Registered as a Newspaper in Ceylon.

THE ECONOMIC TIMES

Vol. 1 No. 5 Tuesday, June 2nd 1970 Price 50 cts.

Filling the coffers - N. M.'s first task

Treasury coffers are empty — both in foreign exchange and rupees. This is the unhappy position in which the new Minister of Finance, Dr. N. M. Perera, finds himself. His first task will therefore be to replenish the "exchequer".

According to official sources the foreign exchange reserves had run down as a result of the previous Government stock piling essential commodities, and granting extra exchange for food items from allocations for the second half year.

The existing foreign exchange is barely sufficient to meet payments due against import orders that will come up for settlement in the next month, according to Treasury sources.

RESOURCE GAP — A CAUSE FOR ALARM

CEYLON'S "RESOURCE GAP" AS MEASURED BY THE DIFFERENCE BETWEEN THE SUM OF EARNINGS FROM EXPORTS OF GOODS AND SERVICES AND THE SUM OF PAYMENTS FOR GOODS AND SERVICES AND CAPITAL AMORTIZATION, HAS WIDENED PERSISTENTLY OVER THE YEARS. THIS DEFICIT HAS INCREASED FROM 5.0 PER CENT OF THE COUNTRY'S GROSS DOMESTIC PRODUCT (G.D.P.) IN 1967, TO 11.0 PER CENT OF THE G.D.P. IN 1969.

The share of capital amortization in the G.D.P. has more than trebled from 9.0 per cent in 1967 to 3.6 per cent in 1969. While, therefore, total external payments expressed as a percentage of the country's G.D.P. have increased from 24.4 per cent in 1967, to 25.6 per cent in 1969, the country's external income, as measured by its earnings on goods and services, has declined from 22.5 per cent of the G.D.P. in 1967, to 20.0 per cent in 1969.

MAIN REASONS

The "resource gap" which amounted to Rs. 649 million in 1968, increased to Rs. 1,198 million in 1969.

The total" Resource Gap" for 1970 would be Rs. 1,494 m.

Under the revised figures for 1969/70 the net expenditure of the Government would be Rs. 3,775 million and the net revenue Rs. 2,705 million. This left a deficit of Rs. 1,070 m.

The sharp fall in import capacity in 1969, resulted in increased dependence on external assistance for the importation of intermediate and capital goods. Ceylon used Rs. 39 million more of its resources than in the previous year, but owing to a sharper fall in commodity exports, the resource gap generated in the merchandise account amounted to Rs. 163 million out of a total trade deficit of Rs. 744 m.

The position was further aggravated by a deficit of Rs. 64 million in the invisibles account.

STRIKING FEATURE

Commenting on the existence of a resource gap of this magnitude, the Central Bank Report for 1969 states:—

"Quite apart from the substantial increase in the size of the gap, a striking feature is the shift in the modes by which it has been financed. In 1969 much larger recourse has been made to short term financing mechanisms, as compared with 1968". **(See details in Table below).**

The Report comments further that: "In the wake of falling export incomes and rising imports it was necessary to borrow from abroad even at high interest rates. *However, given a persistent resource gap it is preferable to finance it through long term and, both project and commodity aid, rather than placing reliance on short term foreign credit because the latter tends to aggravate the balance of payments situation by imposing a heavy debt servicing burden in the short run.*"

FINANCING OF THE DEFICIT

	Rs. Million 1967	1968	1969
Merchandise :			
1. Exports	1,650	1,976	1,909
2. Imports	1,985	2,356	2,653
3. Trade balance	335	—380	—744
4. Investment income	— 31	— 23	— 60
5. Interest payments	— 22	— 30	— 44
6. I.M.F. Repurchases ..	— 18	— 48	— 87
7. Capital amortisation or repatriation	— 60	—218	—303
8. Other current account transactions	+ 53	+ 50	+ 40
Total (3 to 8) ..	—413	—649	—1,198
Financed by:			
Commodity aid	178	255	272
Project aid	34	40	89
Suppliers Credits	n.a.	n.a.	176
IMF Purchases	123	213	77
Bank borrowings	57	—	227
Short term credits	7	84	185
Bilateral balances	80	42	18
External assets	—131	— 14	86
Grants	46	28	46
Private capital	9	8	9
Other	10	— 7	13
Total ..	413	649	1,198

Less strikes in private sector

Latest Labour Department figures reveal that less strikes took place in the private sector in the first eleven months of last year as with the same period in the previous year.

A total number of 169 strikes involving 6,635 workers occurred in the period January-November 1969 in the private sector. The number of man-days lost due to stoppages of work in this period amounted to 398,770 days.

WORST AFFECTED

The worst affected were the plantations where 129 strikes involving 50,819 workers took place. The total number of man-days lost as a result was 343,277 days.

In the first eleven months of 1968, however, 183 strikes involving 82,237 employees took place, while the number of man-days lost topped 904,116 days.

An analysis of Labour Department figures over the last ten years reveal that the year 1967 was plagued by 230 strikes — the highest on record:

22 Nations to give tariff preferences

Ministers from 22 of the world's most advanced nations last week expressed determination to implement a generalised scheme of tariff preferences to benefit developing nations as soon as possible.

This was revealed in a communique issued at the end of a three-day ministerial conference of the Organisation for Economic Co-operation and Development, in Paris.

On aid and development, the communique said several OECD members were now granting one per cent or more of their gross national product as aid to developing countries.

During the meeting, other members, including Japan, also accepted this target to be achieved by 1975.

In this Issue

Calling All Managers

The manager of today lives in a world of rapid change, the rate of which is likely to increase in the days ahead. Unless he can keep pace with this change he is very likely to find himself obsolete!

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CEYLON'S FORTNIGHTLY FINANCIAL REVIEW

MARKET. PRICES

COLOMBO

CLOSING PRICES 25.5.70

TEA (Rs. Cts. Per lb.)

	BOPS low	BOPS high	B. O. P·Fs low	B. O. P·Fs high
High Growns	1-65	2-96	1-75	2-90
1 at 3-00	1 at 3-20		2 at 3-00	1 at 3-55
2 at 3-45			1 at 3-10	
Medium Grown	1-38	2-20	1-40	2-20
Small leaf Low Grown	1-36	1-50	1-48	1.55
Tea for Price	1-20	1-38	1-30	1-48
Leafy B.O.P.	1-31	1-42		
	F. B. O. Ps.		F. B. O. Ps	
Tippy Teas	1-35	1-45	1-35	8-00
			1 at 8-65	1 at 8-85

PRICES FOR THE WEEK ENDED 1.6.70

RUBBER (Rs. cts.—per lb.)

The Commissioner of Commodity Purchase paid the following prices to shippers.

Colombo	High	Low
RSS No. 1	92 1/4	91 3/4
RSS No. 2	88	88
RSS No. 3	85 3/4	85

COPRA (*Rs. per Candy*)

		High	Low
Estate Copra	No. 1.	241.50	216.25

COCONUT OIL (*Rs. per ton*).

	High	Low
June.	1350	1325
July.	1325	1325

POONAC (*Rs. per ton*)

High	Low
400	380

DESICCATED COCONUT (*per lb.*)

June and July .59 cts.

PRICES FOR THE WEEK ENDING 19th MAY 1970

	Rs. cts.		Rs. cts.	
Cloves	18/50	to	19/50	per lb.
Clove Stems	3/25	,,	3/75	,,
Nutmeg Shelled	3/25	,,	3/50	,,
Nutmeg Unshelled	1/75	,,	2/	,,
Papain White	15/	,,	15/50	,,
Papain Brown	9/	,,	9/50	,,
Cinnamon Quills H2 ..	3/75			cwt.
Kapok Cleaned	130/			,,
Kapok Uncleaned	30/			,,
Croton Seed	140/	,,	150/-	,,
Coffee	300/-	,,	350/-	,,

D.C. Industry....

(*contd. from page 3*)

There was, however, no attempt made in Ceylon to understand the problem of depressed prices. Without any regard to facts local millers claimed that the reason for the decline was that shippers were depressing prices.

In this context, it is worthy to note that since 1960, the average price earned by Millers in 1969, was surpassed only in the boom year of 1968. The following are the average prices since 1960:—

Year	*Rs. per. lb)*
1960	0.46
1961	0.34
1962	0.45
1963	0.44
1964	0.40
1965	0.52
1966	0.47
1967	0.49
1968	0.79
1969	0.58

TEA REPORT

Colombo

At last week's Auction 3,600 lots totalling 8,814,192 pounds were on offer.

Quality: Dimbula/Dickoya teas showed a further decline in quality whilst Uva teas continue rather plain in character.

Market: Nuwara Eliya Teas. The selection of B.O.P.s and B.O.P. Fgs. met with less demand and were generally 5/15 cents easier.

High Grown Teas. Dimbula/Dickoya offerings in Ex-Estate catalogues met fairly good general demand but prices were lower with quality except in the case of a very small selection of useful liquoring teas which were fairly firm. Orange Pekoes were irregular but any bright liquoring Pekoes were slightly dearer.

Medium Grown Teas. Western brokens sold fairly well but 5/15 cents below last prices. A small range of useful coloury bright liquoring sorts however were fully firm. Uva/Udapussellawas declined by 5/15 cents but those around the Rs. 1/50 price level sold well and were fully firm to sometimes a little dearer. Leaf grades were irregular.

Low Grown Teas. Earlier in the sale F.B.O.Ps showed little change on last prices but both B.O.P. 1's and small leaf brokens were a few cents easier. Demand eased slightly towards the close and opening prices were not maintained. Orange Pekoes declined by

Commodity Commentary

5/10 cents but Pekoes were about 5 cents dearer.

B.O.P. Fannings. Liquoring B.O.P. Fgs. followed the same price pattern as their respective brokens whilst the decline in respect of Mediums was greater. Low Growns on average were a slightly easier market. Small leaf FBOPFgs. were about 5/10 cents up whilst the best parcels were also marked up but others were more or less unchanged.

Off Grades. High Grown Fannings were unchanged but Mediums and clean leaf Lw Growns were a few cents dearer. Broken Mixed were slightly lower particularly the poorest sorts.

Dusts. Best liquoring High Growns and clean grainy types were up, others were steady.

RUBBER REPORT

We give below the Rubber Market Report issued by the Colombo Brokers' Association for the Poya Week ending 27th May, 1970.

The London market passed a very quiet week's trading with spot values virtually unchanged. In New York both Goodyear and Goodrich are still on strike but despite this the physical market was more buoyant this week with manufacturers who were not on strike showing good interest. On balance London and Singapore declined by 5/16d. and 1/4 dollar cent.

Sheet: RSS 1 opened the week at -/92¼ cts. per lb. showing an increase of 1 cts. on the previous week's closing figure, remained unchanged on the two following days (International week-end), improved further by 3/4 cent on the next day and gained by a further 1/2 cent the following day to close the week at 91 cents per lb. Approximately 120 tons of sheet rubber were sold by Members of our Association of which 58% consisted of No. 1 sheet.

Latex Crepe: 459 tons of Latex Crepe were on offer at the two sales held during the week showing an increase of 303 tons on the previous week's figure (1 sale). At the first sale of the week the market opened slightly easier for the good Latex Crepes on offer but improved during the closing stages when the IX crepes were unchanged on the pre-previous week's quotation and No. 1 crepes improved by about 1 1/2 cts. per lb. Duller sorts and Off Grades, though in good demand, declined fractionally. At the following sale. the market opened strong though at slightly lower levels and eased fractionally at the closing stages. The closing quotations for IX declined fractionally and No. 1 crepes eased by about 1 cent per lb. Duller sorts however improved by 1 to 3 cts. per lb. while off grades remained more or less unchanged.

Produce Report

We give below the Sundry Produce Market Report for the Poya Week ending 19th May, 1970.

Cardamoms: 71 lots of Cardamoms were on offer, totalling 4210 lbs. showing an increase of 2102 lbs. on the previous week's figure. Nearly all grades sold at about the same rates as previously and at the close of the sale No. 1 was quoted at Rs. 33/15 to Rs. 34/ per lb. Grades next to best improved somewhat and these sold at Rs. 32/ to Rs. 33/ per lb. Inferior quality, though in demand, sold at considerably less and was transacted at Rs. 26/ to 29/ per lb. The highest price paid for the day was Rs. 35/ per lb. and one lot of husks fetched the lowest price of Rs. 3/50 per lb. Seeds were transacted at Rs. 32/ per lb.

Cocoa: 19 lots of Cocoa totalling 78 cwts. were on offer this week against the previous week's total of 68 cwts. show an increase of 10 cwts. Once again lack of trading interest resulted in the market being slack and dull in consequence of which no quotation was made. Poorer quality transacted at Rs. 220/ to 245/ per cwt., with the darker and inferior grades selling at Rs. 140/ to Rs. 165/ per cwt. No garbling or sjell cocoa were on offer.

Coffee: 5 lots totalling 5 cwts. 1 qr. 5 lbs. were on offer all of which were withdrawn due to the lack of suitable bids.

Pepper: 5 lots totalling 327 lbs. were on offer, the best of which was sold at Rs. 3/35 per lb. at which price quotation was made.

Mace: Two lots totalling 103 lbs. were on offer and these sold at Rs. 3/50 per lb. at which price quotation was made.

Nutmeg: Two lots totalling 230 lbs. were on offer and with drawn due to lack of suitable bids.

Cinnamon: One lot of 1245 lbs. of cinnamon was on offer and withdrawn for the lack of suitable bids.

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

SHARE MARKET

(*contd. from page 3*)

Teas:	*Previous Price Rs. cts.*	*May 26th Rs. cts.*	*+ or — Rs. cts.*
Lankems ..	.. 17. 50	17. 50	
Development Finance	..117. 00	117. 00	
Lanka Salu Salas	.. 3. 80	3. 80	
Whittals ..	.. 16. 00	16. 00	
Hayleys ..	.. 24. 50	26. 00	+1.50

Investment Trusts: Ceylon Investments fell from Rs. 8.00 to Rs. 7.50. The following were quoted ex-dividend:— Kaluganga Valley Tea and Rubber Co. Ltd. 7% final on 17.5.70. Robgills Tea Co. Ltd. 3 % First and Final on 24.5.70.

D. C. Industry — Price slump in 1969

(By our commodity correspondent)

The presence of excess stocks of desiccated coconut in the major consuming countries created by heavy exports from Ceylon in 1968, resulted in a downward movement of prices last year. Both Ceylon and Philippine desiccated coconut suffered depressed prices last year.

The D.C. price boom of 1968 enjoyed by Ceylon was too good to last despite a continously rising demand for the commodity in world markets.

The volume of D.C. exported in 1969 also dropped from 1,381,983 cwts. in 1968 to 1,018,422 last year.

Principal markets

The United Kingdom continued to be the principal market for local D.C. although less purchases were made last year than in 1968. Total exports to the U.K. in 1969 totalled 331,614 cwts. The quantity exported in 1968, however, amounted to 357,777 cwts.

The Federal Republic of Germany purchased 128,000 cwts. or 13 per cent in 1969, while the G.D.R., Netherlands and Spain were the next most important buyers.

The D.C. price decline last year which started in January continued upto October 1969. During November and December however, prices showed significant improvements following closely the seasonal pattern of heavy buying for forward shipment.

The annual average Colombo Market price for D.C. was -/58 cts per lb—-/21 cts less than the price in 1968. (See table below):

Average Monthly Prices of D.C.

	1969	1970
January	0.61	0.73
February	0.64	0.66
March	0.82	0.63
April	0.83	0.57
May	0.82	0.53
June	0.84	0.54
July	0.92	0.50
August	0.95	0.49
September	0.91	0.48
October	0.76	0.45
November	0.65	0.63
December	0.74	0.74

In the Philippines too, the commodity suffered depressed prices. However, in the Philippines the problem of declining prices was seen in its correct perspective.

Dominant factors

One of the leading millers, in an article published in the January 1970 issue of the Journal of the American Chamber of Commerce of the Philippines, explained that the decline in 1969 was due to two dominant factors:-

* "Large stocks of finished goods from high shipments made during eight months of 1968, which continued to hang over the markets."

* "Abundant yield in Ceylon;"

The article further stated: "These two factors so depressed prices that the Philippine millers could not compete. So they limited production, serving only the needs of their traditional markets."

The reasons for the price decline in Ceylon were :- the same.

* Excess stocks of D.C. in consumer countries created by heavy exports from Ceylon in 1968, at high prices.

* High level of exports in 1969,

This position is clearly illistrated by the following figures:

Year	exports (cwts)	Customs Value (Rupees).
1966	930,684	62,599,445
1967	925,570	60,796,342
1968	1,381,983	16,317,839
1969	1,081,422	87,401,136

(contd. on page 2)

SHARE MARKET

Conditions on the share market were firmer for teas and commercials and steady for tea-cum rubbers.

	Previous Price Rs. cts.	May 26th Rs. cts.	+ or — Rs. cts.
Teas:			
Ceylon Provincials	8. 25	8. 25	
Doomoos	9. 00	8. 25	—.75
Estates of Uva	6. 00	6. 00	
Great Westerns	15. 00	15. 00	
Mayans	3. 00	3. 25	+.25
Mochas	14. 00	14. 00	
Mahavillas	2. 50	3. 00	+.50
Pitakandas	6. 00	6. 00	
Ryes	4. 00	4. 25	+.25
St. James	18. 00	18. 00	
Strathdens	9. 25	9. 00	—.25
Tonacombes	3. 50	3. 50	
Uplands	5. 50	5. 50	
Wanarajahs	8. 00	8. 00	
Tea cum Rubbers:			
Hunuwellas	7. 25	7. 25	
Neuchatels	6. 00	6. 00	
Pelmadulla	6. 00	5. 50	—.50
Saffragams	8. 00	8. 00	
Talgaswellas	7. 00	7. 50	+.50
Udabages	9. 50	9. 50	
Rubbers:			
Biddescars	4. 00	4. 50	+.50
Hatbawes	6. 50	6. 50	
Moneragalas	7. 50	4. 75	—2.75
Commercials:			
Ceylon Brewery	25. 00	25. 00	
Cold Stores	25. 50	25. 50	
Ceylon Tobaccos	22. 50	22. 50	
Kandy Textiles	10. 50	11. 00	+.50
BCC	13. 25	13. 25	
Browns	15. 00	15. 00	
J. L. Morrisons	25. 75	20. 50	
Rowlands	7. 00	7. 00	
Swadeshi Industrial Works	10. 00	12. 00	+2.00
Wellawatte Mills	7. 50	7. 50	

(contd. on page 2)

PRODUCTION TRENDS IN MAJOR EXPORT CROPS

Tea production declined in the first quarter of this year, from 123.566 million pounds to 114.943 million pounds, according to statistics released by the Tea Control Department.

Rubber and coconut production on the other hand, showed appreciable increases in production.

Production of rubber rose from 85,052 million pounds in the period January—March 1969, to 90.825 million pounds in the corresponding period this year.

Coconut production, which has been on the downward, incline for the past five years also moved up in the quarter under review. As much as 5 million more nuts were produced than in the first quarter of last year when only 168.388 million nuts were produced.

Company Meeting Reports

MORE COMPETITION IN CHEMICALS

The 6th Annual Report of the Directors of Chemical Industries (Colombo) Ltd., for the year ended 30th September 1969 was tabled recently. In this report the Directors state that with the removal of import control restrictions on many products, greater competion is being experienced by the Company in its trading activities.

Extracts of the Report are given below:-

TRADING

Ex-godown sales for the year compared with the previous year's figures were as follows:—

	1969 Rs. lakhs	1968 Rs. lakhs
Locally manufactured products	126	87
Imported products	119	117
	245	204

PROFITS AND APPROPRIATIONS

Figures in Rupees

Net Profit for the year after charging Depreciation was			1,356,496
From which is deducted:			
Taxation on Profits		813,000	
Taxation on Dividends :			
Interim	25,000		
Proposed Final	62,500	87,500	900,500
Leaving a balance of profits for the year			455,996
To which is added the balance from the previous year			33,172
Leaving a total available of			489,168
The Directors have:			
Transferred to General Reserve			300,000
Paid an Interim Dividend of 75 cts. per share on the Issued Capital	75,000		
Less: Income Tax thereon	25,000	50,000	
And now recommend the payment of a Final Dividend of Rs. 1.25 per share on the Issued Capital	187,500		
Less: Income Tax thereon	62,500	125,000	175,000
Amount carried forward			14,168
			489,168

FINANCIAL

After providing Rs. 50,000 against Staff Superannuation, your Directors have transferred Rs. 300,000 to the General Reserve, making it Rs. 1,200,000. With the capitalisation of Rs. 500,000 in October 1969, this Reserve is reduced to Rs. 700,000.

An interim dividend payment of 75 cts. per share was made in August 1969. Your Directors now recommend a final dividend of Rs. 1.25 per share.

Due to increased financial requirements for capital expenditure on new plant and building and working capital, your Directors have made an application to the Development Finance Corporation of Ceylon for a medium term loan of Rs. 15 lakhs. In the meantime, temporary overderaft facilities of Rs. 10 lakhs have been obtained from the Chartered Bank.

PRODUCTION

PIPE AND FILM: Following the start up of our new extrusion plant at Ratmalana, sales have shown a satisfactory increase. New machinery was purchased during the year to manufacture plastic 'Alkathene' pipe fittings which have hither to been imported.

AGRICULTURAL CHEMICALS: The first year's results have been disappointing, due mainly to a fall in demand from tea estates.

POLYVINYL ACETATE PROJECT: Due to procedural delays in obtaining the necessary import licences and the time taken for design of the plant, production is now expected to commence in mid 1970.

DIRECTORS

Mr. K. O. Koelmeyer retires in terms of Article 84 of the Articles of Association of the Company, and, being eligible, is recommended for re-election.

FROM THE CHAMBERS

Role of the Private & Public Sectors

The Chairman of the National Chamber of Industries Mr. Edmund J. Cooray, addressing the ninth annual general meeting of the Chamber, stressed the need for both private sector and public sector to work in close harmony, while deploring the existing trend to expand the activities of the public sector at the expense of the private sector.

Other salient points made in his review are given below:—

"Recently there has been a considerable amount of discussion with regard to the respective roles of the Private and the Public Sectors in a developing economy such as ours. Although it has been repeatedly declared to be the considered policy of the National Government to encourage a mixed economy, where both the Private Sector and the Public Sector work in close harmony, in practice there has been an unfortunate tendency to expand the activities of the Public Sector at the expense of the Private Sector, often resulting in monopolies which in turn have led to inefficient production and enhanced prices.

As all this is generally done in the name of Socialism (which has today become more a political slogan than a political philosophy) it may be relevant to quote a recent statement by one of South-East Asia's, if not the World's, best-known Socialist politicians, namely, Mr. Lee Kuan Yew, who as Prime Minister of Singapore presides over a booming economy in which Private Enterprise finds an honoured place. To quote his own words in a recent interview given by him to the "Director" :—

"We believe that in an under-developed situation where you have no managerial or technological class, the state ownership of all basic industries simply does not make sense. State industry would operate less efficiently, and new industries are slow to start. This is what has happened to many countries which have gone over-board on nationalisation.

One of China's problems in her great leap forward was that there were not enough technocrats to make themselves felt and advise on some of the excesses. Surely the problem in all these countries is how to get these industries or enterprises off the ground. They have got to pay their way. Now if you are not tied up with the Communist world where labour cost is the economic measure, you go by profitability which is the yardstick of the convertible currencies of the West. If an industry cannot get off the ground because it is not profitable, then that is the end of it. We are no less Socialist because we recognise this simple fact.

Mind you, we are not hesitant to use public funds to stimulate growth in certain industries where private enterprise is shy or sluggish. We have invested in iron and steel, which is one-third state-owned, and which has got off the ground because of the confidence which that official stake gave. We have gone in for a shipping line, which we intend ultimately to open up for public subscription. We also run in conjunction with Malaysia BOAC and Quantas, a State Airline which is now making profits, and which we also hope eventually to open to public subscription."

These are the considered views and beliefs of a well-known Statesman, who can by no stretch of imagination be dubbed a die-hard Capitalist! On the contrary, he was at one time denounced as "Communist China's Standard-Bearer in South-East Asia," but being the realist that he is, Mr. Lee prefers performance to prejudices and slogans, and has made of his small State, Singapore, a model and a show-piece of what a dynamic private sector can contribute to the economic prosperity of a country without any natural advantages or resources such as we have in Ceylon.

GOVERNMENT EXPENDITURE AND TAXATION

If Government expenditure continues to increase as rapidly as it has in recent years, there can be no alternative to further taxation, because there is a limit to deficit financing and foreign borrowing. In 1968/69 the total Government expenditure was Rs. 3,445 million, which was an increase of Rs. 438 million or 14.6% over the previous financial year. In 1969/70 the estimated Government expenditure is Rs. 3,674 million, which means a further increase of Rs. 229 mil. equivalent to 10.7%.

As it is, Ceylon is one of the highest taxed countries in the world; and the tendency has been for successive governments to keep on piling the burden on the Tax-payer. When the Turnover tax was first introduced, the manufacturers' tax was only 1%, which was subsequently raised to 3%, and thereafter to 5%. In 1968, the Turnover Tax was raised to 10% in the case of several items; and in 1969 it was further increased to 20% and 25%.

(Contd. on page 11)

More Foreign Exchange From Marine Products

The export of Ceylon's marine products found abundantly in its coastal waters is now turning out to be a lucrative source of foreign exchange for the country.

The Ceylon Fisheries Corporation last year earned over Rs. 765,000 in foreign exchange from the export of edible fish and fish products.

Principal export products

Tuna, sharkfins, Beeche-De-Mer prawns, lobsters and shrimps are the principal money-spinning exports of the Corporation.

The other marine products exported in large quantities by the Corporation are dried cuttle fish and cuttle fish bones. These parts of fish which serve as delicacies in Chinese dishes have found increasing markets in Singapore, HongKong, Britain and U.S.A.

The Fisheries Corporation has several other varieties of fish for export in frozen form either whole or headless filleted or dressed to suit the requirements of the buyers. These include: cuttle fish or squid, Leather jacket, Sword fish, Bonito, skipjack, Trevally and shark cleaned in chunks.

Tuna fish was the Corporations biggest foreign exchange earner last year. Nearly 704,000 pounds of tuna valued at Rs. 494,445 were shipped overseas in 1969.

Biggest Money Spinners

Dried shark fins was the next biggest money spinner. Over 10,000 lbs. of this variety was exported last year which brought in a revenue of Rs. 88,000. Beche-de-mer, also known as the sea slug, or sea cucumber is a Zoophyte or plant-like animal. The particular species gathered for curing (Holothuria Scabra, Jalgar) are cylindrical in shape. The cured product known as 'trepang' is a relished delicacy of Sino-Asians.

Exports of Beche-de-mer last year mainly to markets in Singapore and Malaysia earned foreign exchange to the tune of Rs. 61,300 . Almost 30,000 lbas. of Beche-de-mer were exported in 1969.

The Fisheries Corporation also exported 2,500 pounds of prawns valued at Rs. 11,037 last year. These prawns were destined to Britain, Japan and India.

A small quantity of live lobsters (135 pounds) was shipped abroad last year to France. The foreign exchange realised by this export was over Rs. 1,000

Market Potential

The export of prawns. lobsters and shrimps is also being undertaken by individuals and firms in the private sector.

There exists a definite potential for the export of shrimps, prawns and lobsters to the major West European and the U.S. Market, of which Ceylon is now taking advantage. of this situation.

Non- Traditional Exports Earn More

While earnings from Ceylon's traditional exports have shown a consistant decline, the value of non-traditional export products have shown a significant increase this year.

According to Customs Data, the value of these exports have increased from Rs. 45 million in the first quarter of last year to Rs. 55.7 million in the same quarter this year. The increase in 1969 over the 1968 figure being Rs. 9 million.

Among non-traditional products mainly responsible for Ceylon's impressive record during the period under revieware: ready-made shirts, childrens' garments, rubber and leather shoes, rubber toys, coir products, handicrafts, lamp shades spectacle frames and exports of many state Corporations.

EXPORT OPPORTUNITIES

The following firms are interested in importing the following products from Ceylonese exporters:-

Jewellery

Acme Importing Company,
307 Selkirk Avenue,
Winnipeg, Monitoba
Canada.

Acorn Limited
325 Howe Street,
Vancouver, B.C.
Cananda.

M. Evenchick Ltd.,
291 Albert Street,
Ottawa, Ontario.
Cananda.

Imperial Jewellery Ltd,
6—168 Market St. E.,
Winnipeg, Monitoba
Canada.

Curios

J & S Import,
1169, Broadwaym,
New York, N.Y.
U.S.A.

Transoceanic Import Co.,
P.O.Box 1362, Detrioit,
Michigan 48331,
U.S.A.

Mercury Enterprises,
946, Cothe Street,
Warminister, Pa 18974.
U.S.A.

Kermali & Co.,
P.O. Box 739
Mwanza,
U.S.A.

East African Handicraft Distributors, Ltd.,
P.O. Box 5770,
Nairobi,
Kenya.

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

Spices

Arther Irish Co. Ltd.,
P.O. Box 130
1220 West 6th Avenue
Vancouver, B.C.
Canada

Blue Ribbon Ltd.,
334 McDermot Avenue,
Winnipeg, Manitoba
Canada.

F. E. Lingeman,
351 Place Royale,
Montreal 1, Quebec
Canada.

Canadian Spice Mills,
87, Soult-au-Matelot,
Quebec
Canada.

Empire Spice Mills
173, Mc Dermot Avenue,
Winnipeg, Manitoba.
Canada.

E. S. Thomas & Co.
49, Wellington St., E.,
Toronto 1, Ontario
Cananda.

Need for more Export Concessions

Exporters of Ceylon's products should be given liberal foreign exchange releases for trade promotional work, states the Ceylon Association of Manufacturers.

The Association makes the point that while all are agreed on the need to explore new export markets, less are agreed on what action Government should take. It also adds that: "One thing stands out clear, a rather radical change in attitudes to speed up exporters receiving the declared incentives by way of tax rebates and tax rewards. and the need for concessionary freight rates are also needed.

The Manufacturers' Association further states that at the same time, it is necessary to improve and maintain quality and also to explore assiduously possible export markets. In these areas, there exists vast opportunities for purposeful intervention and pioneering action by Government.

Export Intelligence

AMBIGUITIES IN BRUSSELS TARIFF NOMENCLATURE

Exporters of local products while welcoming the introduction of the Brussels Tariff Nomenclature in place of the Ceylon Customs Tariff, have alleged that in doing so, certain important changes so effected have had the unfortunate result of detracting considerably from the operation of this classification in administration and assessment of import duties leviable.

The new Classification was introduced in August last year following the recommendation made by Mr. S. M. Abas, U. N. Advisor in Customs Administration and also by the Tariff Advisiory Board.

Confusion

Exporters maintain that: "Although the introduction of the Brussels Classification was a salutary step, the New Tariff still contains many ambiguities. This was the result of different interpretations given by Customs officers in the classification of items imported under O. G. L. Though the avowed intention of the new Classification was to leave no room for differences in interpretation, in practise, however, much confusion prevails."

New Market for Ready-made Garments

This year nearly 17,000 dozen children's garments will be exported to the Middle Eastern and East African markets by Noortex Garments Limited. The total value of these exports is in the region of Rs. 2.5 million.

Foothold

Locally manufactured children's garments carrying the tag "Made in Ceylon" have now found a permanent place in the shopping centres of Aden, Dubai, Kuwait, Addis Ababa, Malawi and Jeddah.

Ceylon was able gain a foothold in these markets following a tour of these countries made by the managing Propriets of Noortex Garments.

Last year, the Company earned nearly Rs. 1 million in foreign exchange from the export of children's garments.

Export enquiries totalling Rs. 7 million have now been received from Austria, Canada, USA, Denmark Germany, Libya, Australia, Mombassa, Afghinistan, Nepal, Uganda Dar-es-Salaam, Lusaka, and Somaka.

SOME BASIC QUESTIONS REGARDING THE FINANCI

How much emphasis should be placed on multilateral financial institutions, as contrasted with bilateral programs?

In recent years we have witnessed an increasing shift in the distribution of economic assistance to multi-lateral institutions from individual nation-to-nation programs. This trend will continue as rapidly as other donor countries are prepared to increase their proportionate contributions and as fast as the banks themselves are capable of handling an expanded level of activity.

The strength and advantages of these multilateral institutions should be understood.

—They permit each donor country to contribute according to its financial strength, with all countries contributing on the same terms.

—They permit a pooling of knowledge and expertise on development problems which no single country can muster.

—They provide for an allocation of assistance on the basis of development need, relatively free from political ties or commercial factors, thereby minimizing political motivation for assistance.

—They are forums for bringing international influence to bear on donor countries in connection with their aid policies, and on recipient countries to follow generally acceptable development policies.

—They provide an important force in favor of more open and less restrictive national economies—leading to a more effective use of externally provided resources as well as a more rational allocation of resources at home.

—They provide a shielding device against (1) undue reliance of any recipient on a particular source of aid and (2) undue responsibility of any donor for support of a particular recipient.

But there are important limitations on the extent and the speed with which we can shift the emphasis from bilateral to multilateral channels of development financing. Some donor countries have been less than convinced of the advantages of the multilateral approach and have been reluctant to increase reliance on—and contributions to—these institutions. Some have suggested that the United States, or other individual countries, make additional contributions to the multilateral institutions separate from and independent of the contributions made by all donors together. I do not share this view. I believe that we must be careful not to deviate from the fundamental principle of burden sharing.

A second question is the position of economic assistance in an environment of severe budget stringency.

A great deal is being heard today about competing priorities, about the demand for budgetary funds and the excess of expectations over resources. The President has a difficult task in allocating these funds among agencies and among projects, as preparation of the 1971 budget illustrated. One of my responsibilities is to weigh the costs against revenue and our fiscal objectives.

Now there is no question that economic assistance has felt the budgetary environment. Budget limitations affect the amount of direct assistance, as well as national commitments to development banks, but as the strength of the international banks grow they are able to shift part of their financing needs to the private market through issuance of their own securities.

The fact that the President has chosen to allocate more money to multi-lateral banks indicates the high priority the U.S. places on these programs.

Many other donor countries who have done less in the way of domestic capital investment over the years than we have, are now particularly conscious of their responsibilities to their own people, and I expect that many countries in the years ahead will be facing the difficult choice in allocating these revenues between private and public needs at home and economic assistance objectives abroad. There is no need for me to elaborate upon the very important domestic political considerations that other countries and our own will be facing on this subject in the decade of the 70's.

A third question is: Should the international development effort be restructured to centralize all efforts within a single tightly knit framework?

Co-ordination of development efforts can and certainly should be strengthened and improved. To do this I believe we must build on present co-ordinating procedures. There is a substantial pattern of joint effort upon which to build. We must further develop and improve the focus of our consortia, consultative groups, and other co-ordinating bodies.

But there is a danger in trying to press this too far.

With the world's development efforts growing in magnitude, complexity and comprehensiveness, suggestions are increasingly heard of the need for a sort of "super co-ordination"—that is, bringing together the development efforts of all countries and institutions into an overall endeavour operating according to some master plan.

I have strong doubts that any such concentration would be either possible or desirable. It seems to me unrealistic to think that all aid-giving entities around the world could be brought around at one point of time to subscribing to one point of view, or one scheme of things.

What is the appropriate balance between our energetic pursuit of development objectives and the U.S. role in advancing and strengthening the world-wide multi-lateral trade and payments system?

As the development assistance effort becomes more comprehensive, development policy moves out from strictly foreign aid matters into policy areas affecting all trade and investment. The opportunities for some conflict between development policy and global economic policies will, of course, increase.

In general, our foreign trade and investment policies are based on the broad objective of supporting non-discriminatory and freer trade and payments, including the basic principle of most favoured nation treatment. Particularly development policies may depart from these grander objectives when local procurement preferences, preferential trade and investment privileges are introduced. In accepting such preferences, we should not lose sight of our broader international investment and, trade objectives. Nor should we lose sight of these in the application of our tax policies, investment guideline and balance of payments policies. We would establish one set of rules if our objective were solely to find ways to transfer resources to the developing countries. Our obligations to the multilateral trade and payments system remain strong.

The next question is what approach should be followed on the servicing problems which the less developed countries are likely to face over the coming years?

Total outstanding debt of the developing countries has grown from less than $20 billion in 1960 to nearly $50 billion now.

The burden of servicing this debt has also increased sharply and on the basis of debt already outstanding it is apparent that a number of the developing countries could be faced with debt servicing problems in varying degrees over the coming years.

In releasing the Rockefeller Report on Latin America in November, the President asked me to consider the Governor's recommendation regarding a possible rescheduling of debt service requirements in appropriate cases where action is indicated.

Many of us feel that in the years ahead the burden of debt amortization may not only seriously impede economic growth, it could also lead to casualties in the development process. We already have examples of past and prospects of future situations of debt rescheduling when the coming maturities could not be met.

Forward looking financial planning requires creditor nations and institutions to address themselves to this subject of "amortization assistance."

The sixth question is: What should be our attitude toward aid tying?

Our objective is clear—the U.S. should give as much good quality aid as possible and encourage other donors to do the same, since the developing countries can effectively use amounts substantially in excess of what they are receiving.

Originally, in the Marshall Plan days, the U.S. actively encouraged use of its aid funds for overseas procurement. After 1959 steps were taken to reduce the foreign exchange costs of our aid program by tying it to U.S. procurement, both because of mounting concern over the U.S. balance-of-payments position, and because of the view that there was no reason U.S. suppliers should not benefit from the sales. Subsequently, in order to improve the effectiveness of tying, steps were taken to assure that aid-financed exports were "additional" and did not substitute for commercial exports that would have been sold anyway.

These requirements related primarily to our bilateral programs. The multilateral institutions whose structure provides for an equitable sharing of burdens, have sought where possible to preserve competitive bidding, world-wide or among members, though there are certain special rules in the regional banks.

Last April President Nixon began a dismantling of selective balance-of-payments controls, beginning with the private sector. Last Summer he removed the "additionality" requirements, and in the fall he relaxed aid tying for Latin America, in the context of our political relationships in the hemisphere.

He will be making further progress in this direction of less aid tying should we be successful in obtaining a substantial fund replenishment for the International Development Association where bidding is on a world-wide competitive basis. We would hope that over time further steps will be possible, keeping in mind our balance of payments position and the tying practices of other donor countries.

Partial Text
of the
Remarks of
DAVID M. KENNEDY
U.S. Secretary of the
Treasury
at the
Cincinnati Council on
World Affairs

Can more effective and more equitable burden-sharing arrangements be developed?

I think we sometimes fail to appreciate the progress

Research and Education

In all industries throughout the world, research and development (R & D), play an increasingly significant role sometimes determining the very survival of certain industries.

In developing countries, Research and Development is an entirely new concept. Specially in technological fields, there has been no awareness as to the need and importance of Research functions at all as these countries are largely importers of manufactured products and at best poor agricultural areas. They have been rather the beneficiaries of the research carried out elsewhere. Naturally the rate of national development has been correspondingly slow. Hence disparity between the so called poor and rich countries mentioned in the introduction has been growing.

Fundamental Basis

It is now clear, that one of the fundamental basis for development is a sound technological foundation. The tasks that the developing countries face are certainly more ardous than those faced by the developed countries as the former have to bridge the vast gap left by their own preceding generations through neglect, lack of awareness and historical circumstances. But this is partly compensated for by the availability of a vast field of technical know-how due to the developments that have already taken place in other countries.

These countries are starting off in the midst of an additional resource i.e. technical know-how which has been doubling every decade. It is necessary for these countries to be able to make use of this resource for their development keeping in mind that, this resource being of a fast changing nature, its usefulness depends on the speed at which it is tapped. Whether we accept it or not scientific materialism has become the prevailing philosophy throughout the world.

Half a century back it was only Western Europe and the USA that were responsible for the technological development and had a monopoly to such know-how. The rest of the world was literally and physically dominated by them with the use of the new technology.

Now other countries such as the Soviet Union, Japan, China are already in the front ranks among fast developing countries and gradually there is a greater tendency for the know-how to be more dissipated with benefit to a greater part of mankind. But this again depends on the ability to use the available know-how by different countries.

National Development

The essential factors required in all national development efforts are capital and technology.

The importance of Capital has been emphasised by all economists throughout but the significance of technology is being appreciated only now.

It order to maintain a lead in production and the relative levels of technology it has been essential to channelise a part of the national income to investigate new ideas. Thus R & D is considered as a necessary part of a sound technological society and of course an essential factor in the survival of competitive production units. Lately extensive investigations have been done into the payback periods in regard to different modes of investment and it has been found that the highest returns have been made in the field of R &D.

Research a

However, the ratio of investment on R&D compared to the total investment to achieve maximum profitability seem to depend on the type of industry and other socio-economic factors in the country. The greater the co-ordination in the different industries the greater the quantity that could be absorbed to R&D with greater benefit. It has been found that in terms of stimulating industrial production, certain minimum levels of expenditure on R&D are necessary.

Table (A) shows the proportion of the GNP spent on R&D in some of the developed countries. This may be compared to the insignificant proportion spent on R&D in Ceylon.

Socio-Economic Research

The bulk of the developing countries are those who have till recently been ruled by colo-

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which has been achieved thus far. In the past ten years thirteen of the fifteen other donor countries in the Development Assistance Committee of the Organization for Economic Co-operation and Development have greatly increased the levels of their assistance.

In looking at what more can be done to assure that aid burdens accurately reflect donors ability to provide assistance' I am concerned at the inadequacy of some of the techniques for measuring aid burdens.

In particular I am concerned by the heavy reliance of the use of aid as a percent of gross national product as the guide.

Providing aid and development financing is not simply a function of gross national product.

Most importantly, these targets take no account of "non-aid" burdens of some donors—in particular the heavy burdens of Free World defense and world stability borne by the United States. The targets ignore the balance of payments constraints of providing aid—which can be a greater obstacle than gross national product constraints—and conversely they ignore the trade advantages which some donor countries receive from the world-wide aid effort. They ignore the political reasons for providing aid and other "non gross national product" reasons. They overlook differences in the quality of aid and tend to put too much emphasis on amounts as opposed to terms.

Another important question is how private enterprise can play its full role in the development task.

Increasingly, the world recognizes that development goes much deeper than aid. It is no coincidence that many of the development successes of the past two decades are those countries which have emphasized free markets, and have adopted policies to stimulate private enterprise domestically and attract private investment from abroad.

Private enterprise can be a powerful stimulus to growth. In too many developing countries the approach has been one of opposition to private enterprise, based on either political concepts, or bad historical experience with foreign firms. We, in turn, have emphasized the role that foreign investment can play in stimulating local enterprise and initiative.

Not only does private capital do more than simply provide money for finance development, it helps subject internationally government-owned development banks to the disciplines of the private capital market, and it thus submits the development finance process to the review of these private disciplines. Ultimately, of course, these developing countries will raise even more substantial sums by going to the private market directly—Mexico, for example, already does.

And conversely, international development banks indirectly assist private enterprise. Through building roads and dams and port facilities, they help create the basic structures which the private entrepreneur needs to create jobs and profits. Second, these multilateral banks lend long-term funds to local development banks. These local institutions are in a better position to make smaller loans to local private enterprise—adding a new dimension to the inter-relationship of the public and the private sectors.

The network of contributions by the multilateral institutions to the private development process could be further reinforced by the development of international investment insurance, now being considered by the World Bank. Under this concept, private investors in the developed countries can receive political risk insurance for their investments in the less developed world.

President Nixon is keenly aware of the changing foreign assistance needs and said in his Foreign Policy Message that the 1970's are "a time for a searching reassessment of our objectives and the effectiveness of our institutions."

We can expect that the guidelines of the President's new policy will follow the theme he set forth in an address October 31 on Latin America. At that time, he stated:

"For years, we in the United States have pursued the illusion that we alone could remake continents. Conscious of our wealth and technology, seized by the force of good intentions, driven by habitual impatience, remembering the dramatic success of the Marshall Plan in postwar Europe, we have sometimes imagined that we knew what was best for everyone else and that we could and should make it happen. Well, experience has taught us better.

"It has taught us that economic and social development is not an achievement of one nation's foreign policy, but sometimes deeply rooted in each nation's own traditions.

Last week we published Part I of the article on Research and Education which dealt with the efficiency of investment on research and manpower development in developing countries. Here, the author deals with the significant role played by Research and Development in industry and its impact on the national development effort.

...rch and development in developing countries (Part II)

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TABLE A

R & D Expenditure as a % of the Gross National Production.

Country	*Percentage Expenditure on Research and Development*
Japan	3.3
USA	3
USSR	4
UK	2.5
West Germany	2.5
Netherlands	2
France	2.5
Ceylon	0.1

For example, the Planning institutions in this country are not in a position even to alter the grossly unfair dictate of introducing an exorbitant tax of 55% on imported books and other printed literature against the conditions laid down by the World Bank. Similarly, we understand that Indonesia had been even compelled to dismantle some of the industrial factories which had been started by the previous regime to qualify for "aid."

the developing countries themselves the external forces of reaction and the neocolonialist forces have been able to muster these intrinsic national reactionary elements to perpetuate the neo-colonialist domination.

The national ruling elite who were groomed by the colonial powers to take over key positions in the running of the state and its economy were oriented towards the colonial masters more as agents of the latter. Naturally the growth of confidence in technology and self reliance in tackling the national problems were slow through the intermediary of such an elite. They were more prone to play the part of agents of the colonial regime as their predecessor used to do. New innovations, enterprise are generally frowned upon, thus exerting a tremendous negative force on rapid development, completing a vicious cycle of collaboration among internal and external forces standing against rapid development.

In the context of developing countries technological research must start with a complete perspective of the immediacy and urgency of application of their findings. Thus the direction of research and the allocation of finances should be closely related to the long term development plans for the economy and the availability of resources. *In this context it is vital that the research executed must be project-oriented and aimed at achieving short term targets in a long term development plan of the country.* In other words the results of research must be translatable into practical achievements within a short period of time. Otherwise developments taking place in the rest of the world are bound to make the R&D efforts in the developing countries a mere waste of effort

for training of manpower based on any long term plans of the developing countries. Thus invariably it happens that development is put back due to the lack of trained manpower. Even where the basic minimum skills are imparted, the quality of workmanship or managerial ability are lacking in most respects. In Ceylon the emergent industries are plagued with this problem.

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nial powers or are those whose economy is still tightly controlled by alien interests. Two of the most fundamental problems affecting them are:—

1. Colonialist or neo-colonialist domination of the economy.
2. Internal reaction.

By
A. M. N. AMARAKONE, BS.C., D.I.C., M.SC. (Eng.), Ph.D., M.I.E. (Cey.)...*Asst. Chief Engineer (Research) & Development) State Engineering Corporation of Ceylon.*

Neo-colonialist domination implies the economic domination of the developing countries by external forces, a phenomenon of the twentieth century. *The nature of economic domination is amply clear in that the international trade terms have gradually got worse for the developing countries, so much so that virtual dependence on foreign aid or tight internal control of the economy by overwhelmingly unfavourable commodity agreements has been the rule as has been the case even in Ceylon.*

Negative force

Internal reaction on the other hand implies the intrinsic weakness of the developing countries in that interms of social evolution they occupy a lower degree of national conscious ness. These countries which were largely agricultural have social organisations and traditions only suited to the slow tempo of social action associated with an agricultural society. They have not yet emerged into thinking in terms of an industrial society which stands in great contrast to the social thinking in Western countries. These social forces which operate as basic conservative reactions had short-sighted ultra-nationalistic sentiments which have emerged as a great reactionary force within the developing countries.

To the greatest dismay of

Economic and sociological survey of the degree of impact of these forces on the economy and the resultant liberalisation of the economy may form the most significant achievement that any research effort could have in the developing countries. The affective returns of a socio-political impact of such an investigation and implementation of the findings in the field could out-weigh any other R&D outlay.

Training of Manpower

One of the acute problems encountered by the developing countries in undertaking R&D is in regard to training manpower. The problems involved are—

1. Training of manpower
2. Prevention of Brain Drain.

At presen there does not seem to be any organised basis

Lack of Facilities

In terms of advanced training such as Post graduate training, this country can only be considered as quite backward even to India and other neighbouring countries. Very little progress has been made over the last twenty years in this respect in the Science and Engineering faculties in our Universities.

The training given to the staff of the various faculties seem to be wasted with considerable frustration among their own ranks. A number of senior lecturers have left the University allegedly for the lack of facilities to engage themselves in Research. So far the National Council for Higher Education has failed to do any thing about this

(Contd. on page 9)

REVALUATION IS STARTING TO BITE — SAYS SCHILLER

HERE ARE THE PROSPECTS FOR THE GERMAN ECONOMY DURING 1970, GIVEN BY BONN ECONOMICS MINISTER PROFESSOR KARL SCHILLER IN AN EXCLUSIVE INTERVIEW WITH "GERMAN INTERNATIONAL."

Q: *Minister, there have been various predictions about when the D-mark revaluation will begin to "bite". How long do you think it will be until the first effects on the domestic economy become apparent, and what form do you anticipate such effects will take?*

A: With the 9.3 per cent revaluation of the D-mark on October 28, 1969, the Federal Government took an important step towards restoring the overall economic equilibrium which had become disturbed. It goes without saying that, with the substantial order books of German industry, such a measure—particularly as it was taken at such a late stage—could not be expected to bring about an immediate drastic slackening of the situation. It is to be expected, however, that revaluation coupled with suitable economic and financial policies will cause a cooling-off of the economy before the first half of 1970 is out.

There are already first signs of the revaluation having the expected results.

In the monetary field, for instance, the outflow of speculative funds has made its impact on banking and business liquidity. This has brought the German Central Bank back into closer touch with the economy. Its restrictive course is now no longer being counteracted by foreign influences.

In the field of goods and services, revaluation caused a rise in German export prices. Foreign buyers reacted with a distinct fall in orders. In November last export orders booked by German industry exceeded the November 1968 level by scarcely 2 per cent.

Even prompter was the reaction on the import side. The index of import prices fell by 3.5 per cent from September to November 1969, although the prices of important raw materials continued to rise as a result of world market factors.

As imports become cheaper, they go up in volume. Increased imports and a slower growth of exports are highly positive developments from the point of view of cyclical policy. They contribute towards a noticeable increase in supplies in the domestic market and stimulate price competition.

But the revaluation of the D-mark has not only had a stabilizing effect on the domestic market. It has also produced very positive effects in international economic relations; it was a decisive contribution towards overcoming the long-standing international monetary crisis and led to an improved international balance of payments position.

Q: *In the intervening period before the revaluation affects the economy more drastically, what are your plans to take some heat out of the economy? Presumably monetary and credit policies form some part of such measures, and would you favour something similar to the British wages prices stop from a limited period?*

A. With revaluation providing external flank protection, It is now possible in the domestic economy to pursue a stabilization policy which is not always in danger of defeating its own object.

To supplement monetary and credit policies, the Government pursues a markedly restrictive fiscal policy, intensifies supervision of competitive conditions, and as far as possible refrains from increases in public fees and controlled ricesp.

A wages/prices stop—even for a limited period—will not be part of the Federal Government's stabilization policy. Such intervention would not be compatible with the liberal economic policy of the Federal Repubic. Nor would such a measure be legally permissible, as it violates the bargaining autonomy of employers and employees guaranteed by law.

Q: *Chancellor Brandt, in the government's Statement of Policy spoke of "stability without stagnation." When do you hope that you will be able to restore stability to the German economy?*

A: Such forecasts are particularly difficult. It is my opinion, however, that with the revaluation of the D-mark and extension of that policy to a domestic stabilization program, the Federal Government is doing everything to reach the aim of "stability without stagnation" as soon as possible. When exactly the imbalance will be overcome is impossible to say. It is safe to assume, however, that it will be in the course of 1970.

Also, the Federal Republic will probably continue to be among the countries with the highest degree of consumer price stability in 1970.

Q: *Is it correct to say that the Federal Government is prepared to accept an annual three per cent rise of the price level as a reasonable price for further economic growth?*

A: No modern industrial country can thrive in isolation from other countries and with a national go-it-alone policy. All countries are economically dependent on one another and benefit from international division of labor and co-operation. This is particularly true of the member states of the European Communities.

At the same time, however, this means that the economies of the individual countries have an influence upon one another. That is why we must expect the cost of living index for all types of household to rise by an average of three per cent in 1970.

Professor CARL SCHILLER

In an international comparison this places the Fedral Republic at the top of the list for price stability. Nevertheless, the Federal Government considers a three per cent increase in prices as too high, and I hope that our EEC partners will fight the inflationary trends in their countries, which endanger stability not only at home but also in our country.

Q: *As revaluation was primarily concerned with foreign trade, to what extent do you feel that it will have altered the German balance of payments position by the end of 1970? Will the effect of revaluation not be counterbalanced by the price inflation in Germany's main export competitors such as the United Kingdom, coupled with the willingness of manufacturers to take lower profits in order to maintain their foothold in export markets?*

A: The question about the German balance of payments situation in 1970 is not easy to answer. According to our estimates made in the Economics Ministry, however, the surplus on the current balance will decline by about 5,000 million D-marks against 1969.

This estimate makes allowance for the expected price strategy of German exporters and for the differences in price developments at home and abroad. It is, however, based on the assumption that there will be a substantial slackening in the upward trend of prices in the major competitor countries.

Should inflationary trends continue in the countries of importance to our foreign trade, the 9.3 per cent revaluation of the D-mark will be in danger of being offset by foreign price increases. At the moment, however, I do not expect that to happen, as the change in the D-mark parity in October 1969 did more than offset the previous discrepancy in price levels.

In fact, the actual revaluation effect to date is no more than 7.1 to 7.2 per cent, as the dollar parity has settled at 3.69 D-marks and not at the parity of 3.66 let alone the lower intervention point of 3.63 D-marks. This leaves some scope for shielding the Federal Republic against price increases abroad.

Q: *Some experts claim that there is a contradiction between the declared aim of the government to shift the empahasis of industrial production from export to the domestic market and the steps to curb inflation, in that manufacturers are unlikely to revert into the domestic market if prices are lower than those obtained abroad. What is your view?*

A: I feel that the aims of the Government are somewhat misunderstood in this respect. Nobody should, for instance, expect the automobile industry, or any other branch, to cut its exports by half and then try to sell the remainder of its former export volume at home—possibly even at greatly reduced prices.

What the Government really wishes to achieve is some adjustment—in the course of further growth—to the pattern of distribution of our gross national product which has emerged during the past few years. In future a greater proportion of the factors of production should be channeled into branches primarily supplying the home market. Of special importance in this context is the improvement of the Federal Republic's infrastructure.

I do not see any contradiction between these aims and the efforts at curbing inflation. Our aim is to achieve "stabilization without stagnation." The Government will not permit a recession development which would increasingly push German companies on to foreign markets.

Q: *Recent surveys show that investment by industry is continuing unabated. Will it be possible to direct the extra production from increased capacity into the home market, or will the increase not inevitably overflow into exports?*

A: In the economy of the Federal Republic, it is largely, the free market with its price structure and the profitability considerations of manufacturers which determine where the products go.

The change of the D-mark parity made it more difficult for German exports to compete abroad, while at the same time reducing the cost of imports. Naturally, this also gives more scope for a growth of domestic demand than would have existed without revaluation. Given proportionate expansion of domestic demand, this rechanneling—always assuming growth conditions—will no doubt be successful.

It cannot, however, be the aim of our policy to exclude German exports from the expansion of world trade.

Q: *Following the Common Market summit meeting, can you give us your views of future developments of the common agricultural policy and of the negotiations for British entry?*

A: During the summit meeting at the Hague on December 2, 1969, the heads of state and government agreed to enlarge the European Economic Community by Great Britain. It was generally accepted that the Community's internal preparations for admission should be completed by the end of June 1970. After that, entry negotiations with Britain could start without delay.

A decisive factor in achieving this remarkable success at the conference was the agreement to finalize the regulation of agricultural financing by the end of 1969. In the meantime the Council of the European Communities has decided gradually to supplement the contributions from member states by the Community's own revenue from border taxes, tariffs and a share in turnover tax so that the Community budgets can, according to schedule, be fully financed from Community funds by 1978. For this purpose the budgetary powers of the European Parliament should be considerably increased.

(*contd. on Page 9*)

Monopolies Act exemption mooted in India

An officially sponsored study on Indian marketing has strongly recommended exemption of top industrial houses from the Monopolies Act, so that they could expand their production freely and meet the requirements of overseas sales.

The study, conducted by the Industrial Development Service, a consultancy organisation, on an assignment from the Foreign Trade Ministry points out that such an exemption was in force in Sweden and that India could follow that model "when it is pressed for expanding production."

The study notes that it was "inevitable" that in a democratic country like India, committed to promote both economic welfare and social equality, that restraints were enforced to ensure that there was no excessive economic power which might subvert the whole system. But it argues the present time was inopportune for such restraints since India had the potential to sell its goods in overseas markets.

"Negotiated export target"

It has also strongly recommended to the Ministry the concept of a "negotiated export target." The "N.E.T." should be worked out on a firm by firm basis, based on the use of imported raw materials, exports potential and capacity considerations, The scheme should be first confined to the larger public sector corporations and private sector units whose imports are in excess of Rs. 15 lakhs.

"This will be a more desirable way of linking exports with imports than the present system of compulsory exports which may result in distress sales," the study adds.

The study has also strongly supported the Federation of Indian Chambers of Commerce and Industry's long-standing suggestion that there should be an export-import bank in the country.

The report favours India's export drive being taken up by "tuskers" of Indian industry young firms which had come up in the last decade or so with latest equipment and technical know-how—because best technological resources are vested in a few large firms who are the best equipped to compete internationally in modern products but are "not doing their best for exports."

"They (these firms) have drawn considerably on the national resources, domestic as well as foreign exchange, and in view of the severe restrictions on imports, continue to harvest the dividends of a sheltered market. They are not only endowed but also indebted, and should be invited, firm by firm, to repay to the nation at least a part of what they have received."

Other recommendations of the study are: Export house scheme must be confined to merchant exporting firms and should be made more attractive.

A greater selectivity in the export effort should be exercised. "It is not in the national interests that each and every one should be allowed to export freely," the study concludes.

The report also recommends licensing of India's 21,720 exporters, to "keep out "fair-weather exporters."

"While trading opportunities cannot and should not be denied, fair-weather exporters, big or small, who enter trade only for quick gains, cannot be allowed to damage the country's long-term trade prospects," it said—UNI and PTI.

* *

BIG DOLLAR CONTRACTS IN FORD'S U.S. DEAL

London.

British made Ford engines and transmission components are to be supplied for the subcompact Ford Pinto being launched in North America this autumn, Ford motor reveals. Extensions to the Degenham engine plant are making 1000 more jobs available there.

Ford claims that the deal could prove one of the British motor industry's biggest single dollar earning contracts.

INDIAN RAW JUTE PRICE SOARS

Calcutta

There has been a sharp increase in the price of raw jute which is quoted at Rs. 59.50 a mound (82 1/2 lbs) in Calcutta, against the official support price of Rs. 40 a maund, basis Assam Bottoms.

Although the increase in price at this time of the year is usual with the jute season about to close at the end of June, the rise this year is considered out of proportion.

The bullish market has been sparked off by two main factors: First more that 85% of the current crop, estimated at 7.5 million bales against the previous season's 4.5 m. bales has already been sold. secondly, the remaining crop is the hands of financially strong middlemen and farmers, who are inclined to hoard.

BRIGHT PLATINIUM PROSPECTS

Zurich

Demand for platinium may be expected to continue to exceed supply over the coming years, despite plans to increase production in South Africa and the use of new catalysts other than platinium, in the manifacture of high octane fuels!

Prices on the platinium market will, therefore, probably rise on a relatively long term basic.

These are the conclusions of a report by the Union Bank of Switzerland.

RUMANIA COLD SHOULDERS COMECON INVESTMENT BANK

Warsaw.

Establishment of a seven nation investment bank taking decisions by majority vote instead of unanimously—and independent minded Rumania cold shouldering of the project—seems to have been the major outcome of last week's Communist economic summit meeting in Warsaw.

A draft agreement and statutes for the bank, which is to be set up over the next two months, were adopted by all Rumanian's partners at the recent 3 day session of Comecon, the communist economic and trading group.

Member Countries comprising the Soviet Union, East European communist states together with Mongolia are expected to contribute capital for the bank which will give credit to finance specialisation and production Co-operation projects in Comecon States.

SALE OF ESCORTS TRACTORS BY JAN. 1971?

New Delhi.

The sale of tractors being manufactured by Escorts Tractor Ltd. in a collaboration with the Ford Motor Co. of U.S.A. is likely to commence by January 1971, Mr. H. P. Nanda, Chairman of the company, told newsmen last week.

Mr. Nanda said that by April 1971, his company will be able to produce 500 tractors with a capacity of 50 h.p. a month. By working two or three shifts, it will be possible to expand production at the Escorts factory to as much as 22,000 tractors a year by 1972. In fact, the company has already received a letter from the Government to register its new capacity at 12,000 tractors a year against the earlier capacity of 6,000 tractors.

Revaluation . . .

(*Contd. from page* 8)

Despite these successes of integration, the further road to a "United Europe" will be somewhat thorny. A major priority will be the establishment of a market equilibrium through a better command of the agricultural markets.

Q: *What is your view of the argument that, so long as the Federal Republic places more emphasis on price stability—primarily in the domestic market, but consequently also in the export field—than other exporting countries which tolerate creeping inflation, another imbalance in international trade is inevitable within a few years' time, consequently leading to another revaluation of the D-mark?*

A: Not only a sharp rise in domestic demand but also excessive foreign demand can cause undersirable price increases in Germany. Its far-reacing integration into the world economy makes the Federal Republic partioularly prone to imported inflation. It would be of advantage to all concerned if in future all countries made greater efforts to achieve balanced economic growth. This applies in particular to the EEC member countries.

The revaluation of the mark has averted the danger of imported inflation in Germany for the time being. But if inflationary trends continue in some countries which are of importance to our foreign trade, this could in the long term bring new danger to our currency.

Q: *What is being done to prevent such a development?*

A: While efforts at greater harmonization of economic policies within EEC play a major part in permitting smooth economic relations between countries with divergent developments in the field of stability, the considerations on the further development of the world monetary system are also of great importance.

In this context, particular attention should be paid to possibilities of increasing flexi bility in the current monetary system. The present world monetary system of Breton Woods offers more chances of exchange rate adaptations that have been utilized so far. In addition, it might be worth considering whether fundamen tal disequilibria in balances of payments could be nipped in the bud by more frequent minor parity adjustments.

These problems of monetary policy demand careful study. The Federal Republic takes an active part in the international discussion of the subject within the International Monetary Fund. The advantages fixed exchange rates have for business dispositions must be balanced against the drawbacks which too rigid a system has for the economy as a whole

The Federal Government feels that the main parters in the International Monetary Fund must come to a consensus before any major alterations to the exchange rate system can be put into practice.

(*END*)

RESEARCH AND EDUCATION . . .

Contd. from page 7

and it is left to be seen as to what steps the recently constituted National Science Research Council would do to remedy this situation.

Brain Drain

At present the usual method of post-graduate training adopted in this country is to send them abroad usually to United Kingdom and lately to USA. In this process the scientists and technologists are introduced to not only a higher level of technical competence but they are generally alienated from the requirements of the countries they hail from and usually seek to migrate to the advanced countries permanently.

The brain drain is also assisted by the short sightedness in selecting personnel for training and partly by not seeking the right form of training which would be of use in their own countries when the trainees are back.

Conclusions

1. A large proportion of the mankind referred to as the Third World is struggling for survival in spite of all the developments in technology. Recent changes in the Asian scene indicate that a faster rate of development is possible if the socio-political environment is correctly oriented towards national priorities.

2. In this context the most important aspect that has to be considered is the effiiciency of national investment. The areas which are obscure in terms of investment potential could only be adequately reviewed by diverting an adequate quota of the investment for Research and Development.

3. R&D in the applied sciences and socio-economics are shown to have greater priority in developing countries The need for long term planning and the organisation of the socio-political structure and training of manpower in order to implement national development plans is shown to be of the highest importance in developing countries.

MANAGEMENT

Techniques of modern management

The manager at every level —from the Chief executive to the first line supervisor—can profit from the vast store of management knowledge that has been developed so far. The top man can increase his company's chances of success, while for the middle grade manager, management know-how will make the job easier, and also enhance his chances of promotion.

A better understanding and greater management know how will:-

(i) Lead to better performance by enabling the manager to increase the output and quality of the work group.

(ii) Help the manager better understand the objectives and functions of the company as a whole and the thinking of his superiors. As a result he will be more able to 'talk the language' of higher managers, and gain a better hearing for his recommendations and suggestions.

(iii) Promote a better understanding of the way in which the manager's group fits in with other groups, make him a more effective team worker, and one whom other managers will respect and like to work with.

But he should never expect a set of exact rules that will be applicable under any circumstances. In the management field it is never possible to say: "If I do A and B, then C will inevitably happen.' The best that he can say is: 'If I do A and B, the result is **likely** to be C. And if I neglect to do either A or B, it is **very probable** that the consequences will be unfortunate.'

Management is not an exact science like physics or chemistry. Although many things have been discovered about it, it is essential that the manager use judgement, based on good sense and experience. And this is not a bad thing. For if he could manage by merely following a set of rules, the management job would be far less interesting than it is.

But what, exactly, is management? Are there certain functions that all managers perform regardless of whether they're company presidents, managers of departments, or supervisors of sections of departments?

If we watch managers at work, we might conclude that their jobs differ so widely in content and scope that no generalizations about management are possible.

One reason for this is that many managers, even top managers, do work that is not management at all. A simple example is the sales manager who actually sells and perhaps has a set of customers of his own, in addition to managing the sales force. Again, the supervisor of a research group may actually perform some of leadman who works right along with the group he's supervising. In these cases the managers are actually spending only part of their time on management itself.

A second reason why it may be difficult to identify the functions common to all managers is that the scope of their activities differs so widely. In some cases the way a manager carries out his functions affects an entire company: in other cases only a small part of it.

Yet if we look closely at managers at work, we can see that fundamentally they are all performing—or should be performing—the same functions during the time they are actually managing rather than doing work similar to that done by those under them.

THE MANAGEMENT FUNCTIONS

Planning. The basic management function is planning, which begins with setting objectives and includes specifying the steps needed to reach them. At the top, of course, the objectives are those of the business as a whole, but top management also must set objectives for each segment of the company.

Naturally the fundamental objective of any business is to make a profit and to increase it. But it is necessary to be much more specific. Each company must decide just how, in view of the resources and talents available to it, it can best carve out its own profit-making niche in the economy. For example, some companies plan to attract customers by producing particularly high-quality products at premium prices for a selected group of customers. Others aim to serve a clientele that's primarily interested in low prices. Either may be a good objective, depending on the company's circumstances. But objectives of this kind must be re-examined periodically because circumstances change and the market the company is aiming at may be shrinking.

Objectives and plans are both long-range and short-range. Short-range plans cover the next year or two, while long-range plans may extend for five to ten years into the future. The former are quite definite, and the latter are tentative except in cases where definite, commitments must be made long in advance.

Objectives embody definite rates of profit, which are based on what is considered feasible in the light of forecasts of the state of the economy, the position of the industry, and the company's position as compared to those of its competitors.

Increasingly, also ,companies are taking an even more fundamental view of objectives by asking themselves: What business are we really in? In other words, what do our customers pay us for?

Most companies hope to increase their profits each year; hence their plans will include means for doing so. For example, they may strive to increase their share of the market through greater sales effort, the introduction of new products, or improved product performance.

Moreover, revenues and costs must be matched against the plans to ensure a reasonable possibility that things will work out as expected. A sales forecast is important here because most of the revenues must come from sales, which will be forecast in the light of economic conditions, industry sales, and the company's present or expected share of the market.

The planning process will often reveal that if the company continues its past practices, there is likely to be a gap between goals and results.

In that event the planners must develop a strategy for filling in the gap through new products, new methods of selling, new markets, or cost reduction. In many cases managers down the line are asked to contribute to the setting of objectives and the formulation of plans for reaching them. For example, regional sales managers may forecast the sales in their territories each year and suggest plans for increasing them. But even where this is not true, every manager must set objectives and plan how to reach them.

The manager far down the line may believe that his objectives come down from above and that he cannot change them. And this is true when objectives are formally stated to him by higher management, in his job description or other directives.

But just as a company must ask itself what its customers really want from it (e.g. 'information' rather than office machines), so the subordinate manager must ask himself what his company really wants from him—what he's actually being paid for. It is remarkable how many subordinate managers never do this.

This brings to mind the young man who had charge of group of clerical workers who made lists for direct mail purposes. The formal objective given him was to supply the lists when they were needed and to keep them current. This he did. The lists were made up of company officials, and he was careful to ensure that as positions changed hands, the names on his lists were changed. So far, so good.

But in certain cases the lists contained names of top officials at headquarters, and time after time they notified him that all purchasing of the products in question was handled by the divisions. Yet he still kept the names on his lists. It never occurred to him that he should be concerned with the over-all objective of the operation—which was, of course, to make sales—and that it was a sheer waste of time and money to keep sending letters to those who were in no position to purchase.

Organization. Organization includes dividing the work into missions that can be handled by one person, and providing means of co-ordination. The principal functions that must be carried out if the plans are to become reality must be described and arrangements must be made to prevent the duties of two positions from overlapping and to ensure that various units are not working at cross-purposes.

The broad outlines of the organization are generally established at the top, but each manager down the line must organize his own group in such a way that there is no duplication or wasted effort,. In addition he must ensure co-ordination within his own group and endeavour to co-ordinate his efforts with those of other managers.

This last is becoming particularly important as companies become more complex. The formal arrangements set up by top management—committees, co-ordinating groups, and special co-ordinators—are often inadequate for the policing of every small transaction that may affect another department or group. Hence it is up to the manager of each group to make some effort to co-ordinate the work of his section or department with that of others.

The manager also should take pains to understand what is known as the 'informal organization' within his own department or group, and in groups whose work is related to his own. The informal organization—which really consists of a network of friendships, alliances, communication channels, and spheres of influence not provided for in the formal organization charts—is sometimes regarded as a bad thing. It's sometimes bad for the company in that it may result in a tacit agreement among a group of production workers to hold down output. But it also may be good in that it may provide a type of horizontal co-ordination not supplied by the formal organization. The manager should be able to recognize the manifestations of the informal organization and learn how to encourage the good results it produces and discourage the oad ones.

Staffing. Once the functions to be performed have been decided upon, it is necessary to fill the positions with the most qualified people available. This is a continuing task since some people will be quitting, retiring, getting promoted, or transfered. The purpose, of course, it to have round pegs in round holes because this would solve many of the manager's headaches. But this is difficult to do, particularly when there are shortages of certain skills or when other companies in the area are paying higher rates. Then the manager may have to take people who seem to him the best of a rather poor group of candidates.

If so, he must supplement the abilities of his people by training, and this means that he must never become too preoccupied to observe their performance and to judge where they are deficient. Too often training courses are prescribed for whole groups when only some need them, while others would profit from entirely different types of train ing.

Direction. Direction is one of the most important parts of the manager's job—that is, telling people what to do and seeing that they do it to the best of their ability. Since the manager must work through other people, he may stand or fall by his ability to get them to produce the needed results.

Because of its importance, some people define management itself as 'the direction of people.' But this is only a half-truth. It is essential for the manager to lead his people well, but it is equally important to lead them toward the right goals by the right route. If the manager hasn't planned well, he may have a happy, hardworking group that is efficiently proceeding towards the wrong objective. And if he hasn't organized well, they may be working efficiently on their own tasks, but a good part of their effort may be counteracted by the efforts of others. If he hasn't staffed or trained well, they may be incapable of producing the results that he and his company are seeking.

(To be continued next week)

NEW DRUG FOR BRAIN TUMORS

A Japanese - developed cancer-controlling antibiotic drug known as "Bleomycin", has proved to be an effective cure in a number of cases of malignant brain tumors that defied all other known treatment, it was recently reported.

Reports confirming the efficacy of the drug in clinical trials were given by three Japanese neuro-surgery specialists at a Kanto district congress of the Japan Society of Neurology which opened in Tokyo recently.

One of the reports came from Dr. Kazuo Takeuchi, chief brain and nerve surgeon of Toranamon Hospital in Tokyo, on the results of his application of the drug in 34 brain tumor cases.

Eighteen cases of gliosatcoma and seven of meninglioma, both considered malignant kinds of growth in the brain, were included. Bleomycin was developed about five years ago by a University of Tokyo professor to combat cancer.

Dr. Tetsuo Kanno, assistant of the neurosurgical section of Keio University Hospital in Tokyo, reported that seven other brain tumor cases had remarkably improved when the drug was administered. Administration of the drug for 20 consecutive days was enough to bring such cure, he added.

Some researchers, however, complained that the drug has some strong side effects like fibrous lung complication or stiffening of the fingers.

Source of cheap protein

Protein, the vital food of which there is a critical world shortage, can now be made cheaply from the carbo-hydrates found in any starchy crop such as potatoes, yams, cassava or sugar.

This is the result of four years of research announced last week at the Rank Hovis MacDougall Laboratories at High Wycombe, near London, where the leader of the research team, Professor Arnold Spicer, said that one ton of the product produced in this way could supply the protein requirements of 100 people for a whole year.

The protein is of high quality, twice as good as beefsteak.

Flavours of all kinds can be introduced at the fermentation stage so that the protein can be made to taste and look like normal food — chicken, beef or fish, for example.

SCIENCE AND TECHNOLOGY

Technique to tame the Pineapple

Horticulturalists will be able to regulate the fruiting of pineapples with the plant hormone treatment soon to be available in Asian countries.

The treatment, which consists of one application of a tablet, is the invention of a British pharmaceuticals company. The company employs a research staff of about 30 doctors, chemists and pharmacists.

The hormone tablet is a synthetic organic compound possessing the plant growth regulating properties of the auxins, of which indolyn acetic acid is a typical example.

One of the snags about growing pineapples is that they do not fruit at the same time. but the plant hormone will regulate growth to the extent that a complete harvest can be made in one picking, with all the fruit at the same stage of maturity.

The company also produces a variety of medical products and industrial chemicals.

Anti-Corrosion paste for springs

An anti-corrosion paste for coating springs used in hydraulic equipment has been worked out in the Carbon Electrode Establishment.

These springs are to a considerable extent exposed to corrosion as they have contact with water. To protect springs and other metallic parts against the action of water, they are coated with a paste composed of epidian, Portland cement, dibutyl phthalate and hardening agent. Owing to such safeguard, the equipment functions for 18 months without breakdown, that is by 10 months longer period.

Chamber News...

(contd. from page 4)

It has to be recognised that the Turnover Tax has come to stay, but it will be completely unrealistic to pretend that industry can keep on absorbing these continuous increases in Turnover Tax without passing them on to the consumer, because as the Taxation Commission quite rightly pointed out, "business should be free to pass on the burden of the Turnover Tax to the consumer; and their ability to do so should depend on the market conditions for their production, without being influenced by Government directives".

With the establishment of the New Federation of Chambers of Commerce and Industry, of which this Chamber is a Founder-member, and also the proposed Institute of Foreign Trade, it is expected that the country's export promotion organisation will be effectively reorientated with a view to rendering the maximum possible service to Ceylonese exporters. We are also glad to note that the earlier cumbersome procedure for obtaining duty draw-backs on industrial exports has since been replaced by a much simpler system, which should eliminate the delays hither to experenced in obtaining thease refunds.

THE ECONOMIC TIMES

Editorial Department
Tuesday, 2nd June 1970

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THE GREAT DEBACLE

The United Front, comprising the SLFP, LSSP and CP, has been given a clear mandate by the country to change over from an intrinsically capitalistic set-up to a socialist democratic State. The capitalist system, even under the guise of "peoples' capitalism", has failed to create an impact on the developing countries of S.E. Asia. And Ceylon today provides a classic example.

While welcoming the new regime and congratulating the new Prime Minister on leading the United Front to a resounding victory, we would like to recapitulate briefly some of the basic economic reasons for the catastrophic defeat of the U.N.P.

One fact that has emerged beyond any reasonable doubt is that it is not possible to fit in a socialist structure within a capitalist framework. And this is exactly what our planning experts tried to do with the advice and direction of the World Bank.

The planning mechanism of the country was geared on a wrong basis. Our western oriented planners based their theories on assumptions that were more suited to an affluent society than to a developing country. This misguided approach aggravated the existing problems, thus causing much hardship to the masses while enabling a few to get richer and richer. This was perhaps the root cause of the great debacle.

It is said that even an army marches on its stomach. In the interest of the national development effort the people had tightened their belts since independence, but this could not go on indefinitely. The pace of development was too slow. While the people were impatient for some tangible results of the development process, there was nothing forthcoming. The insufficiency of essential food items, apart from the high prices that prevailed, was being increasingly felt.

The food drive launched in 1965 was of course hailed as a step in the right direction. But even by the end of 1969 its impact was not felt in any tangible manner. The increased production had no effect on the price level.

The price of rice in the open market failed to record any appreciable decrease despite the increase in supply that was proudly claimed by the Food and Agriculture Ministry. The consumer thus became sceptical of the success of the food drive although the UNP Government lulled itself into a false sense of complacency.

At the expense of food for the nation foreign exchange was allocated in large doses for hotel equipment and fittings to provide luxurious accommodation to foreigners who were expected to visit Ceylon in the distant future. The housing needs of the people were neglected while these ambitious hotel projects were given priority. To the man in the street this was all a comic drama.

The development of the tourist industry is all well and good, but the programme ought to have been phased out more realistically, while providing the basic needs of the community. The benefits from tourism would only accrue in the years ahead. Till then . . . . . ?

Short term economic relief was what the people needed most, but this was conspicuous by its absence.

The high cost of living was another vital factor that precipitated the debacle. It is well known that manufacturers make unconscionable profits that range from 300 to 400 per cent. But despite much talk of enforcing ceiling prices no meaningful steps were taken in this direction. Devaluation and FEECS were added burdens.

The FEECs Scheme no doubt served as a boost to the export of non-traditional products, but there were many weaknesses in the scheme that were exploited much to the detriment of the country in general, and the consumer in particular.

Another major factor has been the problem of unemployment which went from bad to worse. This caused much frustration among the 18-24 age group, where unemployment was at its highest.

Mainly for the reasons enumerated above the country discarded the previous regime in no uncertain manner. Their expectations from the new regime will no doubt be great.

The aspirations of the people have now risen to new heights and they look out with optimism for a better future.

The task ahead of the United Front is indeed gigantic, but not beyond its reach. What is needed most is an overall change in the planning process and a new concept in planning. Planning in isolation as at present cannot possibly beget results. The psychology of planning calls for active participation by the people — they must be made to feel part and parcel of the plan for optimum results to be achieved. The importance of this aspect of planning cannot be gainsaid.

We wish the new regime all success.

FEECs SCHEME IN DANGER

The Central Bank has directed all commercial banks to suspend the sale of FEECs until further notice. This move is aimed primarily at stopping new Letters of Credit being opened for inessential items under the Open General Licence (OGL) scheme.

Central Bank officials expect the FEECs Scheme to be either scrapped or modified by the new Government.

HEAVY FIRE

The FEECs Scheme came under heavy fire when the members of the new Government were in the opposition. The high cost of living was attributed largely to the introduction of this scheme which came hard on the heels of devaluation of the rupee by 20 per cent.

It was also argued that the FEECs Scheme provided a splendid opportunity, particularly for the non-nationals, to drain valuable foreign exchange out of the country. Also, this scheme was aimed at knocking the bottom off the black market in foreign currency, but this objective was not realized to the extent anticipated.

A leading businessman told *The Economic Times* that the FEECs scheme no doubt had certain advantages, like providing a boost to the export of non-traditional products. But on the whole the disadvantages outweighed the advantages. He added that it has not had any favourable impact on the industrial sector.

DISINCENTIVE

He maintained that the scheme had many weak points and that a complete review of the scheme was essential.

Meanwhile, the National Chamber of Industries has pointed out in its Annual Report released last week, *that the payment of FEECs on imports of machinery is a disincentive to industrial investment.*

The Report adds that while the Chamber endorsed the incentive afforded to industries to import raw materials and spares at the equilibrium rate of exchange, the imposition of the FEECs premium on the imports of machinery nullified its effect.

The Chamber has now urged Government to exempt machinery from the FEECs premium.

G.P.S. Paddy purchases up

Government's purchases of paddy under the Guaranteed Price Scheme showed a marked increase in the first quarter of this year.

Paddy purchases had increased from 3,600,999 bushels in the first three months of last year to 4,344,947 bushels in the corresponding period this year.

The largest increase of paddy bought in the first quarter of this year was recorded in March when 4,187,202 bushels were purchased as against 3,227,625 bushels in March last year.

Higher allocation for private sector

Industrialists in the private sector have been issued import licences for raw materials, machinery and spares to a total value of Rs. 119.6 million during the first quarter of this year.

Only Rs. 6.8 million of these imports were allowed to the private sector in category 'A' and without FEECs. 'B' category imports, where FEECs had to be paid totalled Rs. 112.6 million.

'A' category imports were raw materials Rs. 4.5 million; machinery and spares Rs. 2.2 million. In category 'B' raw material imports were Rs. 71.2 million; and machinery and spares Rs. 41.4 million.

State Corporations

Imports of Industrial State Corporations, on the other hand, totalled Rs. 74 million during the first quarter of this year.

The imports under category 'A' were raw materials Rs. 26.4 million machinery and spares Rs. 1.7 million, and under 'B' category raw materials Rs. 20.4 million, and machinery and spares Rs. 52.6 million.

Printed at Albion Press Ltd, 157, Jayantha Weerasekera Mawatha, Colombo 10. for Semak Publishers, Maradana, Colombo.