F.B.O.P's and B.O.P. 1's met strong demand and were 2 to 3 cents per pound dearer. Small leaf B.O.P's were again slightly easier and on average 2 to 5 cents per pound lower. Pekoes were barely steady but O.P's were fully firm.

Commodity Commentary

B.O.P. Fannings: Prices followed the same trend as for their respective broken. Best Westerns advanced substantially following quality and others too although irregular were on average dearer. Best Uvas and Mediums were dearer but below best and plainer descriptions came to a lower market and dropped 5 to 10 cents per pound. Low Grown B.O.P. Fgs. were slightly easier. Small leaf tippy fannings were fully firm with the leafier parcels dearer. Best showy parcels were a little dearer.

Off Grades: Came to a lower market except for a few select Westerns and clean leaf Low Grown fannings.

Dusts: Westerns were irregular following quality with a few lines of select best substantially dearer. Others came to a lower market except for powdery sorts which were dearer.

General: In accordance with expectation the sales of 1st and 8th April have seen the best selection of Westerns catalogued so far this season and prices too have been closely in line with quality. The Sale of 17th April has also a very useful selection of teas on offer but quality thereafter shows a steady seasonal decline.

A few long prices on air mail orders were paid this week and the top B.O.P. price of Rs. 5/60 per pound paid on an exceptionally fine line of tea is higher than last years top price of Rs. 5/30 per pound. Quality however overall has this year been inferior to peak seasonal quality in previous years and as a result invoices

which have had only a slight edge over other teas have often appreciated considerably more in price than the actual difference in quality might have justified.

RUBBER REPORT

R.S.S. No. 1 opened 1/4 cent dearer at -97 1/4 cents per lb., but declined gradually thereafter in line with overseas advices to close at -94 1/4 cents per lb.

Approximately 649 tons of Latex Crepes were offered at the Two Sales held during the week, a substantial increase of 239 tons compared to the previous week's total. At the First Sale, Best Latex Crepes remained unchanged but the F.A.Q. types were 1b cents per lb. dearer. Duller and inferior sorts too improved by 2 cents per lb.

At the following Sale, Best latex crepes were marked up by 1 cent per lb., whilst the F.A.Q. types too gained further by 1/2 cent per lb. Duller and inferior sorts however were irregularly easier.

Approximately 217 tons of Scrap Crepes were offered, an increase of 99 tons compared to the previous week's total. At the First Sale, light and dark brown scrap crepes were 2 cents per lb. higher, whilst the darker sorts too recorded a rise of 2 to 4 cents per lb., Flat Bark however was 2 cents per lb. easier.

At the following Sale, light brown scrap crepes improved further by 1/2 to 1 cent per lb. The dark brown types also were irregularly dearer, but the darker sorts declined by 1 to 2 cents per lb. Flat Bark however remained unchanged.

Auction, we give below the prices paid by dealers for No. 1 quality of the undermentioned commodities:—

Cloves Rs. 17.50 to Rs. 18.00 per pound.

Clove Stems: Rs. 3.50 to Rs. 3.75 per pound.

Nutmeg Shelled: Rs. 3.25 to Rs. 4.00 per pound.

Nutmeg Unshelled: Rs. 1.50 to Rs. 1.75 per pound.

Papain White: Rs. 14.50 to Rs. 15.00 per pound.

Papain Brown: Rs. 9.50 to Rs. 10.00 per pound.

Mace: Rs. 5.00 to Rs. 6.00 per pound.

Cinnamon Quills H2 Rs. 4.20

Coffee: Rs. 250/- to Rs. 300/- per cwt.

Kapok Cleaned: Rs. 130/-

Kapok Uncleaned: Rs. 53/- per cwt.

Croton Seed: Rs. 130/- to Rs. 140/- per cwt.

Export Duty: Ad valorem of 40% on the F.C.B. price on Cocoa and Cardamoms 20% on Cinnamon Quills and 10% on Cinnamon Chips.

Produce Report

We give below the Sunday Produce Market Report for the Poya Week ending 5th April, 1970.

Cardamoms: There were 72 lots, totalling 4353 pounds of cardamoms on offer, showing an increase of 1439 pounds on last week's figure. The prices for all grades declined considerably this week and No. 1 cardamoms was quoted at Rs. 32/50 to Rs. 34/- per pound. The depression of the market this week is attributed to the large quantity on offer. Off grades fetched Rs. 31/50 to Rs. 32/- per pound, whilst seeds sold at Rs. 33/05 per pound. The highest price paid for the day was Rs. 37/50 per pound.

Cocoa: 23 lots, totalling 151 cwt of cocoa were offered at the sale, which indicated a decrease of .57 cwt on last

week's figure. In the absence of many buyers, the market was once again dull and consequently no quotation was made for No. 1 quality. Grades next to best were transacted at Rs. 248/- to Rs. 258/- per cwt with the darker and poorer grades fetching around Rs. 225/ and Rs. 230/- per cwt. There were no garblings and shell cocoa on offer.

Coffee: 13 lots, allingot 21cwt, 01 qr. 08 lbs. were to offer and remained unsold due to the lack of suitable bids.

Pepper: 6 lots totalling 3415 pounds were on offer, the best of which was sold at Rs. 3/00 per pound at which price quotation was made.

Clove Stems: Two lots totalling 2079 pounds were on offer and remained unsold due to the lack of suitable bids.

General: There being no transactions for any other Sunday Produce at the Public

For All Requirements of

CHIP BOARD

Contact: Ceylon Plywoods Corporation

420, Baudhaloka Mawatha

COLOMBO-7

1969: A LEAN YEAR FOR TEA

Despite the fact that the physical disposal of Ceylon's tea crop in 1969 was considered satisfactory, in that there were no serious disruptions to the regular weekly auctions, the nett average price fetched by all teas was the lowest for several years.

Heavy cropping in the middle of the year was largely responsible for the annual average decline, and early in July, nett averages had fallen to their lowest level for several years with the total at Rs. 1.17 per pound and the high grown average only Rs. 1.27.

With large quantities selling at these depressed prices all too many estates struggled through the second half of the year endeavouring to avoid losses. In several cases this was not possible and without doubt many others were able to do so by way of revenue from the Government Export Duty Rebate Scheme which operated on a sliding scale from June onwards.

This rebate proved costly to Government in that the total for 1969 reached Rs. 34.5 million. In this connection it is interesting to note that these payments exceeded the income from 'ad valorem' duty, the total of which was Rs. 29.9 million.

LESS PRODUCTION

Tea production last year amounted to 484.2 million. This was 11.4 million pounds less than the quantity produced in 1968. This drop in production was evinced despite the useful crops harvested in the first quarter; and at the end of March the crop for the year was 15 million pounds more than in 1968. The harvest for the month of May last year was also an all time record of 60.5 million pounds.

EXPORT VOLUME DOWN

The volume of tea exported in 1969 declined by 16.0 million pounds compared with 1968. The decrease in the volume of tea exported can be attributed partly to the lower level of production and partly to the prolonged strike situation in the Ports. Non-availability of shipping space in the last quarter may have also contributed to the shortfall.

The quantity of tea sold at the Colombo Auctions last year was an alltime record of 402.1 million pounds. This was the highest figure since 1965. The quantity of tea shipped direct to London Auctions however, was very much less than in previous years. Only 88.0 million Pounds was shipped to London Auctions in 1969 as compared with 110.7 million pounds in 1968.

PRINCIPAL MARKETS

According to figures furnished in the Customs Returns,

although the United Kingdom continued by far the largest buyer of our tea, exports to the U.K. were down by 31.5 million pounds last year.

The second largest buyer of Ceylon tea in 1968 — Iraq, fell into fourth place in 1969 with exports to that country dropping by 8.8 million pounds.

However, these two sizeable losses were compensated to a certain extent by gains in other Middle Eastern Markets and the United States which showed the largest single gain of 7.3 million pounds to occupy second place.

COLOMBO AUCTIONS

The average nett price of all teas sold at the Colombo Auctions which had risen to Rs. 1.75 per pound in 1968, the highest since 1965, dropped sharply to Rs. 1.53 per pound in 1969. High grown had dropped from Rs. 1.93 per pound to Rs. 1.83 per pound while medium grown declined from Rs. 1.67 to Rs. 1.40 per pound. Low grown fell from Rs. 1.63 to Rs. 1.38 per pound.

The decline in prices for all elevational categories which commenced in October 1968 rose slightly in the first quarter of 1969 for high grown and medium grown.

A feature of the Quarter was the wide disparity in price between useful liquoring teas and their plain counterpart. As a result, although most high grown estates manufacturing well-made, good liquoring teas enjoyed a useful level of prices, plainer teas from both Uva and Western Mid-Country districts met with only a limited demand and many teas were only saleable below their cost of production.

One feature which was readily apparent was that well made teas continued to command a premium and quite often it was this alone that accounted for a profit being made.

RUSSIAN ENTRY

Russia re-entered the market at the sale of March 15, after a break of six months. This re-entry, although having no sharp impact on prices overall, was most certainly welcomed by producers, as it coincided with the first large sale of 10 million pounds. By the end of March Russia was estimated to have purchased 2 million pounds.

As a result of the very heavy May crop of 60 million pounds, large quantities were catalogued from the end of that month onwards, culminating in the sale of 11.4 million

pounds on June 24 and June 25, which constituted an all time record for any one auction.

PRICE DECLINE

Coupled with the heavy May crop came the most severe decline in prices in post-war years and by the end of June very few producers were even covering their cost of production.

By

Our Commodity Cor,

The depressed state of the market was by no means peculiar to Ceylon alone as most selling centres experienced abnormally low prices.

High grown and medium grown suffered most during this quarter while low grown met with a fairly good demand maintaining a price of between Rs. 1.34 to Rs. 1.31 per pound.

PRICE REVIVAL

The third quarter of 1969 saw the tea market back from slump to buoyant conditions.

Several factors were involved in this sharp price revival,

particularly for high and medium grown, but the two principal ones were improving quality and smaller quantities. It is usual for crops to fall away in the third quarter and also for teas from the Uva and Uda-pussellawa districts to improve in quality, but one of the most noticeable features was the good standard produced by estates in Western Districts which was well above expectation. Undoubtedly, this was due in the majority of cases to corrective action taken following the plain "rush" teas of May and June, and it was particularly encouraging to find that the trade was quick to appreciate this improvement and attractive prices were paid.

In the case of low grown, however, demand was restricted and at the end of this quarter, when the market was at its strongest, many estates were only able to avoid a loss through the Government rebate.

The transformation of the tea market from slump to

buoyant is best illustrated by sale averages for the quarter given below:

	1st July	23rd August	27th Sept.
High Grown	1.27	2.49	2.01
Medium Grown	1.01	1.87	1.53
Low Grown	1.25	1.33	1.45
Total	1.17	1.85	1.66

Offerings in the last quarter from Western districts were quite bright and useful in October, but showed a progressive decline in November. However, although showing no marked change, quality was a little brighter in December.

Uvas continued their seasonal decline and were plain in most cases in October and November, but December offerings were a little brighter and represented a very satisfactory standard for the time of the year.

In the case of high and medium grown, a fair margin of profit was enjoyed in the final quarter of 1969, but all too frequently the level of prices did not compensate for the disastrous markets experienced mid year.

Rubber market review for March

A factor which caused considerable concern to the Rubber Trade during early March was the inability of certain Rubber Shippers to meet their obligations on purchases made.

This situation arose out of the current credit squeeze and of sheet rubber shippers having to carry heavy stocks of rubber purchased on behalf of the Commissioner of Commodity Purchase, for which appropriate arrangements had not been made for shipping to China. As a result local auction prices suffered a drop between 2 to 3 cents per lb. during the early stages of the month as only one or two buyers operated at these sales with the rest keeping away.

The situation is fast returning to normal but finances will continue to remain tight until the heavy backlog of rubber destined for China has been disposed of.

R.S.S. No. 1 opened 4 1/2 cents higher at -97 1/2 cents per lb., partly due to the reduction in duty by 3 cents per lb., but declined under fluctuating conditions to -92 cents per lb. on the 11th instant, recovered temporarily in line with overseas advices to touch -99 1/2 cents per lb. on the 19th 1/2 instant, before easing once again to close at -97 1/2 cents per lb.

Approximately 2,410 tons of Latex Crepes were offered at the public auctions held during the month, a decrease of 108 tons compared to the previous month's total, but a slight

increase of 13 tons compared to the total in March 1969. Latex Crepe No. 1 opened at 1/2 to 2 cents easier at Rs. 1/00-02 per lb., continued to decline further to -98 to Rs. 1/00 on the 4th instant, but recovered thereafter under minor fluctuating conditions to close at Rs. 1/02 1/2-04 1/2 per lb.

Approximately 758 tons of Scrap Crepes were offered, a slight increase of 36 tons compared to the previous month's total, but a substantial decrease of 176 tons compared to the total in March 1969. IX Browns opened 2 to 3 cents easier at -87 Nominal per lb., declined further rather sharply to -82/85 cents per lb. on the 4th instant, but recovered steadily thereafter to close at -93 cents per lb.

Approximately 57 tons of Sole Crepe were auctioned, a substantial increase of 27 tons compared to the previous month's total and also an increase of 19 tons compared to the quantities offered in March 1969. Little or no interest was shown for Sole Crepe offerings during the month under review. After being Unquoted at the opening Sale, when most lots were withdrawn for want of bids, some business was recorded at Rs. 1/15 at the Sale of the 11th March, whereafter values continued to be marked down gradually to between Rs. 1/10-12 per lb. at the close.

Forward Sales of Sole Crepe No. 1 took place at Rs. 1/50

per lb. for March/April 1970 delivery.

Foreign Markets

World Rubber Markets experienced considerable uncertainty during the period under review, with prices gradually moving downward. The unsettling factors initially were the continued rumours concerning the G.S.A.* stockpile and the subsequent announcement by the Office of Emergency Preparedness of the U.S.A. that the stockpile objective would be reduced to 200,000 tons, which will create an excess of 169,000 tons; but producers were assured that consultations would be held with producing countries before disposal action was taken.

Sporadic buying by the Chinese People's Republic as well as Soviet Union interest made for slight recoveries from time to time with sentiment further aided by a Malaysian Chinese Language newspaper that the Malaysian Government might consider stockpiling as a buffer against the affects of U.S. stockpile disposals.

SHARE MARKET

The Share Market Report for the week has been delayed,

FROM THE CHAMBERS

CEYLON CHAMBER OF COMMERCE REVIEWS ECONOMIC TRENDS

Mr. Mallory Wijesinghe, the outgoing Chairman of the Ceylon Chamber of Commerce, addressing the Chamber at their last Annual General Meeting reviewed the economic trends last year. Excerpts of his address relating to the plantation sector are given below:—

TEA

In Tea, Ceylon took the initiative in persuading producing countries to reach an informal Agreement whereby exports are to be regulated having regard to the estimated growth in demand, in order to attempt to maintain prices at reasonable levels. We all hope that this Agreement will succeed in arresting the price fall that has bedevilled all our development efforts.

I remarked a little while ago that despite all the efforts that go into production, foreign exchange earnings are disappointing. I used the word "production" deliberately because I have thought for a long while that not sufficient attention is paid to the vital aspect of the marketing of tea. This is true at Government, Industry and Company level.

The Government, through the Ceylon Tea Propaganda Board, seeks to promote tea with a pitifully inadequate budget in comparison with the vast sums spent in promoting coffee, cocoa and soft drinks in International Markets. On the Industry level, it is unfortunate that hardly any attention has been paid to subjects such as market research and market surveys. At the individual Company level there is much more keenness, but Exchange Control restric-

tions hamper the efforts of individuals to carry out promotion activities.

RUBBER

Rubber had one of its best years in recent times, and Ceylon's earnings from rubber increased by about 30%. However, one disappointing feature is that Ceylon, unlike Malaysia and Indonesia, has done very little in the way of producing rubber to standard technical specifications. In contrast, shipments of S.M.R. alone from Malaysia amounted to only a little less than the total quantity exported from Ceylon, and the increase in exports of Malaysian S.M.R. during 1969 compared to 1968 was about 65%, which is a phenomenal rate of growth.

Ceylon has benefitted in recent years from the foresight which led to an extensive Rubber Replanting Scheme being started in the early 1950's. Unless a similar degree of foresight is now forthcoming on technically specified rubber, we may well be left far behind, and the time may come when, with large quantities coming on to world markets from Malaysia and Indonesia, consumers will insist on the technical product and will take the traditional product only at a discount. Both the Government and the Industry should endeavour to accelerate work on technical rubber in Ceylon.

COCONUT

The third of our staple exports — coconut products — had a poor year compared to the high levels of 1968, but the decline in earnings was inevitable as 1968 earnings were boosted by a shortage of Philippines Coconuts. If the present declining trend of coconut oil exports continues, there

will be no coconut oil exports in another 10 years, according to the Central Bank Annual Report.

Attention had been drawn previously to the prospects that some time in this decade there will be no surplus of coconut products left for export. I commend this subject for extensive study and necessary action by Government and the trade.

I cannot leave the subject of coconut products without expressing our concern about the recent attempt to impose a minimum price, first for local purchases, and subsequently for exports, for Desiccated Coconut. The objects of this scheme, i.e., to raise prices to producers and to increase Ceylon's foreign exchange earnings from Desiccated Coconut, are excellent, but unfortunately the methods used, with all due respect to the Ministry of Commerce & Trade, may well inflict permanent harm on the Desiccated Coconut export trade.

Our affiliated Association, the Coconut and General Products Exporters' Association, has conclusively demonstrated by argument as well as by statistics the unsoundness of the present scheme. The Association has also proved that every single assumption on which the minimum price scheme was introduced is incorrect. I might say that I have rarely seen any Trade Association set out its case so lucidly and with such restraint, and I must say that I find it distressing that the representations made have been paid such scant regard.

It is now well known that the intervention of the C.C.P. did improve the copra price dramatically in November, 1969 with a consequent improvement in the prices of coconuts."

L. C. P. A. ON

D.C. FLOOR PRICE

The Chairman of the Low Country Products Association, Mr. Gunasoma Hettiarachi, addressing the 63rd Annual General Meeting said that the price of all coconut products fell sharply after the middle of last year when the larger crops came in to the market. "The consequence was that total export earnings from coconut in 1969 was only Rs. 225.4 million which is a decline of Rs. 116 million from the earnings of the coconut industry in 1968.

Referring to the coconut oil market, the Chairman said that the coconut oil market began to improve from early September, 1969, but it took some time for this improvement to be passed on to the producer in the form of higher prices paid by the oil millers for copra. "One of the most remarkable features of price movement in this industry in

NEW CHAIRMAN



Mr. Eardley de Silva was elected Chairman of the Ceylon Chamber of Commerce at its last Annual General Meeting. He is also Chairman of the Alliance Group of Companies and is presently a working Director of Richard Pieris & Co. Ltd.

1969 was that though the price of coconut oil rose steadily from Rs. 1,250/- per ton to Rs. 1,375/- from early September to the end of October, with poonac prices remaining steady, the copra market remained stagnant at around Rs. 200/- per candy. It was this phenomenon that led this Association to urge the Government to direct the Commissioner of Commodity Purchase to enter the sales room and bid for copra at levels in parity with the oil prices.

STABILIZATION SCHEME

I do not wish to comment in detail on the price stabilization scheme for desiccated coconuts, now in force. I merely wish to draw attention to the fact that the full effects of this scheme have yet to be felt. All producers know that as a result of the drought in the immediate past years and the severe drought in the North-East monsoon season of 1968/69, the crops from October, 1969, to March, 1970 has been very low. In fact the first crops of coconuts plucked this year have been some of the lowest recorded in the memory of most planters. One consequence of this shortage of nuts is the unusually high price fetched by fresh coconut and copra in the last two months.

It is clear that local consumption both for edible purposes and for the local oil industry are absorbing the production of nuts in the country. It is a matter of general knowledge that the high prices being paid for copra just now are due to the limited quantities on offer daily, and that such parcels are being bought by oil millers for local consumption and for previous export commitments. There is, however, every likelihood of satisfactory crops in the next few months as the weather pattern last year was favourable. When these crops come on the market, prices of all coconut products will tend to decline from the present unusually high levels. The export market in copra, oil and D.C. could normally absorb the excess over domestic needs. But there is a great danger if the present D.C. floor price scheme is still in operation, and operated without due regard for world prices, that the D.C. trade will not be able to absorb its share of coconuts from the enhanced production'

announced in the earlier years, amounted to about Rs. 2 M.

Therefore, the realistic profit or the total benefit from the Corporation for the year 1968, after taking into consideration the above costs and price reductions, amounts to about Rs. 58 million.

The sacrifice of this profit by the Corporation means that the consumer gets a subsidy of about 14% off the realistic price level.

business news

Rs. 356 million from Petroleum products

The Annual Report of the Ceylon Petroleum Corporation for the year 1968 was released recently. Excerpts of the Chairman's review are given below:—

A complete reorganisation of the Marketing and Engineering Sections of the Corporation was effected in July, 1968. The Operations Function which was a combination of Engineering, Marketing and Stores was abolished and its work re-allocated between the two new Functions, Marketing and Engineering and Bulk Installation. A Stores and Supplies Department was also set up as a separate entity with a Chief Supplies Officer reporting direct to the General Manager.

Apart from the Corporation's own internal needs of greater efficiency the re-organisation was the result of the necessity to orient its marketing and engineering sectors towards greater consumer awareness.

Financial Results

Sales of petroleum products for the year 1968 brought in a revenue of Rs. 356 millions as compared with a revenue of Rs. 316 millions for the year 1967 thus showing an increase of 13% while the volume of business increased from 224 million gallons in 1967 to 234 million gallons in 1968 showing an increase of 4.5%.

Despite this increase in value and volume of product sales, the gross margin percentage on

product sales revenue fell from 17.7% in 1967 to 15.2% in 1968. This fall in the gross margin percentage meant a loss of potential profit to the extent of about Rs. 9 million which really represents a subsidy to the consumer arising from the absorption of increased import costs resulting mainly from the closure of the Suez Canal.

Surplus, before income tax, for the year 1968 was Rs. 15.1 millions as compared to Rs. 15 millions for the year 1967. Thus, there was no significant improvement in the profit position in spite of an increase in value and volume of sales owing to the absorption of increased costs as indicated above.

A provision of Rs. 12 million was made for Income Tax leaving the balance Rs. 3.1 million to the credit of the Sinking Fund to cover liability for compensation to Oil Companies.

Absorbed Costs, Price Reductions and Realistic Profit

It is to be noted that the profit disclosed in the Accounts amounting to Rs. 15.1 million is arrived at after charging certain increased costs fully absorbed by the Corporation. These costs relate mainly to customs duties, increased c.i.f. costs and increased commissions.

Price reductions made by the Corporation since nationalisation would have amounted to a loss of revenue for the Corporation of about Rs. 15 millions for 1968. However, the price increases announced after the devaluation of the rupee brought in a revenue of about Rs. 5 million over and above the expected increase in costs. Therefore the net loss of revenue on account of price reductions for the year 1968 was about Rs. 10 million.

The loss of revenue to the Corporation on account of increased commissions an-

Export Intelligence

Palmyrah palm — New source of foreign exchange

The palm of the palmyrah tree, which grows abundantly in the Northern parts of the Island, has plenty of potential as a foreign exchange earner, according to our Trade Commissioner in Bombay, Mr K. V. Kamalanathan

In a report to the Ministry of Commerce and Trade, he states that India earns almost Rs. 20 million annually from the export of palmyrah leaf, stalks and fibre.

Principal Markets

India's principal export markets for these lesser known products are Australia, U.S.A., Canada, Hong Kong, Japan, U.K., and Belgium.

Palmyrah stalks are used in the manufacture of brooms, and brushes.

Untapped Source

The yarn which is obtained from the stem of the leaf is processed, cut to size and exported as fibre. This yarn is extremely hard and is used mainly in the manufacture of brushes. Palmyrah fiber

is one of the important fibre commodities of vegetable origin exported by India.

The Trade Commissioner further pointed out that although it is well known that every part of the palmyrah plant is useful in some way, the fact that some of these parts (like the leaf stalk and fibre) could be exported does not seem to have gained cognizance or the publicity it deserves in Ceylon. *And surprisingly enough industrial interest in the Island have not yet tapped this rich source of exchange.* The organisation of an industry to process and export the leaf stalk and fiber from palmyrah does not need any large scale investment outlay. It could well be organised as a cottage industry in the Northern and Eastern provinces of Ceylon, the Report further states.

He concludes that: If we in Ceylon have not been alive to the potentialities of the palmyrah palm, India's experience is certainly worthy of emulation.

Plywood Exports Increase

Over Rs. 40,000.00 in foreign exchange was earned by the Ceylon Plywood Corporation, last year.

West Germany, Romania, Czechoslovakia, Australia, the U. A. R. and Quater were the main buyers of Ceylon's plywood products which ranged from sawn timber, decorative luxury veneer to commercial grade plywood boards.

Mr George Weeraratne, the Chairman of the Corporation told the Economic Times that the potentialities of plywood as a foreign exchange earner are very bright.

Barter Agreement

He said: "Czechoslovakia was so impressed with the initial trial order of decorative veneer that she now wants to enter into a barter agreement with the Corporation, for the regular supply of veneer, in exchange for machinery. This offer is now receiving the attention of the Plywood Corporation.

Even chips obtained from available waste in our plywood factory will shortly be exported to Japan, if negotiations now under way prove successful.

Commenting on the export of chips, the Chairman said that a team of officials from

Japan would be here next week to further discuss the matter. He added that the terms offered by Japan are 'very favourable' "They are even prepared to give us machinery in exchange for the chips".

Main orders

The Plywood Corporation, a new comer to export business, clinched its first export order early last year for the supply of 700 cubic feet of Hulenik and machogany sawn timber to West Germany valued at Rs. 7,965.00.

Other export orders secured by the Corporation include: 300 square meters of decorative veneer to Romania, 1,000 square meters of luxury veneer to Czechoslovakia, 595 millimeters of commercial grade plywood boards to Australia

and 1,000 cubic meters of commercial grade plywood boards to the U. A. R.

Plans

Referring to the future plans, the plywood Corporation's Chairman said that by 1971 we would be exporting finished products like doors and window frames and also complete furniture. He said the proposed Furniture Manufacturing Plant would be ready by early next year.

Mr Weeraratne concluded that plans for the setting up of a plywood factory to cater exclusively to the export market was being actively pursued by him in an endeavour to meet the overseas demand for plywood products.

WIDER PARTICIPATION IN TRADE FAIRS

This year wider private sector participation in trade fairs and exhibitions abroad will be encouraged by the ministry of Commerce and Trade.

Liberal sums of foreign exchange will also be released both to private sector firms wishing to exhibit goods abroad and also to nominees of trade chambers who will be picked to represent Ceylon at overseas fairs.

The Commerce and trade Ministry has already written to the major trade chambers inviting joint participation in

a massive export promotion effort especially directed at expanding non-traditional exports.

Trade chambers who have been appraised of exhibitions due to take place this year include the Ceylon Chamber of Commerce, the Ceylon National Chamber of Commerce and the National Chamber of Industries.

Government has already released four million rupees in foreign exchange to enable State Corporations and the Private Sector to exhibit goods at overseas fairs in 1970.

Trade Opportunities

These firms wish to export the following products from local exporters:-

HANDICRAFTS:

Islandcraft Ltd,
241, Victoria Street,
Toronto, Ontario,
Canada.

Merton Import Co.,
5115, Prince of Wales,
Room 123,
Montreal, P. Q.,
Canada.

Stratford Sales Ltd,
1575 Villeray,
Montreal 35, Quebec,
Canada.

Elias Brothers Inc,
645 Wellington Street,
Montreal, Quebec,
Canada.

CURIOS:

East Africa Handicraft Distributors Ltd,
P. O. Box 5770,
Nairnabi
Kenya.

Kermali and Co.,
P. O. Box 738,
Mwaza,
Tanzania.

Mercury Enterprises,
946, Cotae Stone,
Warminster, Pa. 18974
U. S. A.

Transoceanic Import Co.,
P.O. Box 1362, Detroit,
Michigan 48231.
U. S. A.

Sarner's World Services,
P. O. Box 1835,
Lunwood, California 90262
U. S. A.

Towards Better Export Promotion

Two international training courses in export promotion and export development for private sector businessmen from countries under the Colombo Plan will be conducted in June/July and September/October this year.

These courses which will be of six-weeks duration will be organised by the External Affairs Division of the Government of Australia.

The Ministry of Planning and Economic Affairs is now inviting applications from trade chambers and private sector export organisations in an attempt to select the best persons for these courses.

සබරිම

Finest Quality
B. O. P. Tea
available at all
C.W.E. SHOPS
throughout the Island

Ceylon Economy

Ceylon has the highest standard of living in South Asia. Lacking extensive mineral deposits and with only a small manufacturing sector, the island's relative prosperity has been due to the development of plantation crops for the world market. However, the economy is now in a process of rapid transition from excessive reliance on foreign trade.

Production of the main export crops tea, rubber and coconut products—has risen substantially over the past decade but has been accompanied by market saturation and deteriorating returns, resulting in a marked decline in the capacity to finance development from personal and corporate savings.

Aggravated by misguided economic policies of the 1956-65 period, a further consequence has been a dangerous decline in the country's gold and foreign exchange reserves. Ceylon devalued by 20 p.c. in November 1967 and has since established a multiple exchange rate.

Inflationary Pressures

The short fall in private sector saving was partly due to the failure of tea and, more especially, the rubber estates to make adequate allowances for depreciation to cover replacement cost. Dividends, in effect, were paid out of capital. The shortfall is also linked to the very heavy burden of taxation. Despite the considerable channelling of local resources to government revenue and largely because of heavy recurrent expenditure on extensive welfare services and subsidies, the Bandaranaike coalitions of 1956-65 had continuously to resort to borrowing from the banking system in order to finance their development programmes. Unfortunately, much of the expenditure on these programmes was either ill-advised or misapplied.

To make matters worse, this deficit financing added to the money without supply mobilising counterbalancing unused resources and, aggravated labour agitation, this action resulted in rapidly rising prices. In the absence of effective controls, sustained inflation raised the demand for imports, diverted resources from export to local use, and raised the costs of producing for export; thereby increasing the adverse pressure on the balance of payments.

Foreign Aid and Investment

The present coalition of moderates headed by Dudley Senanayake, has reduced consumer subsidies and brought the monetary situation under better control. A World Bank mission reported in 1968 that the former atmosphere of crisis was no longer present and resources were being used more productively.

There has been a considerable increase over the past decade in the volume of foreign aid negotiated to ease the pressure on the balance of payments. But difficulties arose under the Bandaranaike coalitions as the result of the inadequacy of the programming machinery in relation to the conditions which were generally attached to this aid and much of it remained unutilised. The greatest difficulties arose with Chinese and Soviet bloc aid and the lowest with international loans and Western food gifts and export credits. The emergency phase of group commodity aid initiated in 1965 is now giving way to a more normal development aid operation as the containment situation is being transformed into a renewed growth effort. Aid promised over the past four years totalled about \$200 mn, with the United States and Britain the main donors.

Other countries in Asia have benefited considerably from an inflow of foreign direct investment but, largely as the result of the expropriation of American oil distribution interests, the threatened nationalisation of the foreign-owned estates and restrictions on foreign banks and insurance companies, the flow of private investment into Ceylon during the Bandaranaike era was negligible. The situation was not aided by the blocking of outward transfers of capital and the introduction of a moratorium on remittances of profits and dividends in 1964 even though pioneer industries were exempted. The present Government has lifted this moratorium and it is intended to eliminate the backlog by the end of 1970. Despite this, the net outflow of private direct investment has been renewed.

Improved Growth

While, as a consequence of the combination of adverse factors, the level of investment achieved by the economy as a whole (and by the private sector in particular) had, until 1966, tended to decline, capital expenditure has since risen sharply. In 1968 fixed capital formation increased by 21 p.c. in 1967—thus improving real income per head by 4.8 p.c. (the rate of population growth being 2.2 p.c.) Previously the value of output had continued to expand usually slowly, in both current and constant

price terms though not always in per capita terms. In real per capita income has risen by 21 p.c. since 1959.

The fundamental cause of this previously sluggish growth was the low productivity of investment. Linked to this was poor resource management and a contributory factor was the persistent abuse of the price mechanism. The use of

prices as means of income redistribution seriously interfered with their role in guiding the allocation of resources as well as in generating surpluses for financing further investment.

The high support price for rice, coupled with the provision of irrigation either free or well below cost, seriously reduced the attractiveness of alternative crops while artificially low prices for rail and bus fares, electricity, postal and telecommunication services, and domestic water supplies stimulated demand and so caused premature investment in these sectors. Further, the scarcity of imported goods was not always reflected in government administered prices. In short, the attempt to insulate consumers from the realities for rising costs directly harmed the rate of growth.

The rapid rate of growth achieved in 1968 mainly took the form of expansion of output for local use and was partly due to Government stimuli applied particularly to the agricultural sector (though the gains in agriculture were also substantially due to favourable weather). The value of real output in agriculture, construction and manufacturing rose by 6.9 p.c., 27.1 p.c. and 7.7 p.c. respectively. On the supply side the growth of manufacturing output was largely due to the liberalisation of materials imports though better labour relations also helped. The relative importance of agriculture has fallen over the past decade but it still accounts for more than a third of the gross domestic product. Perhaps surprisingly food accounts for an even higher proportion of Ceylon's imports. Changes in comparative cost advantage have, however, induced a growing emphasis on expanding local food production. Government assistance has been concentrated on the peasant sector and particular emphasis has been placed on increasing rice production.

Most Important Crop

Tea is the most important of the island's crops and accounts for more than half of Ceylon's export receipts. High quality tea, of which Ceylon has for some years been the main exporting country, is grown at high elevations,

mainly on large estates owned by companies registered in the United Kingdom. It is widely recognised that these are some of the finest tea properties in the world.

Most of the bushes are 70-80 years old. Those at the lower levels retrogress after about 60 years while the older bushes in the cooler up-country areas which have not shown signs

of regression have been rendered technically obsolete by the Tea Research Institute of vegetatively-propagated tea yield of the over 5,000 lb per acre (the average yield of the older stock, grown from seed, being about 800 lb). Replanting costs as well as the upkeep of immature areas have been allowed as revenue expenses for tax purposes but, largely owing to the very high costs involved practically no replanting had been undertaken prior to the introduction of a replanting subsidy scheme in 1959.

Over 27,000 acres of the total of nearly 600,000 have since been replanted. The rate of replanting has been stepped up and in both 1967 and 1968 exceeded 5,000 acres. A further factor affecting the scale of replanting has been, been the gradual price erosion which has taken place for more than a decade due, in part, to the slow growth of tea consumption in high income markets.

Ceylon has also lost some of its principal markets in Middle Eastern countries which have themselves been faced with serious foreign exchange difficulties and have therefore been prepared to continue purchasing tea only on a reciprocal trading basis. Heavy taxation has further reduced the profits available for reinvestment while the adoption of nationalisation of the foreign owned estates as Government policy (never implemented, however, and quietly abandoned by the incoming Administration in 1965) did not encourage them to re-invest and many of them sold part or all of their land. Official anxiety about the fall in output tax revenue which often accompanied the transfer of estates from European to Ceylonese ownership led to appointment of a committee which reported that the impairment was caused chiefly by the fragmentation of estates into relatively small blocks of uneconomic size. Legislation enacted in 1958 has, with minor exceptions, prevented the further subdivision of estates into units of less than 500 acres.

A rehabilitation subsidy scheme was brought into operation in 1959 to provide assistance to owners of less than 150 acres for improving planting material. Most of the increase in production which has been subsequently achieved is directly attributable to this scheme—in particular, to the increased application of fertiliser. But a significant part of the increase is also due to export duty

to the widespread use of improved seed and to increased use of fertiliser which is distributed through co-operatives with the Government bearing half the cost.

Coconut is the second most important peasant crop. Coconut products (principally coconut oil, copra and desiccated coconut) together constitute the second most important

export and the industry also makes a significant contribution to domestic supplies. More than four-fifths of the land devoted to coconuts is in the hands of those who own less

By

R. G. Holloway

Paddy Production

Rice is the most important crop grown in the peasant sector and is second only to tea in its contribution to the total value of agricultural production. Productivity, however is fairly low and more than half the country's cereal requirements have to be imported. With the implementation of the current crash development programme, the need for imports is expected to rapidly decrease.



The acreage under paddy has been increased by dry zone colonisation schemes designed to put land into the hands of landless peasants. State land has been leased under a special system of tenure—the chief characteristics of which are perpetuity of leasehold, prohibition of mortgage, protection from seizure for other debts, and prevention of fragmentation. The clearance jungle, irrigation and cultivation have been supervised by specialists and subsidies have been provided for soil conservation, well construction and housing while planting materials have also been distributed.

The acreage under paddy has also been extended by the use of terraced and channelled land which had not been regularly cultivated or which had been used for other crops but which show economic returns for paddy under the guaranteed price scheme. The acreage double-cropped has also increased as the result of improvements to existing irrigation and drainage facilities.

Most of the increase in rice production has resulted from increased acreage but a good part is the result of improved yield—now over 40 bushels per acre. This improved yield—is mainly due

than 20 acres, many of them with only one or two trees. To arrest a decline in production a rehabilitation scheme was introduced in 1956, providing for the subsidised distribution of fertiliser and for stepping up the pace of replanting on worn out coconut lands by supplying high-yielding seedlings at subsidised rates. Roughly one-fifth of the million acres under coconut has since been replanted.

Rubber is the only other major crop, providing a sixth of Ceylon's export receipts. It is grown principally on estates, few of which are now owned by British companies.

Despite legislation enacted in 1958 which has, with minor exceptions, prevented the fragmentation of estates into units of less than 250 acres, smallholder participation has increased slightly. This has been due to the provision of allotments under highland colonisation schemes, to preferential subsidies, and the provision of planting material and fertilisers by the Government.

With most of Ceylon's rubber trees well past their prime and giving poor yields, a replanting scheme was introduced in 1953 under which subsidies have been paid to owners of uneconomic rubber lands who are prepared to replant with approved varieties of high-yielding clones developed in Malaysia. The replanted acreage now produces two-thirds of the output.

Industrial Growth

Largely as a result of technical and financial aid from the Soviet bloc, the public

International Economic Policy

Peace has an economic dimension. In a world of independent states and interdependent economies, failure to collaborate is costly—in political as well as economic terms. Economic barriers block more than the free flow of goods and capital across national borders; they obstruct a more open world in which ideas and people, as well as goods and machinery, move among nations with maximum freedom.

indefinitely, delaying too long the actions needed to adjust their own economies to those of their trading partners. Since failure to adjust may permit a country to drain resources away from the rest of the world

TRADE POLICY

Freer trade among all nations provide greater economic benefits for each nation. It minimizes potential political frictions as well. These conclusions are truer today than ever before, as the growing interdependence of the world economy creates new opportunities for productive exchange

But growing interdependence also means greater reliance by each nation on all other nations. Each is increasingly exposed to its trading partners. In today's world, all major countries must pursue freer trade if each country is to do so. The principle of true reciprocity must lie at the heart of trade policy—as it lies at the heart of all foreign policy.

New Trade Legislation

In 1969, the United States took a series of steps toward dismantling trade barriers and assuring fair treatment for our own industry and agriculture in world commerce. I submitted new trade legislation which proposed:

—Elimination of the American Selling Price system of tariff valuation for certain chemicals and other products, which would bring us immediate trade concessions in Europe and elsewhere. Because it is seen by many abroad as our most important non-tariff barrier to trade, its elimination might also open the door to further reductions of barriers to U. S. exports

—Improvement of the means to help U. S. industries, firms and workers adjust to import competition.

—Restoration of Presidential authority to reduce tariffs by a modest amount, when necessary to promote U. S. trade interests.

—New Presidential authority to retaliate against other countries if their trading practices unfairly impede our own exports in world markets

We called on our trading partners to begin serious discussions on the remaining non-tariff barriers to trade, which have become even more important as tariff levels have been reduced.

We took specific steps toward easing economic relations between the United States and Communist China.

Finally we proposed a liberal system of tariff preferences for exports of the developing countries.

Continued on page 9

Good U. S. economic policy is good U. S. foreign policy. The pre-eminent role that we play in the world economy gives us a special responsibility. In the economic sphere more than in almost any other area, what we do has a tremendous impact on the rest of the world. Steady non-inflationary growth in our domestic economy will promote steady non-inflationary growth in the world as a whole.

The stability of our dollar is essential to the stability of the world monetary system. Our continued support of a strong world monetary system and freer trade is crucial to the expansion of world trade and investment on which the prosperity and development of most other countries depend

Purpose

As in other areas of foreign policy, our approach is a sharing of international responsibilities. Our foreign economic policy must be designed to serve our purpose of strengthening the ties that make partnership work.

We have an excellent foundation. In no other area of our foreign policy has the record of cooperation been so long and so successful. From the 1944 Bretton Woods Conference (which created the International Monetary Fund) and the 1947 General Agreement on Tariffs and Trade (which established a code for the orderly conduct of trade), to the Kennedy Round of tariff negotiations and the recent creation of Special Drawing Rights, free nations have worked together to build and strengthen a system of economic relationship. We derive strength from their strength; we collaborate for our common interest.

INTERNATIONAL MONETARY POLICY

International monetary matters pose most sharply the potential tug-of-war between interdependent economies and independent national policies. Each country's balance of payments encompasses the full range of its economic and political relations with other nations—trade, travel, investment, military spending, foreign aid. The international monetary system links these national payments positions, and hence the domestic economies of all countries.

It thus lies at the heart of all international economic relations and it must function

smoothly if world trade, international investment and political relations among nations are to prosper—particularly since imbalances inevitably arise as some countries temporarily spend more abroad than they earn, while others correspondingly earn more than they spend.

The system must include two elements:

—adequate supplies of internationally acceptable money and credit to finance payments imbalances among countries; and

—effective means through which national economies can adjust to one another to avoid the development of excessive and prolonged imbalances.

The inadequacies of both elements caused the recurring monetary crises of the 1960's.

By



Richard Nixon
President
of the
United States.

An adequate money supply is needed internationally just as it is domestically. Shortages of internationally acceptable money induce national authorities to take hasty and often restrictive measures to protect their own monetary reserves, or to pull back from liberalisation of trade and investment. Such actions clash with the objective of the international economic system, which, precisely by freeing trade and capital, has helped promote the unparalleled prosperity of the postwar world. In short, an inadequate world money supply can hinder the pursuit of world prosperity which, in turn, can generate serious political problems among nations.

At the other extreme, excessive levels of world reserves could contribute to world inflation. They could permit countries to finance imbalance

Ceylon's prospects depend heavily on the expansion of export earnings. The prospects for greatly increasing these earnings are not, however encouraging.

The island's exports are almost entirely primary commodities, lacking diversity, of which tea is likely to remain by far the most important. The area under tea cannot, however, be greatly expanded while replanting with higher yielding stock is costly and the response to the increased use of fertilisers may soon reach its rapidly increasing production when demand is relatively inelastic. In the case of rubber, the situation is even more unfavourable since demand for the natural product is increasingly subject to inroads made by advances in synthetic alternatives while the relative cost of production in Ceylon is high and is likely to become even higher. With declining prices, the margin of profit will remain extremely narrow and may disappear altogether. The position with regard to coconut products is less unfavourable but the scope for exports of manufactures is severely restricted. Favourable prospects exist, however, for fish and there is a slender hope of finding oil.

While on the whole, it is difficult to envisage from current trends any worthwhile increase in export income within the next decade, the need for imports will more than proportionately increase.

Transformation of Production

Structure

As there seems to be no reasons to anticipate a strong improvement in the response of foreign investors—at least in terms of the capital involved—Ceylon's problems of economic development appear to resolve themselves into a series of interlocking vicious circles which can only be broken by the massive application of external aid. Fortunately aid has been stepped up.

The most important fact for Ceylon's economy is that the existing narrow base of physical production is clearly inadequate to substantially raise the island's standard of living in the face of the decelerating but still fairly rapid increase in population (now 12 million) even to remedy the sizeable extent of unemployment and underemployment which already exists.

Even with adequate external assistance, there can be no real solution to the fundamental economic problems of Ceylon without an effective transformation of the structure of productive capacity,

sector has constituted the major area of medium and heavy industrial growth.

A steel rolling mill, a flour mill, a tyre and tube factory, a hardware factory, a cement plant, and a ceramics factory have been brought into commercial production in the last three years and a petroleum refinery designed to meet all

Ceylon's requirements, another legacy of the Bandaranaike Government's negotiation of Soviet aid, came on stream

The main cause for the failure of number of these public corporations to reach capacity output quickly has been the difficulty of materials supply. Some of the corporations have done well but the majority have been troubled since their inception by premature investment, ill-conceived technical facilities and weak management. Added to these difficulties, there have been strong political pressures for excessively low selling prices. The Government has failed to establish firm guidelines for the public corporations and its attitude towards the private sector remains equivocal.

The private sector produces a large variety of light consumer goods required in the domestic market and also makes a minor contribution to exports in the form of such items as most restrictive for luxuries, a large number of the new factories which have been brought into production are in the inessential category. They are, in addition generally large users of imported materials so that the net saving of foreign exchange has been small and this in turn, led to restrictions on the importation of materials and some factories have consequently worked at less than full capacity. The initial impetus to local investment has therefore been spent, and it is possible that many of the new factories can never hope to become fully competitive with foreign production.

Prospects

The Government has therefore decided that new industrial projects must draw their inputs more from the existing or developing sectors of the economy than from imports; priority is now given to investment in projects designed for the production of capital and intermediate goods, especially those of the heavier industries.

PRODUCTION

Industry also contributes to the land in the no own less

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A recession with full employment

Politically and socially it has been fine that unemployment in Britain and the United States has stayed low this winter. But the economic implications have been less good — particularly in the United States where there has at least been a small easing of credit controls.

The news that 629,000 people in Britain were out of work in January has particular significance. This probably represents the peak winter count. Under normal weather conditions, if there is such a thing, the February figure might well be a few thousand more or a few thousand less, but there should be little in it other way. After then, until August, total unemployment can be expected to fall, even if the so-called "seasonally corrected" figure rises.

LOWER LEVEL

So the restraints on the British economy have not caused unemployment to snowball into the "three-quarters-of-a million at the winter peak" which some people once feared.

The January count represents 2.7 per cent of the labour force: a rate reached, or nearly reached, in the three previous winters. Only in December in the past five months was there an increase in the seasonally-corrected figure, leaving today's rate still below what it was during the summer of 1968.

Unemployment is still far above the figure of "between 1½ and 2 per cent" which is the maximum that Mr. Wilson indicated he would tolerate when he introduced his squeeze measures way back in July, 1966. But it is below what most people would have expected, given that the rise in production has been held below the rise in productive capacity for so long. Britain's latest index of industrial production, for November, has regained the falls shown since July; but the total for the three months to November was 1.1 per cent lower than in the three preceding months, and no higher than it had been at the end of last year. Pundits once use to prophesy that unemployment was bound to go up unless industrial production rose in Britain by 4 per cent a year. The confounding of this prophecy has reduced the political pressure on Mr. Jenkins to reflate too early in this pre-election year; it is one reason why Britain's Bank rate still stands at 8 per cent.

If the containment of unemployment in sluggish Britain seems surprising, that in America is even more so. It is now officially confirmed that growth in the great American economy was brought to a complete standstill in the fourth quarter of 1969. True the value of gross national product still rose by \$10.3 billion, to \$953 billion,

but fractionally more than the whole of this represented price increases, running at 4 per cent (all figures in annual rates).

Perhaps without the strike at General Electric, real GNP might have risen by or 1 per cent, again at an annual rate. Even so, there has been a sharp, shuddering braking from the 7½ per cent real growth rate that America was still enjoying in the second quarter of 1968. Yet unemployment in the United States, after signs of an upturn in the autumn, was back to a seasonally adjusted 3.4 per cent last month. The 3.5 per cent for 1969 as a whole was the lowest annual figure since the Korean war. Moreover the changes that have occurred on the unemployment rolls have been precisely the opposite of those that had been predicted. Instead of the Negroes being the first to suffer in "Nixon's recession," unemployment among them is unusually low by past standards. It is only among the adult blue-collared whites that there have been losses of jobs.

On political and social grounds, both Mr. Wilson and Mr. Nixon must thank their lucky stars. High unemployment is dangerous firewood at any time, and both must have feared that this winter might bring some bonfires. Apart from anything else, the labour exchanges report that unemployment tends to go to a naturally higher level, in relation to output, than it used to do, because the more widespread compensation given to those sacked (in Britain through the state-run scheme for redundancy payments and in America through guarantees written into individual contracts) encourage more dilly-dallying over job changes. So relief all round among the politicians. But the reasons for, and some of the economic consequences of, unemployment remaining so low this winter may be less palatable.

GRADUAL DECLINE

Parallels between the two countries' experience should not be pressed too hard. One of the catches in Britain, where the number of people of working age no longer increases year by year, is that employment has been on a gradual decline for over two years even while recorded unemployment has remained stable. The particular way in which unemployment is measured, by the numbers reported at labour exchanges, means that the count excluded married women and pensioners not entitled to unemployment pay who are resting until times are better. For this and other reasons, the British figure is always below the American one; on American definitions, British unemployment is probably

slightly the higher at present, somewhere near 4 per cent.

So the fact that in Britain unemployment has not risen while output has been flattish does not necessarily imply a fall in productivity. Indeed, there is some evidence that at least until the middle of 1969 output per person in British industry was still rising, although not at the sparkling rate which Mr. Wilson claimed in 1869.

In the United States, on the other hand, it is only in the past few months that employment has stopped growing and in manufacturing has slightly decreased. In the first six months of 1969 total employment in America was still growing very rapidly. In consequence, over the year as a whole, with essentially no change in unemployment and a rapidly slowing economy, America's civilian labour force increased by 2 millions, the largest annual gain since 1947. Even though the work week and overtime have been reduced recently, there is no doubt that American productivity has fallen.

This is a new phenomenon. American employers have usually been shaper than British employers at laying-off people during even mini-recessions. On one theory the

norm for most of the 1960s was for there to be a year's lapse before unemployment in Britain responded in full to changes in output, but only a lapse of about four months in America. Now it looks as if labour hoarding may have become an American disease too. Why? Partly, probably, because of employers' increasing fears of the social consequences of sacking.

It is now anti-American to increase unemployment among black people, especially black teenagers. But another important factor has been disbelief that the Nixon Administration will really allow a recession to go on for long. American employers are determined to have spare labour ready for the upsurge seen around the corner. And this hoarding of labour is one of the reasons why Mr. Nixon's mini-recession is not having the effect in slowing down inflation on which his advisers had counted.

WAGE-PRICE SPIRAL

Wage demands in America, as in Britain, are reaching astronomical levels. Even the more moderate of the claims currently being negotiated are for annual increase of 10 per cent or more. If unemployment were higher, most of Mr. Nixon's advisers believe that

these claims would be a bit less aggressive. In any case, by hoarding labour while output falls, employers are making a straight addition to their costs which is bound to add another notch to the price spiral.

This is one reason why a relaxation of the money squeeze in America has been a small relaxation this week. The Federal Reserve is at least allowing commercial banks to pay something more like the market rate for time deposits; this should lead to some increase in these deposits, and thus in money supply. But the Fed is still very worried about inflation, and most unwilling to give any general sign of credit relaxation or a go-ahead for re-expansion. It has been prepared indeed to sit aside while America has been in danger of getting the worst of all worlds it has appeared to be slipping into a recession without any let-up in price increases (consumer prices rose 7.1 per cent, annual rate, in December).

The hope must be that American businessmen may now be persuaded that a mini-recession has arrived. A direct sign of that would be a small rise in unemployment — and that is what, paradoxically, the Nixon Administration should now want.

NEW TURN IN BANK CREDIT IN INDIA

A survey of banking operations in India during the first six months after nationalisation has shown a new trend in bank credit. It is expected that with the expansion of branches, particularly in areas which were not served by banks, deposit mobilisation will gather considerable momentum.

Principal aim

One of the principal aims of nationalisation was to make banking services available to sectors of the population which had hitherto remained on the periphery of banking operation; and, in particular, to ensure that the credit requirements of farmers, small industries, self-employed and professional groups were met in necessary measure. Managements of the nationalised banks have also, from time to time, announced new schemes to help these groups.

Deposits Increase

The total deposits of public sector banks stood at Rs 3,874 crores in the middle of July 1969 and increased by Rs 178 crores to Rs 4,052 crores by the middle of December '69. The total outstanding at the end of June, in respect of loans to farmers etc., amounted to

Rs 317 crores representing about eight per cent of the deposits. By the end of November, the outstanding advances had increased to Rs. 448 crores or about eleven per cent of the deposits.

The increase in the number of accounts is as significant as the increase in the amount of advances. During this period i.e. July to December the number of farmers' borrowing account had increased from 171,971 to 366,247; of small traders and self-employed road transport operators and small-scale industries from 93,191 to 145,942 and educational loan accounts from 594 to 1,193.

These figures afford evidence of the new direction of bank credit. It may also be noted that the increase in the advances made to the preferred categories of borrowers has come out of the increase in deposits rather than through diversion of large industry and commerce.

New Schemes

Some banks have announced schemes to assist small traders who were adjudged to be creditworthy. Similarly, several banks have introduced schemes to assist artisans, tailors, carpenters, electricians hair-

dressers, laundries, etc., as well as professional groups like doctors, with funds for working capital and for purchases of equipment. Schemes have also been introduced to help road transport operators for purchase of vehicles such as taxis, trucks buses, cycle rickshaws and autorickshaws etc. Some banks are now granting "educational loans" to enable deserving students of limited means to carry on studies in India or abroad.

What do these various schemes add up to in terms of advances and the number of persons deriving the benefit of bank credit? Information relating to members of the Consultative Committee of Parliament provide the data for a tentative assessment.

Between July and December —1969, which roughly corresponds to the first six months of nationalisation, the total amount of advances given by the public sector banks, that is, the fourteen nationalised banks and the State Bank of India group, to agriculturists, small traders, small industries, road transport operators, self-employed etc. have increased by about Rs 131 crores representing about 73.6 per cent of increase in deposits during this period.

SOVIET GROWTH RATE FALLS

Geneva

Gross rates and aggregate output in the USSR and the rest of Eastern Europe did not increase as fast in 1969 as it did in 1968, and gross targets fell short of plan. This is the main conclusion reached by the E. E. C. in its annual review of economic development in Eastern Europe.

Soviet national income in 1969 grew by only 6 per cent as compared to 7.2 per cent in 1968, while aggregate output in all the Eastern European countries only advanced by 5.4 per cent as against 7 per cent in the previous year.

This apparently was largely due to adverse climatic conditions which reduced agricultural output; although supply bottlenecks in industry were another factor.

The deceleration of gross rates will in any case probably be checked in 1970, and the planned growth targets for the five year plan 1965-1970 will probably be fulfilled or even exceeded in all East European countries.

The survey concludes that the Communist planners are no longer concerned with securing an overall increase in production, but with obtaining increases in productivity by emphasising the importance of qualitative factors of economic growth.

* * *

BRITISH RESERVES

UP £28M.

London

Britain's gold and foreign exchange reserves rose for the seventh consecutive month in March, despite very large repayments of official debt to foreign central banks and other monetary institutions.

At the end of March the reserves stood at £1,129 m., an improvement of £28m. on the month. This balance was struck after the net repayment of £16m. to the I.M.F.

During the early part of March there was a heavy inflow of foreign exchange which went with the reserves, and although it slowed down after the cut in the U.K. Bank Rate, the rise in the German discount rate and some disappointment at the British trade figures for February, it nevertheless continued at a more moderate rate until the end of March.

S. AFRICA GOLD SALES TO IMF

Washington

South Africa sold \$ 76 m. (about £31.(m.) worth of gold to the IMF in March, the IMF announced last week.

It said that as a result, the Fund's gold holdings rose during the month to a total of \$ 3,561m. (about £1,484).

International Economic Policy

Contd. from Page 7

This proposal is designed to meet one of the world's major economic and political problems—the struggle of the developing countries to achieve a satisfactory rate of economic development. Development can be promoted by aid, but aid cannot and should not be relied on to do the whole job. The low-income countries need increased export earnings to finance the imports they need for development. They need improved access for their products to the massive markets of the industrialized nations. Such export increases must come largely in manufactured goods since the demand for most primary commodities—their traditional exports—grows relatively slowly.

—East-West Trade. We look forward to the time when our relations with the Communist countries will have improved to the point where trade relations can increase between us. —The European Community. We will watch with great interest the developing relations between the European Community and other nations, some of which have applied for membership. The Community's trade policies will be of increasing importance to our own trade policy in the year ahead.

International Assistance

The international economic successes of the past have been mainly among the industrial nations. The successes of the future must occur at least equally in the economic relations between the industrial nations and the developing world. These new achiev-

ments may not be as dramatic as the creation of the Common Market, or the completion of the Kennedy Round of trade negotiations, or the birth of Special Drawing Rights. But the needs are at least as compelling.

There will be a continued requirement for international assistance to developing countries. First, however, we must be clear about what aid can do and what it cannot do. If aid is to be effective, its function must be understood by both donor and recipient.

Economic assistance is not a panacea for international stability, for political development, or even for economic progress. It is, literally, "assistance." It is a means of helping and supplementing the efforts of nations which are able to mobilize the resources and energies of their own people. There are no shortcuts to economic and social progress.

This is a reality, but also a source of hope. For collaborative effort can achieve much. And it is increasingly understood among developed and developing nations that economic development is an international responsibility.

Many of the frustrations and disappointments of development have come not so much from the failure of programs as from the gap between results and expectations. A new understanding of the scope of the challenge and the capacity of programs will help us set feasible goals, and then achieve them.

In our reappraisal of the purposes and techniques of

foreign assistance, we have already reached several conclusions and we have adopted policies to begin to carry them out:

—Multilateral institutions must play an increasing role in the provision of aid. We must enlist the expertise of other countries and of international agencies, thereby minimizing the political and ideological complications which can distort the assistance relationship. We are already contributing to a number of international and regional institutions: the International Development Association, the Inter-American Development Bank, and the Asian Development Bank. I will shortly propose new U.S. contribution to the Special Funds of the Asian Bank. And I am prepared to respond positively to proposals for replenishment of the resources sources of the Inter-American Bank and the International Development Association.

—The developing countries themselves must play a large part in formulating their own development strategies.

—Our bilateral aid must carry fewer restrictions. I have therefore eliminated some of the onerous restrictions on the U.S.A. aid program and have directed that all remaining restrictions be reviewed with the objective of modifying or eliminating them.

—Private investment must play a central role in the development process to whatever extent desired by the developing nations themselves.



HEALTHY BRAZILIAN PAYMENTS SURPLUS

San Paulo

Brazil recorded a \$561m. surplus in the balance of payments for 1969, according to official data released by the Press last week. The 1969 surplus which led to a sizeable increase in Brazil's exchange reserves as reported to the IMF, compared with a \$32m. in surplus in 1968.

Two main factors contributed to the surplus. First, a 20 p.c. expansion of exports—with cotton, minerals and manufactures performing well—brought exports to a record level of \$2,260m., while imports increased by only 6 p.c. to \$1,190m., yielding a \$300 m. surplus in the trade balance.

Secondly, funds entering Brazil in the form of loans and financing rose sharply from \$553 m. in 1968 to \$800 m. in 1969.

FIRST OIL FROM TAR SANDS

Toronto

World's first oil from Tar sands is being produced in the wilderness of northeastern Alberta by a Toronto company, Great Canadian Oil Sands Ltd. Although other companies hold leases on the vast stretch of tar sands, Great Canadian's six square miles form the only area where oil is actually being extracted.

Just to build the plant took more than three years, with a work force of 2,300 men. It necessitated massing supplies and equipment from around the globe, though 95% from Canadian sources.

Now naphtha, kerosene and gas oil—blended of Alberta synthetic crude—are pumped from storage into a pipeline for the 266 mile journey to Edmonton, for eventual shipment to North American refineries.

EXTERNAL ASSETS SHOWED GAIN

Tokyo

Japan's external assets exceeded its external liabilities by more than \$3,278 million at the end of 1969, according to figures compiled by a leading nationally operating bank.

The balance of Japan's external accounts thus improved by around \$2,267 million during 1969.

The improvement of Japan's external balance in 1969 was almost equivalent to the surplus in its overall balance of

payments in the same year at around \$2,300 million.

In the detailed breakdown of Japan's external assets at the end of 1969, long-term assets increased by \$1,372 million during the same year to \$6,450 million and short-term assets also rose by \$1,703 million to \$8,350 million.

In the phase of external liabilities, long-term liabilities increased by \$1,295 million to \$6,012 million, while short term liabilities decreased by \$487 million to \$5,780 million.

In the short-term balance, assets of foreign exchange banks registered \$4,850 million at the end of 1969, and their liabilities stood at \$4,100 million, leaving the excess of the former over the latter of \$750 million.

ISRAEL'S FIVE YEAR PLAN 1969-1974

Tel Aviv

The main aims of the Israel economic development plan are listed below:—

1. Further examination of marketing over the Jordan bridges.
2. Increase of products with a relative advantage as follows:
 - (a) Fresh or processed products for export to Europe.
 - (b) Products which replace imports to the West Bank.
 - (c) Products for sale in Israel, either complementary or replacing imports.
3. Development of product requiring more labour, so as to increase employment.
4. The production pattern should allow for a decent income for farmers.
5. Products should not compete with Israeli products and should be produced at a reasonable dollar cost.

CYCLONE CUTS MAURITIUS SUGAR CROP

Port Louis

About 25 per cent of the Mauritius sugar crop has been destroyed by cyclone, according to a Reuter report from Port Louis, last week.

The news drew a cautious response in London. Dealers were inclined to think that the extent of the damage may have been exaggerated. Certainly, there was little excitement on the London sugar terminal market where values closed only up to 5s. back to this year's high of £39 a ton.

An experiment that proved successful

Linton's fabulous shopping centre situated in the heart of Kandana came into existence in mid November last year. This venture is the brain child of its proprietor, Mr. B. M. de Silva who was bold enough to invest in a venture of this magnitude in a comparatively lesser known suburb of Colombo.

This multi-purpose store now serves the general public with all their household requirements under one roof. This shopping centre is today buzzing with activity — with customers from every strata of society coming from a very wide radius. It is now popularly known as the Peoples' Shop.

When asked as to why he risked his capital in a town like Kandana, where trading prospects and opportunities did not seem so bright and alluring as in Colombo, he replied that: it is an experiment aimed at decentralising shopping, which would make shopping convenient to suburban residents.

As to the question of profitability, he said that risk and uncertainty must be encountered by any entrepreneur in the business sphere. He added that if he had consulted our

local planning experts who guide the economic affairs of the country for a feasibility report they would most certainly have vetoed such a venture and labelled it "uneconomic". But being an adventurous and practical minded man he plunged wholesale into this venture and he is today the happier for it. His experiment has worked with remarkable success.

WIDE RANGE

This spacious and modern shopping centre has on offer products ranging from textiles and ready made garments to pharmaceuticals, groceries, haberdashery, footwear, electrical appliances, radios, sewing machines, refrigerators, ceramics, bicycles, paints, hardware, aluminium and enamel ware and all Elephant House and Milk Board products.

The latest addition is a first class ladies hair dressing saloon.

A very large quota of Lanka Salu Sala textiles for distribution on coupons was received for the New Year to satisfy all customers.

SERVICE AS AIM

Infant foods are priced tremendously low. Milkfoods, particularly Lakspray which is in popular demand is bought

from the C.W.E. at the retail price of Rs. 3.10 and also sold at the same price. This is done more as a service than a business. It is indeed a boon to the wage earner. The milk-

operative stores and most other shops are closed.

Linton's price range is generally low and competitive. For instance, butter is sold at

A flash back



Mr. J. R. Jayewardene, Minister of State, is seen at the opening of the Linton Shopping Centre. On his right is Mr. B. M. de Silva, the proprietor.

foods department is open from 6 a.m. to 10 p.m. — even on poya days — so that anyone could conveniently obtain his requirements after his day's work when the local co-

Rs. 3.20 per lb., a price at which it cannot be purchased elsewhere.

FUTURE PLANS

It is planned to enter the provisions business almost immediately. As for future plans, Mr. Silva was very keen and enthusiastic about extending his experiment to other fast developing suburban towns.

**Local
Enterprise:
Linton's
Shopping
Centre**

The Economic Times reserves a special place every fortnight to spotlight local investment activities in Ceylon.

Entrepreneurs who wish to be featured may write in to:
"Local Enterprise"
C/o The Economic Times
157, Jayantha Weerasekera Mawatha,
Colombo-10.

Very soon there might be many more Linton shopping centres around Colombo. He added, with a smile, that when such a network of shops was completed he would then "invade" Colombo itself.

As a means of popularising his shopping centre and business activities in general, the Linton organization has sponsored many variety entertainments and social events at Kandana.

These shows which are organized on an elaborate scale and include Ceylon's top radio artists and musicians are brought to the public free of charge. On such days Kandana really goes gay.

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Shipping & Aviation

MASSIVE ORDERS FOR BRITISH SHIPYARDS

For the second consecutive year, British shipyards booked new orders exceeding 2,000,000 tons gross during 1969.

During the last quarter of the year, British firms ordered for 60 merchant ships (512,000 tons gross). This brought the total of new orders received during the year to 193 ships (2,199,000 tons gross).

The Industry's total order book — excluding naval work — at the end of the year stood at 285 ships, of an estimated £ 588,000,000.

"JUMBO JETS" IN THE EIGHTIES?

Subsonic aircraft twice the size of the present generation of "jumbo jets" could help the problem of congestion in world air traffic lines in the 1980s.

This forecast comes from the managing director of the Aero-Engine Division of Rolls-Royce, the British firm which has already supplied a turbofan engine ultimately capable

of take-off thrust of 55,000 lb. for the Lockheed Tristar Airbus.

There seems no "natural limit to the size of turbo-machinery in the future", Sir David Huddie told the Royal Aeronautical Society's Dublin branch in Eire. "It might well be that we shall have to consider engines possibly in the 75,000 — 100,000 lb. thrust category for the subsonic transports of the 1980s".

But aircraft development, he said, must go hand-in-hand with improved methods of passenger handling and air traffic control facilities. These problems had already proved a "limiting factor" at some airports.

Rolls-Royce was currently spending a quarter of its revenue on research and development, and research to eliminate the social inconvenience of modern powerplant—such as noise and smoke generation—was high on the list of priorities.

BOOKING BY COMPUTER

Quantas passengers will have their airline bookings made

by a completely automatic reservation computer system. It will bring about a complete change in the processing and recording of passenger records. In a second they will be flashed to Quantas offices all over the world through this Quantas system.

One would have to ask for a reservation. In just three seconds and will be told the availability of seats twelve months in advance of the departure date.

TOURISM

GROWTH IN TOURIST TRAFFIC

Tourist traffic into our region is growing at the rate of 16 per cent per annum. This is revealed in the annual report of the Ceylon Association for Promotion of Tourism, released last week.

The Report claimed that in the near future Ceylon should be able to attract as many as 100,000 tourists every year. Nearly 40,500 tourists visited the country last year compared with 28,272 in 1968.

Accommodation Problem

Effering to the growing problem of accommodation the Association has pointed out that there are only 650 guest rooms in the whole Island with Colombo commanding 350 of the total.

The existing facilities consist primarily of hotels built in the early 1900's and a very few new or recently re-decorated resthouses. "It is clear that the country will not be in a position to accommodate the expected increased flow of tourists."

The Report further states: "Ceylon is probably unique amongst all countries in the world in not having a single new hotel worth its name built in the last 50 years.

Little Impact

The best intentions of the Ceylon Tourist Board have not yet been fulfilled to any extent, almost four years after the Board came into being. The three hundred or four hundred beds that will come into being, hopefully by the end of 1970, will have little impact on the total programme of expansion.

The Association has, however kept up its own efforts to arouse enthusiasm to attract investors in hotels, in its first year of existence (1969) But very probably there must be deeper seated reasons for the lethargy shown by prospective investors and it is up to Government to ascertain them and act accordingly.

As the Chairman of the Ceylon Tourist Board said recently on approval's there is a shortfall of 136 rooms up to 1973. He added that the Board was prepared to approve even up to 29 per cent or 30 percent more than the requirements due to the inability of some of these approved projects' to take off due to financial and other difficulties.

Therefore, even the present rate of approvals is not keeping pace with the rate of growth of tourism.

Analysing the situation of hotel accommodation from another point of view, the Association for the Promotion of Tourism states that we have 650 rooms at present which is expected to increase to 4,480 rooms will have to be added during a short period of six years. If the average number of rooms of a hotel is taken as 40, to meet the projections, it will be necessary to construct well over 100 hotels, (or approve over 130 to leave the margin for dropoffs.) "We are no where near any expectation of this performance," the report adds.

PROSPECTS

On the 'tourist boom,' the Report states that Ceylon will have more visitors in the years to come for the following reasons:—

Ceylon is fast gaining popularity as a tourist country;

The East is becoming increasingly popular with the international traveller as against the traditional tourist resorts in the West.

The volume of international travellers is growing daily.

The age of jumbo jets has commenced. International airlines operating through Colombo have given timely warning to Ceylon to be prepared for the Jumbo

The whole world will have to accommodate tourists in larger numbers as these aircrafts will carry about 400 passengers each. Even if we do not have the jumbos, the crowds that will disembark at Bombay or Singapore will filter down here in numbers.

Science & Technology

Rubber dredging pumps reduce costs

Researchers of the State Engineering Corporation have now succeeded in turning out dredging pumps using natural rubber for the wearing parts instead of abrasive resistant steel which was found to wear out in a few days.

The successful use of rubber for the construction of these pumps has enabled the life of a set of rubber wearing parts to extend to approximately six weeks.

FOREIGN EXCHANGE SAVING

These pumps have been able to cut down the expenditure, especially in foreign exchange, involved in the maintenance costs of pumps made of abrasive resistant steel.

A spokesman for the Engineering Corporation said that while dredging in the Kelani Ganga for obtaining material for filling the marsh for the construction of the Colombo North approach road through Peliyagoda, abrasive resistant steel parts wore off in a week and had to be re-built involving an expenditure of Rs. 10,000, of which Rs. 8,000 was in foreign exchange.

The re-building costs of these pumps using rubber, however, is only a few hundred rupees. Besides the time involved in re-building these pumps with rubber is also negligible.

OTHER USES

The spokesman added that

further development is continuing regarding the use of rubber for the manufacture of a variety of pumps, from sewerage pumps which have already been produced to small domestic pumps, which are still in the research stage.

More emphasis is also being placed on the use of rubber as a material of construction for engineering industries, as it is a local material with very good qualities which make it highly suitable for use in a number of applications.

First colour T.V. phone

Tokyo Shibaura Electric Co. (Toshiba) claimed that it has successfully developed a colour television phone for the first time in the world.

The new phone is equipped with a camera in addition to the picture tube and a push button telephone. It is similar to the black-and-white television phone already in use. It said the set costs around Yen 1,200,000. Toshiba believes, however, that the price could be reduced in the future.

(Japan Times Weekly)

BRITISH HEART UNIT FOR BARNARD'S HOSPITAL

Groote Schuur, the Christian Barnard "heart transplant" hospital in South Africa, has bought a heart machine designed and manufactured by a British firm — Cambridge Scientific Instruments Ltd., of Chesterton, Cambridge.

The instrument, which has just been delivered and will be installed this month, is mainly used by cardiologists for diagnostic investigations and open-heart surgery. It can display and record simultaneously 12 individual yet inter-related functions of the heart.

World's smallest transistor radio

Built by Clairtone Sales Corporation Limited of Toronto, well-known manufacturer of stereo and colour T.V., the Mini Hi-Fi is a miniaturized high-fidelity no larger than an ordinary matchbook.

Special circuit together with a highly selective tuner and

ferrite antenna give it the performance characteristics of regular six-transistor radio, using only two transistors and one diode. Its ear-speaker produces fidelity sound equivalent to a 12-in. speaker.

The Mini Hi-Fi comes with two tiny 200-hour mercury batteries.

WOMEN LIVE LONGER THAN MEN

The life span of women in Ceylon is longer than that of men, according to a survey conducted by the Department of Census and Statistics.

The survey has revealed that on an average the life span of a woman is 66.9 years while that of a man is only 64.8 years.

Need for psychiatric training

There is a very great need for psychiatrists in Ceylon at the moment. In fact, it will probably be at least 10 years before we have an adequate number," said Dr. Ranjit Wijesuriya, House Officer at the Mental Hospital, Angoda, who is now on a two-year course at a London hospital.

Leading to a Diploma in Psychiatric Health, the course is taking place at the Department of Psychiatry in Maudsley Hospital, South London.

Lectures cover subjects such as psychology, neuro-anatomy and neuro-physiology.

THE ECONOMIC TIMES

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LIBERALISATION OF TRADE

President Nixon, in his latest address to Congress on International Economic Policy, focussed the plight of developing countries in their struggle to achieve a satisfactory rate of economic development. He emphasised that:

"Development can be promoted by aid, but aid cannot and should not be relied on to do the whole job. The low income countries need increased export earnings to finance the imports they need for development."

And this is precisely what the developing countries have tried to achieve for well over a decade, without any satisfactory results.

Pious resolutions have been made at successive ECAFE and UNCTAD sessions, but unfortunately no positive or meaningful steps have been taken to implement such resolutions, and the developing countries find themselves in the same old predicament.

The Development Decade of the United Nations has come and gone, but the results have been disappointing. And it will not be surprising if history is not repeated during the next decade.

The edifice of freedom remains incomplete, because developing countries like Ceylon in many ways remain in bondage within the economic field. The surest way of achieving economic liberty is by accelerating the pace of development. It is in this connection that the richer nations can give a helping hand to those who are struggling to place their economies on an even keel.

One half of the world, however prosperous it may be, cannot be happy until they loosen their purse-strings and at the same time lift the barriers, both tariff and non-tariff, which now prevent poorer countries from building the super-structure of economic independence.

Asian countries, including Ceylon, year by year are faced with the bugbear of increasing trade deficits. From 2200 million U.S. dollars at the beginning of the sixties the deficits have now almost doubled and it is estimated that, in five year's time, they would reach the colossal total of \$ 7000 million. These trade gaps can be closed, but discriminatory practices created by the lust for gain have widened the gulf between the richer and less affluent nations.

The aid target of one per cent of the Gross National Product of the developed nations is a mere bagatelle and a very small price to pay for the peace of the world.

At the last ECAFE sessions, U. Nyan, the Executive Secretary as well as Thailand's Economic Affairs Minister, Mr. Bunchana, have urged the developed countries to liberalise their trade policies in order to avert another ten years of disappointment in Asia. It is an appeal that should not fall on deaf ears.

CEYLON'S FOREIGN DEBT GOES HIGHER AND HIGHER

In 1969 Ceylon's Gross Public Debt went up by Rs. 618 million. About half or Rs. 301 million of this increase was on account of foreign debt and the rest on account of domestic borrowing.

At the end of September, 1969 the Public Debt stood at Rs. 6,889 million (Rs. 7020 million, if the liability of Government departments on suppliers' credit is added).

Of the total gross debt outstanding, 10 per cent or Rs. 5,513 million was on

account of domestic borrowings while the balance of Rs. 1,376 million comprised borrowings from foreign sources.

Net of sinking funds, the total Public debt increased by Rs. 550 million to Rs. 6,239.

Commenting on the increase the Central Bank Report for 1969 states: "Although the increase in the foreign debt is lower than the increase in the previous year, when an allowance is made for the

enhancement of the previous year's liability on account of the Rupee and Sterling devaluations of 1967, the increase in this year's foreign debt liability was appreciably higher than the annual increase in the previous financial years."

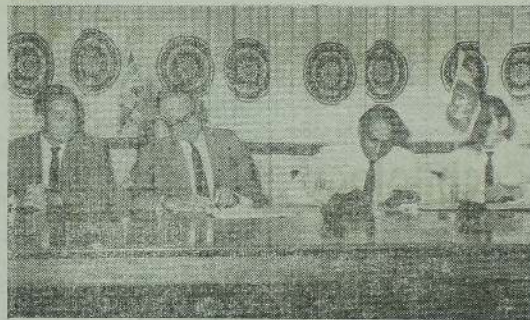
"On the other hand, the increase in the domestic debt liability in the year under review of Rs. 317 million was considerably lower than the record increase of Rs. 614 million in the previous year.

TOTAL PUBLIC DEBT 1966-1969

TABLE 1:

	1966		1967		1968		1969	
	Amount Rs. M.	%	Amount Rs. M.	%	Amount Rs. M.	%	Amount Rs. M.	%
<i>As at end of September</i>								
1. Gross Debt ..	4,743.3	100.0	5,321.5	100.0	6,270.8	100.0	6,888.5	100.0
Foreign ..	548.8	11.6	739.3	13.9	1,074.3	17.1	1,375.5	20.0
Domestic ..	4,194.5	88.3	4,582.2	86.1	5,196.5	82.9	5,513.0	80.0
2. Net Debt ..	4,267.6	100.0	4,782.3	100.0	5,689.3	100.0	6,238.9	100.0
Foreign ..	521.1	12.2	708.0	14.8	1,038.3	18.3	1,337.3	21.4
Domestic ..	3,746.5	87.8	4,074.3	85.2	4,651.0	81.7	4,901.6	78.6

Source: Central Bank of Ceylon.



The British High Commissioner, Mr. A. M. MacKintosh (second from left), and Dr. Gamani Corea, Permanent Secretary, Ministry of Planning and Economic Affairs (second from right), signing an agreement under which Britain is giving Ceylon some Rs. 13,575,500 (£950,000) for the purchase of wheat or flour during the harvest year 1969/70.

The Government of Ceylon will be responsible for shipping and other costs. At left is Mr. P. J. George, First Secretary (Commercial), British High Commission, and at right Mr. David Loos, Director of External Resources.

Record U.S. contribution to U.N.D.P.

The United Nations Development Program (UNDP), of which Ceylon is a beneficiary, will receive a record contribution of 86 million dollars from the United States in 1970. This was announced by U.S. Representative Glenn Olds at the UNDP's Governing Council meeting.

Ambassador Olds noted that 86 million dollars is the largest amount the United States has ever pledged to the program.

Ceylon, which is among 92 other developing countries and territories assisted by UNDP, has 6 special fund projects in operation: The Ceylon College

of Technology, Katubedde; The Institute of Surveying and Mapping, Diyatalawa; The Management, Development and Productivity Center; The National Economic Programming and Planning Project; Agrarian Research and Training Institute, Peradeniya; and the Public Water Supply, Drainage and Sewerage for the south-west coastal area.

Two other projects, "National Vocational Training Scheme" and "Agricultural Diversification of Tea and Rubber growing areas" received approval last January.

W. GERMAN AUTO PRODUCTION RISES

West Germany's car-makers are contributing a higher-than-world-average share of new automobiles.

The world-wide rise in auto production last year, at 29.4 million vehicles, was 5.5%. European carmakers turned out 11.2% more autos, and the Federal Republic of Germany 16%. The Japanese auto branch recorded a 14.3% rise, to a total of 4.76 million vehicles, compared with 3.6 million manufactured in the Federal Republic of Germany.

Dollar certificate turnover drops

Turnover in the London Market in negotiable dollar certificates of deposits fell slightly in the first quarter of this year, to \$ 1.126 million from \$ 1.283 million in the last quarter in 1969.

According to a report in the London "Financial Times" last week, this was the first quarter to quarter fall since the final three months of 1968, when the turnover came to \$ 785 million against the previous \$ 862 million.

The Bank of England indicated in its March Bulletin that at the end of last year, total dollar certificates in issue was around \$ 3,700 million, or approximately 9 per cent of gross foreign currency liabilities of London Banks.