

THE ECONOMIC TIMES

Vol. 2 No. 2

Friday 16th April 1971

Price 50 cts



Domestic Tyre Production Increases

The Ceylon Tyre Corporation has increased its production to 360,000 tyres per year. It is now planning to step up this production capacity to 600,000 tyres per year within the next three years.

The Corporation would then be producing almost

entirely Ceylon's requirements of tyres and tubes.

The foreign exchange saving at this stage is well over Rs. 10 million. It is anticipated that within the next three years, the foreign exchange saving would be in the region of Rs. 25 million annually.

FOREIGN AID - A NEW TURN?

West German development aid has, apparently, arrived at a turning point. Recent statements emanating from the Federal Minister of Economic Co-operation (Development Aid) Erhard Eppler, are indicative of efforts for a reorientation of German development aid.

This particularly involves the establishment of criteria which would permit a more elastic procedure for the approval or denial of export guarantees for developing countries in the future. Political aspects, which so far have only been considered in exceptional cases, will be given more consideration in the future in the approval procedure for the governmental guarantee, whenever, possible.

This is revealed in "Partner," Journal for International Trade Promotion.

In connection with the future export guarantee policy, the Federal Ministry for Economic Co-operation mentioned three criteria:

1. There shall be no interference with the normal export guarantee approval procedure except in cases of political expediency;

2. A timely consultation of the government would be indicated, since it must be assumed that political criteria will necessarily be included into the insurance coverage policy;

3. The foreign policy of the federal government must give due consideration to the feelings of other countries. The Federal Ministry for Economic Co-operation further emphasized that the faithful performance of the terms of a contract were, of course, more important than aspects of foreign policy. Occasionally however, it would be inevitable to make allowances for certain foreign policy aspects.

The federal government had no chance of preventing the development of dogmatism in other countries.

Criticism

The German industry has sharply criticized the efforts by the Federal Minister for Economic Co-operation, Eppler, to develop criteria for the granting of development aid which give a stronger consideration to social conditions prevailing in the developing countries concerned.

The critics emphasized that a control of development aid with a view to its effect on the social structure would tend to subject this aid to the ideologies of revolutionary social reformers. The industry feels that a development aid completely devoid of any ideological components has in the past led for far more favourable results and would continue to do so.

In the discussion of the so-called "adoption of ideological criteria in the granting of development aid one should not disregard the fact that, within the framework of international organizations, political and moral criteria have been adopted for a long time as a basis for a decision on development aid projects.

The uranium project in Southwest Africa may be quoted as an example in this context. The UN Security Council had recommended in this case to invest no capital there and to underwrite no guarantees in order to avoid an abetment of the illegal activities. The government of the Federal Republic has indeed observed this UN Security Council resolution, although this was evidently an act of politicizing, economic facts.

A Mistake

It would be both a mistake and a calamity if the German

development policy resumed the trends of the block oriented development aid of the fifties. On the other hand, it cannot be ignored that many countries of the Third World evidently show certain conditions of injustice. The grant-

ing of development aid and/or public export guarantees would have to be denied in such cases for political and moral reasons even if an approval would be justified from an economic point of view.

Industrial production expands

The value of industrial production in 1970 was Rs. 1945.0 million. This includes for the

first time, the output of the Petroleum Refinery which commenced production towards the end of 1969.

Canadian loans for India

Canada has given two development loans to India totalling \$43 millions (Rs. 30 crores)

One loan for Rs. 28 crores will be used during 1971-72 to finance the import of industrial commodities, fertilizers and fertilizer materials while another for Rs. two crores is a line of credit for import of exploration and other equipment by the Oil and Natural Gas Commission.

Advance Aid

The Canadian loans for 1971-72 announced without waiting for the Aid India Consortium meeting, are Rs. seven crores higher than the commodity and fertilizer loan of Rs. 21 crores in 1970-71. The increase is due to the rapid utilisation of earlier loans and increased demand for fertilizers and industrial raw materials.

The loans are on the same soft terms granted for all Canadian development loans to India in the last five years. They are repayable in 50 years including a ten year grace period and there are no interest, service or commitment charges.

The present loan will provide India with funds for the purchase of copper lead, zinc, nickel, asbestos, wood pulp, newsprint, ferro-alloys aluminium, synthetic rubber, sulphur and several varieties of fertilizers.—PTI.

The share of public and private sector industry in the total value of industrial production for 1970 was 31 per cent and 69 per cent respectively.

About 58 per cent of the total value of industrial production is contributed by two main categories viz., food, beverages and tobacco, and chemicals, petroleum, coal, rubber and plastic products.

If for purpose of comparison of production data for 1969 and 1970, the value of output of the Petroleum Refinery of Rs. 181 million is excluded, then the actual increase in the total value of industrial production in 1970 over that of 1969 is 8.4 per cent. This increase is chiefly due to substantial increase in output recorded by a few State enterprises.

This is revealed in the Central Bank Survey of industrial production in 1970.

Apologies

We regret that due to reasons not unknown to our readers, such as the curtailment of working hours etc., we have not been able to bring out all our regular features. Consequently, some reduction in the number of our pages has become inevitable. We however hope that our next issue would come back to its normal size.

Capital formation up

In 1970 gross capital formation rose by Rs. 79 million or 3.5 per cent. There was an increase of 1.1 per cent in fixed capital formation in the

Government sector. This small increase reflected chiefly the transfer of capital expenditure of the Ceylon Electricity Board, to the public corporations in the present estimates. The estimate of Government fixed capital formation in 1970 is therefore not strictly comparable with that of 1969, states the Central Bank Annual Report for the year under review.

The Report adds that in the public sector Corporations, fixed capital formation fell by Rs. 125 million while fixed capital formation in the private sector increased by Rs. 198 million or 17.2 per cent in 1970.

In this Issue

- * Export Intelligence: Page 3
- * Ceylon's Agriculture Plan 1971-77 Page 5 & 6
- * Eurodollars and the World Economy: Page 4
- * Chances of the Underdeveloped in the Second Development Decade: Page 5
- * Global News: Page 7

MARKET PRICES

COLOMBO

CLOSING PRICES 5.4.70

TEA (Rs. Cts. Per lb.)

Approximate range of prices (including teas sold BOPS)		Ex-Estate B.O.P.Fs.	
High Grown	1.85 3.30	2.00	2.90
	2 at 3.50 1 at 3.60	2 at 3.00	3 at 3.10
	1 at 3.70		
Medium Grown	1.60 2.15	1.60	2.10
Small leaf Low Grown	1.62 1.68	1.62	1.68
Tea for Price	1.45 1.60	1.45	1.60
Leafy B.O.P.	1.62 1.72		

F. B. O. Ps.

F. B. O. P.

Tippy Teas	1.65 1.78	1.68	
	1 at 1.82 1 at 1.81	1 at 8.00	1 at 10.00
			1 at 9.50

RUBBER

PRICES FOR THE WEEK ENDED 8.4.71

Rs. cts.—per lb.)

	Closing	Avg. to date	Avg. Same
	Quotations	1971	Period 1970
RSS No. 1	82 1/2	81 1/4	99 4/3
RSS No. 3	74 1/2	76 1/2	95 1/4
RSS No. 3	73 1/4	75	93 1/4

(Rs. per candy)

COPRA

Opening Price Clos. Price

Estate copra No. 1	231.00	228.00
COCONUT OIL (Rs. per ton)	Open, Price	Clos., Price
April	1,510.00	1,450.00
May	1,510.00	1,450.00

DESSICATED COCONUT

(Per lb.)

PRICES OF THE WEEK ENDING 8.4.71

Commodity	Buyers Quotations	Export
	(Per lb.)	Duty
Cardamoms	18.50—20.00	40% on
Cardamom Seeds	21.0 —21.95	true
Cloves	29.00—30.00	F.O.B
Clove Stems	3.00—3.25	value
Mace	6.50—7.50	
Nutmeg (Shelled)	3.25—3.50	
Nutmeg (Unshelled)	2.00—2.25	
Pepper (Black)	7.50	
Papain (White)	13.00—13.50	
Papain (Brown)	10.50—11.50	
Cinnamon H/1	3.65	20% on
Cinnamon H/2	3.60	true f.o.
Cinnamon Quilings No. 1	2.50	
Cinnamon Quilings No. 2		

	per Cwt.	Exp
Cocoa	255.00	40%
Coffee	unquoted	true f.o
Kapok (Clean)	165.00	value
Kapok (Unclean)	55.00	
Croton Seeds	100.00 125.00	
Essential Oils	Per 25 oz. lb.	Export d.
Cinnamon Leaf Oil	22.00	
Cinnamon Bark Oil	Per oz 24.00	
Citronella Oil Estate Quality	6.80	10% on
Citronella Oil Ordinary	6.60	true f.o.b

SUBSIDIARY CROPS—WEEKLY PRICE LIST POYA
ENDING 2.4.71

The undernoted quotations are the Wholesale Buyers Prices paid in Colombo and is maintained only as a guide to the trade. Every effort has been made to be as accurate as possible.

Cereals	(Per Bag 54 58 Lbs)	(Per bushel)
Paddy		
Samba	16.00	
Other varieties	13.00—14.00	
Rice		
Par Boiled	60.00	

TEA REPORT

Auction No. 13 held on 4th and 5th April, 1971.

The total quantity offered was 8,186,232 lbs. comprising 3,926,828 lbs. Leaf Grades, 940,837 lbs. Dusts, 42,198 lbs. Reprints, 127,818 lbs. Sundry Lots and 3,190,749 lbs. Es. Estate. Quality although still quite useful, showed a further decline and many Invoices of High-grown Westerns were lighter in the cup. Demand was more general at the drop for High-grown and Mediums while Low-grown continued to be in strong Demand.

High-Grown Teas: A few best liquoring Western broken sold well but were lower; others dropped quite sharply following quality and can be quoted 15/30 lower and more in some instances. Thin liquoring teas and those with poor appearance are noticeably discounted. There was relatively less demand for BOP Fannings and bidding was hesitant with prices irregularly lower. In the Main Sale, bright liquoring leaf grades sold well.

Medium-Grown Teas: Best Westerns dropped 10/15 cents and the decline became progressively smaller the cheaper the tea. Middle East buyers held the Market fairly steady for any tea that dropped to the 1/60 1/65 level. BOP Fannings followed roughly the same trend.

Low-Grown Teas: clonal teas and small leaf BOPs were

Commodity Commentary

3/5 cents easier. This 3/5 cent decline was applicable to most other Persian Gulf type grades and BOP Fannings.

Dusts: Better liquoring Westerns were dearer by 20/40 cents and there was a good demand for grainy teas which were firm to dearer while powdery Dusts were steady.

Off Grades: Best Western Fannings were irregularly dearer while Mediums and BPs were generally firm. Low-grown came to an easier Market.

Tippy Teas: Flowery BOPs and small leaf Flowery Fannings were fully firm while all other tippy varieties were easier.

RUBBER REPORT

Poya week ending 8th April, 1971.

In the absence of any worthwhile factors, World Rubber Markets were generally weak during the period under review.

The Singapore Market opened nominal with values improving and renewed demand for April and May for RSS 1, but towards mid-week the gain was lost on withdrawal of demand. At the close of the week the market remained inactive with a noticeable lack of incentive to trade.

The London Market followed Eastern levels closely with indications of the market drifting in the absence of any worthwhile off-take. Traders were inclined to think that the market was still showing some uncertainty over the unpredictable actions of the East where they felt the disparity between the spot and physical markets were widening.

New York Market remained more or less unchanged during the week with idle and featureless trading conditions.

On balance Singapore and London declined by .25 and .20 respectively.

Sheet: RSS 1 remained fairly steady this week, opening at 82 1/2 cts. and closing at 82 1/2 cts.

Approximately 79 tons of sheet rubber were sold by Members of our Association of which 66% consisted of No. 1 sheet.

Latex Crepe: 448 ton of Latex crepe were on offer at the two sales held during the week showing an increase of 66 tons on the previous week's figure. At the opening sale there were 301,540 3/4 lbs. of Latex Crepe on offer.

previous week's price of Rs. 16/50 to Rs. 17/50 per lb. Seeds sold at Rs. 21/25 per lb. The highest price paid was Rs. 23/75, while the lowest was -/50 cts per lb. for husks. There was no change in the London futures price which remained at 92 1/2d. per lb.

Cocoa: There were only 21 lots, totalling 75 cwt, on offer, showing a decrease of as much as 473 cwt, on the previous week's figure. Once again there was good demand for best quality coco and the market remained unchanged at Rs. 255/- per cwt. for quotation to be made at this price. Grades next to best showed no change and were transacted between Rs. 240/- and Rs. 200/- per cwt. The darker and poorer grades once again changed hands between Rs. 210/- and Rs. 230/- per cwt. There were no garblings nor shell coco on offer. At the close of the week the London futures prices was quoted at £288.5 Sterling per ton and Ghana at £236.50 1000 kilos.

Cloves: There were 2 lb. of this commodity on offer, which were disposed of at Rs. 28/55 per lb.

Clove Stems: 1 lb of clove stems was on offer, which was sold at Rs. 3/95 per lb.

Pepper: 254 lbs. were on offer, fetching Rs. 8/95 per lb. for quotation to be made at this price.

Produce Report

Poya Week ending 8/4/71.

Cardamoms: There were 109 lots, totalling 6,140 lbs. on offer at the sale held this week showing an increase of 1351 lbs. on the previous week's figure. Demand continued as previously and the market was firm to be quoted at a flat

rate of Rs. 18/80 per lb. The quality which fetched between Rs. 18/80 and Rs.20/- per lb. was not available at the sale this week. Grades next to best fetched irregular prices selling between Rs. 17/- and 18/- per lb. Off-grade also were transacted at the

Country Rice No. 1	72.00—	75.00
—Country Rice No. 2	65.00	68.00
—Samba Rice	85.00	90.00
—Kora Rice	95.00—	100.00
—Maize	30.00	31.0
—Red Gram (Toor Dhal)	40.00	45.00
—Black Gram (Undu)	61.00	
—Bengal Gram	46.00	
—Green Gram	53.50	
—Bombay Cowpea	40.00	
Milletts	Per Bushel	
—Finger Millet (Kurakkan)	9.50	
—Sorghum	440.00	(per ton)
—Soya Beans	850.00	(per cwt)
Spices Condiment	Per Lb.	
—Mustard	5.50	6.00
Chillies	Per Cwt.	
—Dried Long	Unquoted	
—Dried Round		
Off Grade		
—Goraka	160.00	
—Vanilla		
—Tamarind	Per Cwt.	95.00 — 100.00
—Nut Cashew	Per 80 Lb.	50.00 — 52.50
—Ground Nut		

Rubber Review-March 1971

RSS NO:1 opened 1 cent easier at -77 1/4 cents per lb. continued to decline to -75 1/2 cents per lb. on the 8th instant but recovered fairly strongly thereafter in line with overseas advices to touch -85 1/2 cents per lb. on the 22nd instant before declining once again under minor fluctuating conditions to close at -82 1/4 cents per lb.

Approximately 2,018 Tons of LATEX CREPES were offered at the Public Auctions during this period, an increase of 427 tons compared to the previous month's total but a decrease of 392 tons compared to the total in March, 1970. Latex Crepe No. 1 opened 1/2 cent easier at Rs. 1/11 1/2-14 per lb. declined further to Rs. 1/10-14 per lb. on the 7th instant but recovered fairly strongly thereafter

to touch Rs. 1/19 1/2-22 per lb. on the 23rd instant before easing slightly once again under minor fluctuating conditions to close at Rs. 1/20-21 1/2 per lb.

Approximately 710 tons of SCRAP CREPES were offered, an increase of 154 tons compared to the previous month's total, but a slight decrease of 48 tons compared to the total in March, 1970. IX Browns opened 1 to 2 cents easier at -67-68 cents per lb. but recovered thereafter to -72-75 cents per lb. on the 16th instant and after fluctuating narrowly around this level, closed slightly easier at -70-72 cents per lb.

Approximately 95 tons of SOLE CREPE were auctioned, an increase of 21 tons compared to the previous month's

total also a substantial increase of 38 tons compared to the quantities offered in March, 1970. Sole Crepe rubber values opened about 20 cents dearer at Rs. 2/15-30 per lb. and improved further to Rs. 2/15-33 per lb. on the 13th instant, on short covering demand, especially for Smooth 1/8", offerings but declined sharply thereafter on lack of demand coupled with the fairly substantial spot position to Rs. 1/85 to Rs. 2/- per lb. before recovering somewhat to close at between Rs. 1/85-Rs. 2/11 per lb.

The EXPORT DUTY during the month under review was as follows:-

1st/21st Mar: 71-- 3 cts per lb.
22nd/28th Mar: 71-4 cts per lb.
29th/31st Mar: 71- 5 cts per lb.

Cesses remained unchanged at 1.980 cents per lb.

EXPORT INTELLIGENCE

Market potential for coconut shell products

Both coconut shell charcoal and coconut shell flour are not separately classified in the trade statistics of the Federal Republic of Germany, Belgium and the Netherlands. Imports of these items into these countries must therefore be presumably small.

However, both these products have many industrial and chemical applications. But due to the existence of a number of readily available local substitutes, the future market prospects for these products would continue to be limited, particularly due to their uncompetitiveness vis-a-vis locally available substitutes.

The current import duties for coconut shell products are as follows:-

F.G.R.

C'shell Flour (Item No. 1405)-Free

-do- Charcoal (Item No. 44.03) -10.4 per cent

An import turnover-tax of 11% is levied on both products. There are no restrictions governing the import of coconut shell products which is liberalised. Netherlands

C'shell flour and Charcoal -Nil..

Turnover Tax

5% of the duty paid value, including the turnover tax itself Belgium

C'shell flour—Import duty-Nil
C'shell Charcoal—Import turnover tax—7%

C'shell Charcoal—Import duty -10.4%

C'shell Charcoal Not ground: Import Turnover tax 7%

C'shell Charcoal other: Import turnover tax—16%

Coconut shell charcoal was at one time used primarily as an active absorbant, but it has now become possible to make active coal from other materials which are cheaper and more uniform in character. Hence, the demand has declined. The Netherlands is a very big producer of activated carbon. The leading firm engaged in the manufacture of activated carbon is N.V. Allgemeene Norit Mactscheppeij.

P.O. Box 1702,
Amsterdam.

FROM THE CHAMBERS

XXIIIrd CONGRESS OF THE I.C.C.

The XXIIIrd Congress of the International Chamber of Commerce to be held in Vienna from April 17 to 24, 1971, has as its general theme the sub-

ject "Technology and Society -A Challenge to Private Enterprise", Secondly the Congress will review the prospects for international trade, on the basis of the new Trade Liberalisation Programme-the prospective

"ICC Round", and of the reactions to it of inter-governmental organisations and key Governments.

Other issues of concern to international business such as:-

(1) Prospects for trade in manufactured goods. (2) Prospects for trade in raw material and agricultural products. (3) The international monetary system as a basis of world trade will be discussed at meetings on International Trade Liberalisation.

Five Committees of the Congress will consider the following subjects:-

(a) Use of the world's resources

(b) Social cost of economic growth

(c) Responsibilities of Government and business

(d) Technology and the developing countries

(e) International co-operation in environment control.

Discussion Groups will consider items such as:-

(1) User's contribution to new and better telecommunications

(2) United Nations and International Payments

(3) Meeting Consumer's needs through modern marketing techniques

(4) New era in transport

(5) Selections of arbitrators in the ICC system

(6) The role of the international corporation

(7) The business man's contribution to the second United Nations development decade

(8) Simplification of procedures and documents for international trade

(9) New approaches in speeding and widening the application of useful technology.

Besides these meetings of committees and groups, there will be special meetings of the International Bureau of Chambers of Commerce and of the

SHARE MARKET REPORT

Conditions on the Share Market were generally easier except that there was a firmer tendency for a few teas and Tea-cum-Rubbers, according to the Report of the Colombo Brokers Association.

	Previous Price Rs. cts	31st March 1971 Rs. cts	+ or - Rs. cts
Teas			
Doomoos	6.50	5.50	- 1.00
Fairlawns	3.50	4.00	+ .50
Nahavillas		3.50	
Nyangas	7.50	12.50	+ 5.00
Ratwatta Consolidated	14.25	15.00	+ .75
Strathedens	8.00	7.50	- .50
Tea-cum-Rubber			
Hunuwellas	5.50	5.75	+ .25
Rayigame	3.50	5.00	+ 1.50
Talangawallas	3.25	3.25	
Commercials			
Ceylon Brewery	17.75	17.75	
Cold Stores	9.75	9.75	
Ceylon Tobaccos	17.00	17.00	
Browns	9.00	9.25	+ .25
Colonial Motors	12.00	6.25	- 5.75
Rowlands	4.75	4.75	
Lambrettas	5.50	5.50	
Lankems	9.50	8.50	- 1.00
Development Finance	80.00	65.00	-15.00
Commercial Banks	7.00	6.00	- 1.00
E.B. Creasy	10.00	10.00	
Investment Trusts			
Ceylon Guardians	5.50	4.50	- 1.00
Preference Shares:			
Nyangas 8% cum prefs	11.50	5.75	- 5.75
Poonagallas 7% cum prefs	9.35	5.00	- 4.25
Govt. Loans: 3% Ceylon Development 1970/73			Rs. 91.00
There was no business in Rubbers and Coconuts.			
The following were quoted ex-dividend:-			
Ceylon Cold Stores Ltd—3% Interim on 28.4.71; Wel-			
landura Tea and Rubber Co. Ltd—7 1/2% First and Final			
on 6.4.71; Opatia Tea and Rubber Co. Ltd.—6% Rirat and Fi-			
na 10.6.4.71; Ceylon Rubber Co. Ltd.—12 1/2% Final on 31.3.71			
Dickoya Tea Co. Ltd.—5% First and Final on 29.3.71; Great			
Western Tea Co. of Ceylon Ltd—6% Final on 30.3.71; Shaw			
Wallace and Hedges Ltd—7% Final on—to be notified.			

Export Opportunities

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

ICC's Commission on Asian and Far Eastern Affairs.

NEW OFFICE BEARERS

At the last Annual General Meeting of the Ceylonese National Council of the International Chamber of Commerce a vote of appreciation was passed on the valuable service rendered by Mr. C. Loganathan in his capacity as Chairman of the Council and also as Vice Chairman of the ICC's Commission of Asian and Far Eastern Affairs. Mr. Loganathan who had been Chairman for 14 years resigned from office on accepting an appointment with the World Bank.

Mr. Roland Wanigatunga, Honorary Secretary of the Council from its inception in 1956, was elected Chairman. Other office bearers elected were:-

Vice Chair- Mr N.K. Choksy
men: Q.C.

Senator D.L.F. Pedris

Mr C.E.P. Jayasuriya

Mr A.K. Nesarathnam

Hony. Secre- Mr A.A. Page.
tary
Hony. Treas-
urer:

Vediane Giuliano,
Via Montauré Scage,
88060, Cantanzara,
Italy.

Vases for flowers made out of Coconut shell

M/s C. Cutturi & Sons Ltd.,
Via P. Moiano, 34/c, 00199,
Roma, Italy.

Timber, particularly mahogany and teak.

M/s. Hershey & Co.,
41, North Moore St.,
New York, N.Y. 10013.

Shrimps

M/s. Ahmed Abdullah Walwati
P.O. Box No 202, Mecca,
S. Arabia.

Biscuits, Confectionery and Textiles.

M/s G. Ruecchi & Co.,
A.G. Weinburgstrasse, 160,
8042, Zurich.

Canned pineapple products

M/s Salvaj & Cie,
Rue Adrien Lachenal,
3, Geneva.

Canned pineapple products

M/s E. P. Nugh, B.P. Nugh & Co.
6th Floor, Lincoln House,
280, bitt Street,
Sydney N.S.W. 2000.
Australia.

Prawns

M/s Talomola Agboola Com-
mercial Stores,
17, Docemo St., P.O. Box 2946,
Lagos.

Handkerchiefs, Napkins, Knit-
wears, Watch bands, cutlery,
Kerosenestoves, Padlocks, Hard
wares, Electrical goods, sta-
tionery etc.

EURODOLLAR AND THE WORLD ECONOMY

The Encyclopaedia Britannica contains, in its "Book of the Year", a useful section for defining those new words which have recently become accepted as expressing a new concept. In 1966, the word "Euro-dollar" was described there as "a US dollar held (as by a bank) outside the US and especially in Europe."

This came rather late in the day: by 1966 the Euro-dollar was fully established. From small beginnings it has grown into one of the most important markets in the world for short-term credits and more recently also for long-term financing.

The concept of "Euro-dollar"

If you are the owner of an amount of Eurodollars, some bank owes you this sum in dollars; the bank can be anywhere in the world (not necessarily in Europe) but it must be outside the United States. There are other "Euro-currencies" for which the case is similar, Euro-marks are Deutschmark deposits with a bank anywhere outside Germany. Dollars, however, account for four-fifths of the Euro-currencies; hence the importance of Eurodollars. (Swiss francs account for perhaps 9-10 p.c., Deutschmarks some 6-7 p.c., sterling and other currencies for the rest.)

"Euro-dollar" market is something of a misnomer. This market is neither limited to Europe, nor to dollar—but both Europe and the dollar are by far the most significant in the transactions in this international money market. There is not much genuinely new in the concept: there was an active market in dollar deposits in Europe in the 1920s but because of the collapse of the gold standard, the instability of the 1930s, and the wartime and postwar restrictions there was no such business transacted between 1931 and the mid-1950s (apart from special deals of a few Swiss and London banks).

The present Euro-dollar market may not be new in concept but it is certainly new in its proportions. According to several independent estimates the size of the Euro-dollar market exceeded \$30,000 mn early in 1969. Its rise has been just as phenomenal; the same figure was "only" \$12,000 mn two years ago. These enormous proportions make the present role of Euro-dollar different in kind, and not only in degree, from any earlier monetary operations.

The start and the "supply"

The Euro-dollar market took off in the early 1960s but its roots go back to the late 1950s. Euro-dollar's basic condition is a relatively free movement for the main currencies—which was not achieved after the war before the mid-1950s. Since American interest rates have almost always been traditionally lower than those in most money markets in Europe, London banks found themselves in a position of being able to offer loans in dollars at cheaper rates of interest than in other currencies including sterling. These dollars they obtained from non-American holders; because of the higher interest rates in Britain higher earning could be achieved this way for these dollar-holders as compared with depositing their dollars in the U.S.A.

The two factors which gave further considerable stimulus to Euro-dollar were the full convertibility of the major European currencies around 1960, making transactions considerably easier, and the difficulties of sterling. As from the first major restriction in 1957, sterling's traditional part played in the financing of international trade has gradually been declining and other media were required to replace it. Eurodollars offered such a medium. The huge and annually recurring balance of payments deficits filled European central banks with dollars. They sold these to the commercial banks of the country who again re-sold them to practically anyone who wanted to buy; these Europeanised dollars, which earned higher (often considerably higher) interest rates in Europe than in the States. Normal Euro-dollar interest rates have moved above the American and below the European money rate levels. International corporations, finance houses, insurance companies have always had spare cash; this they gladly turned into Eurodollars. Another advantage of the new medium was a holding in dollars without being fixed in America: there are investors who prefer the dollar to any other currency but for a number of reasons would not invest in America. This helps to explain why East European central banks were among the first on the Euro-dollar market. Euro-dollar is available to exporters in many countries (though not in all countries because of restrictions) who sell for dollars; they just have to transfer their dollar earnings to a dollar account with a Swiss, Belgian, or other European bank.

The "Demand" side

What is happening to the Euro-dollar when the commercial banks sell them, and who is using them? Nobody has ever seen a Euro-dollar, physically changing hands—how is the mechanism working?

Euro-dollar is no legal tender; no Euro-dollar Bank-notes are being printed; Euro-dollar is a backstage actor, in fact not much more than an accountancy item. There are certificates of deposits nomi-

By
GEORGE F. RAY
The National Institute
of Economic and Social
Research, London.

nated in dollars and if the deposit is with a bank outside the US, the certificate de facto refers to Eurodollars (without saying so); here is a market of certain magnitude in these certificates. This however, is not the main form of Euro-dollar's operations.

Practically every borrower can, in principle, obtain finance ultimately originating in Eurodollars. Municipalities are great borrowers: a British city corporation borrows sterling from a bank or finance house; the latter obtained these funds from the Euro-dollar market (i.e. bought Euro-dollar deposits), switched them into sterling, and lent this sterling to the borrower. In this example the borrower was a British city corporation—but practically it can be anybody. Foreign traders, and international companies are among the largest users but it is impossible to be accurate in this field. Banks in Europe, indeed anywhere outside the US, may use their Euro-dollar deposits for backing their normal domestic operations, by converting the dollars into their national currency; in this way each of their clients may become a "second-hand" user of Euro-dollar, and the banks themselves become the first-hand borrowers of Euro-dollar. American bankers can of course do the same. Indeed, they have been doing this on a large scale more recently, especially since credit restrictions in the States were intensified.

Eurobonds are loans for five years or more, denominated, paid for, and yielding interest, in dollars outside the United States. They can be traded at the major stock exchanges. Their origin goes back to President Kennedy's interest equalisation tax in 1963. The purpose of this

legislation was to prevent, or at least discourage, Europeans from raising long-term loans in the States; this drove them to the Euro-dollar market. Another fillip came from President Johnson's administration which in 1968 prohibited Americans from financing overseas projects by investing abroad US domestic capital; as a consequence, the Euro-dollar market was used for these purposes as well. From small beginnings the Euro-bond business has taken significant proportions, exceeding \$ 2,500 mn in 1968.

The Market Place

Except for the United States for Eurodollars (and the "home country" of any Euro-currency) banks and all types of lenders and borrowers in the whole world are, or can be, involved and operate on the Euro-dollar market. Even this exception is only true in the very restricted geographical sense. By definition, there is no Euro-dollar within the USA, but American banks, as well as companies and citizens, have been involved in huge transactions indeed in Eurodollars outside the States.

"Involvement" is not identical with the actual place of the market, which is limited to the world's great financial centres. The Euro-dollar market is concentrated to a high degree in London which "is the unchallenged centre, a natural consequence of the traditional role of British banks in handling international credits." This is a neutral Swedish view quoted from one of the leading Scandinavian bank review—and it can be supported by some simple statistics:

FOREIGN BANKS IN LONDON

Headquarters	1889	1918	1940	1949	1959	1964	1968	1969
EEC countries...	3	7	11	16	18	21	22	22
Other Western Europe ..	1	3	5	5	9	11	16	18
Eastern Europe ..	—	—	2	2	2	2	2	3
USA ..	1	3	7	7	8	12	24	31
Commonwealth/ Sterling Area ..	7	14	16	18	25	31	35	36
Japan ..	1	2	4	4	9	10	12	12
Rest of world ..	—	1	3	4	10	12	14	15
Total ..	13	30	48	56	81	99	125	137

Banks in London (British and London-based foreign banks) are responsible for more than 50 p.c. of the total (world) Euro-dollar operations.

At the end of 1969, there were 137 non-British banks* leading banks in their home countries — maintain-

ing at least one branch, or representative office, in London. (Many of them have two London offices.) In no other financial centre of the world does the number of foreign banks come anywhere near this number. (And it is already known that several newcomers will be added to this list during 1970). 56 (of the 137) foreign banks opened their London branches in the last ten years and it is reasonable to assume that their main incentive for doing so was London's already established leading place, as well as the unique facilities offered by the City of London. The rise of the foreign banks in London has been spectacular indeed: number almost trebled since the end of the war.

Among these, the American banks deserve special attention—after all, dollar (even if "Euro") is primarily their business. An inquiry among the 31 American banks was organised; these can be supposed to be the "outward-looking" banks of the United States. In 27 of the 31 cases London was the first place where these banks opened a European office (in the rest of 4 cases London was the second). 18 of the 31 banks have just one office in Europe—in London. As compared with the 31 American banks settled in London, not more than 10 of them have offices in Frankfurt and Paris; 7 in Brussels; 6 in Milan; 5 in Amsterdam, Dusseldorf, Geneva and Madrid; 4 in Antwerp, Athens, Munich, Rome, Rotterdam and Zurich, and 3 in Vienna.

Advantages of Euro-dollar

It is a frequently mentioned fact that the world economy,

US capital became its export restricted, ment abroad of US co was to a large degree by Eurodollars; British companies—in both the and the private sector availed themselves of this ability, as did interest other borrowers elsewhere including Germany. is no doubt that without currencies the recent in the international market would have been severe.

A certain amount is undeniably stemming the free flow of the huge dollar funds. A recent example was provided as come of the tightening home money supply US administration: can banks raised for the Euro-dollar market sense "repatriating" lar) at such a rate outflow of dollar from took alarming proportions until the US government forced to act under from European central

It is conceivable a country could deny convertibility to Euro currencies; this would be a barrier and soon the trade, or trade balance suffer.

Ceylon's

The crops dealt in this section are for

- | | |
|----|----------------|
| A. | 1. Cinnamon |
| | 2. Cardamom |
| | 3. Pepper |
| | 4. Nutmeg |
| | 5. Cloves |
| | 6. Citronella |
| | 7. Lemon Grass |
| | 8. Cashew |
| | 9. Coffee |
| | 10. Cocoa |

- | | |
|----|--------------|
| B. | 1. Vanilla |
| | 2. Pyrethrum |
| | 3. Cinchona |
| | 4. Oil Palm |
| | 5. Macadamia |

The crops in group 'A' already been established one way or another in those in group 'B' introduced during the of the present plan.

These crops were not up in the last Agricultural Development Programme—70. It seems therefore desirable to give a more elaborate account of these perennial crops assessing their development possibilities during the present plan.

The first two crops, to, with the exception of cashew and lemon-gra-

ECONOMY

became scarce and restricted, investment of US companies large degree financed dollars; British companies both the public and private sector—also themselves of this position did investors and powers elsewhere, in Germany. There is not that without Euro-dollar the recent tensions of international money could have been more

in amount of risk ably stemming from low of the huge Euro-dollars. A recent examination provided as the out-tightening of the money supply by the administration: American raised funds at dollar market (in a patrolling) the dollar at a rate that the dollar from Europe in proportions—US government was act under pressure of European central banks. Conceivable that any could deny the free ability to Euro-currency this would create a and soon the country's trade balance, would

The vast transactions Eurodollar are almost entirely without collateral, they are unsecured loans exclusively based on trust. Huge funds change hands in complicated dealings and a long chain of banks, brokers and dealers can be involved at both the lending and the borrowing end; just like any chain—this is as strong as its weakest member. Similarly, a danger can be seen in the free movement of funds of spectacular magnitude without any central control. The intricate market mechanism is the main controlling organism.

Merits versus Risks

So far major troubles, which can possibly stem from these and other danger points, have not arisen. Or perhaps they have but smooth operators bridged them by quick actions behind the scenes. It remains to be seen whether the merits of Eurodollars outweigh the risks involved, but Euro-currencies have certainly come to stay with us for the foreseeable future.

Finally, it is appropriate to quote Dr. F. E. Aschinger of the Swiss Bank Corporation who concluded an address given in London on the subject of the "Eurodollar market

Chances of the Underdeveloped in the Second Development Decade

By
Mirko Djekic

Another new large-scale action of the United Nations Organization—the Second Economic Development Decade—was inaugurated at the beginning of this year. It was prepared for the full two years and accepted with applause in the General Assembly. It was "seen-off" with good wishes from Lusaka where those countries of the world which represent the politically non-aligned and economically underdeveloped part of our planet, called this document an act of mankind's consciousness. For, only a third of mankind lives in industrially developed countries and accounts for nearly nine tenths of the world gross product.

However, the question has remained unanswered: whether the second night will be more successful than the first one, the movement for the implementation of the second decade better than the realization of the first one which ended last year without being able to claim a very great success.

In times of crisis" as follows: "The Eurodollar market fulfils such important functions in the world economy that it would be a mistake to curtail its working by restrictive measures just because it contains some dangers which become acute in international monetary crises. We have got to live with the Eurodollar market, and just therefore make every effort to pursue sound economic and monetary policies which will minimise its dangers and maximise its positive effects."

*The statistical information concerning foreign banks in London is based on the October 1969 issue of *The Banker* (London), with the permission of the editor of this journal. The data concerning American banks are based on author's special inquiry.

ther the second night will be more successful than the first one, the movement for the implementation of the second decade better than the realization of the first one which ended last year without being able to claim a very great success.

In the years of the most intensive industrial boom in history, precisely in the past decade, underdeveloped countries were chiefly stagnating. The only exception were those rich in oil—industrial raw material in the highest demand. And, while the national per capita gross national product in the United States was higher than 4,000 dollars a year, two years ago, this figure amounted to only 50 dollars per annum in the poorest country of the world—Chad.

Not only this, however, underdeveloped countries, even those which have until re-

cently had very dynamic economies can no longer compare with the developed by the rate of growth recorded in social product. Sixteen national economies in which no growth in the per capita gross national income was registered between 1961 and 1968 but in which a climb was recorded in this sphere are on the list of economically underdeveloped countries. For, in eleven of them the growth was not higher than one percent annually.

The most numerous among the poor are situated in Africa. This vast raw material producing region, perhaps more badly than any other, feels the discrepancy between prices on the world market. Moreover, the continent is still unable to free itself from the influence of the best developed countries in the world whose colonies have been the present independent states in the past. The Economic Commission for Africa formed twelve years ago is therefore trying to unite the countries in the economic field as well. However, the idea has been launched at its recent tenth session that the economically underdeveloped world should accept "challenge to duel with poverty" in the

just opened development decade.

Will the developed countries understand and support this slogan or not? Judging by what happened in the past months, there are sufficient reasons for optimism.

Two moves linked for the Second Development Decade offer a chance not to lose the "duel." In the first place, there is the decision to set aside one percent of the national gross product of the developed countries in the coming decade for the development of those underdeveloped and then to accept the principles of UNCTAD's latest round which should ensure lower customs to the underdeveloped for their industrial goods and semi-finished products when marketed in the developed countries.

Naturally, all this ensures considerable advantages. The transfer of one percent of the gross national product of the developed to the underdeveloped world should bring about two billion dollars of investments per annum to these regions. Lower customs would, at the same time, accelerate the just inaugurated industrialization programmes.

Ceylon's Agriculture Development Plan (1971-77): Perennial Crops

crops dealt with in on are as follows:—

1. Cinnamon
2. Cardamom
3. Pepper
4. Nutsmeg and Mace
5. Cloves
6. Citronella
7. Lemon Grass
8. Cashew
9. Coffee
10. Cocoa

1. Vanilla
2. Pyrethrum
3. Cinchona
4. Oil Palm
5. Macadamia.

crops in group 'A' have been established in or another in Ceylon. In group 'B' are to be established during the period of present plan.

crops were not taken the last Agricultural Development Proposals 1966. It seems therefore very to give a somewhat elaborate account of perennial crops in as their development position during the period of present plan.

first few crops referred to the exception of coffee, and lemon-grass, pre-

sently feature in Ceylon's export trade, but the level of such exports and the quantum of foreign exchange realised are quite small. As a matter of fact, the share of export earnings of these perennial crops is of the order of three per cent of the total annual foreign exchange earnings of the country, as against 90 per cent of earnings derived from the three major perennial crops, tea, rubber and coconut.

As these crops are essentially export-oriented, any programme of development must work within the constraint that an undue expansion in production and exports could destroy the market and reduce prices. However, as in all cases, except cinnamon, Ceylon's contribution to world trade is negligible and it appears feasible to expand production locally without an appreciable adverse impact on the world market and prices. Furthermore, a very significant feature of many of these commodities is that the world demand for them is increasing at a rate of some five per cent per annum.

CINNAMON

A projected 5,000 ton target by 1977 could well be ob-

tained by intensification of cultivation, application of fertilizer etc., in the existing acreages. The response to fertilizer application would be quick and highly desirable. Therefore, what is suggested in the plan of development for this crop is a Fertilizer Subsidy Scheme. This Scheme is already functioning from the year 1970.

At present the price of cinnamon in the world market is very attractive as is shown below:—

1966	Rs. 5.51 per lb.
1967	Rs. 4.88 per lb.
1968	Rs. 5.04 per lb.
1969	Rs. 4.20/6.50 lb.

(Oct./Dec.)

The price advantage now open to cinnamon may not necessarily last if other suppliers of this commodity, e.g. South Vietnam, and of Cassia, i.e. China and Indonesia, resume their positions as large scale suppliers.

In view of the present impetus received from attractive prices, it is likely that more people will undertake the cultivation of this crop, especially in un-economic rubber land. A new planting of about 4,000 acres to make up a total of 40,000 acres in 1977 is therefore envisaged.

Alongside the application of fertilizer and new plantings it is also recommended to replace the old exhausted plants with material collected from high yielding varieties.

Based on these considerations the programme of cinnamon development for the period 1971-77 is given in

the Table below:—

TABLE I

Planting and Production Programme

Basis: Yields: Old plantations to increase from 1 3/4 cwt/acre to 3 cwt. by the use

PRODUCTION (in cwt.)

Acres	1971	1972	1973	1974	1975	1976	1977
(a) Old Plantations: 36000 acres to be fertilized up to 25,000 acres at the rate of 10,000 acres in 1971, plus 5,000 more in 1972, 5,000 in 1973 and 5,000 other in 1974. of the remainder 1,000 is replaced annually.							
Fertilized yield per acre is 3 cwt.	30000	45000	60000	75000	75000	75000	75000
Balance unfertilized minus 1000 acres. Annual yield is 1 1/2 cwt.	39000	30000	21000	12000	10500	9000	7500
Total	69000	75000	81000	87000	85500	84000	83500
(b) New Plantings — Re-plantings							
1971 2000 (new)	—	—	—	1000	2000	5000	8000
Re-planting starting in 1972 2000 (1/2 new—1/2 replanting)	—	—	—	—	1000	2000	5000
1973 2000 (—do—)	—	—	—	—	—	1000	2000
1974 1000 (Re-planting)	—	—	—	—	—	—	500
1975 1000 (—do—)	—	—	—	—	—	—	—
1976 1000 (—do—)	—	—	—	—	—	—	—
1977 1000 (—do—)	—	—	—	—	—	—	—
10000	—	—	—	1000	3000	8000	15500
Total cwt.	69000	75000	81000	88000	88500	92000	98000
In Metric Tons	3450	3750	4050	4400	4425	46000	4900
						Stabilized	4900

Con d. on Page-6

AGRICULTURE PLAN: . . .

Contd. from Page 5

On this basis in 1977 the cinnamon acreage would be 40,000 consisting of 30,000 acres of existing plantations and 10,000 acres new plant- and replanting.

The Fertilizer Subsidy Scheme will be extended as follows:—

1971	..	10,000	acres
1972	..	15,000	"
1973	..	20,000	"
1974	..	25,000	"
1975	..	25,000	"
1976	..	25,000	"
1976	..	25,000	"

Loans will be made available for the intensification of production as follows:—

Fertilization (in kind)	Rs.
up to	100.00
Weeding and fertilizing	80.00
Pruning	20.00
Harvesting and curing	100.00
Per acre	300.00

These loans will be repayable within one year.

An annual replanting programme of 3 per cent of the acreage will be undertaken, i.e. at the rate of 1,000 acres per year.

The programme for new planting will be as follows:—

1971	..	2,000	acres
1972	..	1,000	"
1973	..	1,000	"

Arrangements will be made to grant long-term loans for these planting purposes on favourable terms where repayment will be started when the crop comes into production. As the present prices are very attractive and this position is likely to continue for some years, no further incentives would be necessary for cinnamon cultivation.

CARDAMOM

To produce a total of 1,000 tons in 1977 the following programme should be adopted:

Planting and Production Programme

(Basis: 1000 T. target for 1977 (at the latest in 1978))

Yields: old plantations will increase by 10–15 per cent through pest control.

Plantings of 1968–70 will reach slightly more than 1 1/2 cwt./acre. New Plantings will give 1 cwt. at the 4th year, 1 1/2 at the 5th year, 2 cwt. at the 6th year).

Acres	Expected Production
Old plantations	1971 4000
1968–70 "	1972 4200
New programme	1973 2500
1971 .. 1500	1974 1500
1972 .. 2000	1975 2250
1973 .. 2500	1976 3000
In cwt.	1977 3000
In tons	1978 3000

An important area in which the development will operate will be in uneconomic tea lands by provision of planted shade. Already a subsidy of Rs. 900/- per acre is being offered by the Tea and Rubber Controller for this purpose.

Intensification of cultivation in existing cultivations would be done through fertilizer application and pest and disease control for which loans will be provided on a short-term basis:—

Fertilizer (in kind) up to	Rs. 75.00
Weeding and Fertilising	40.00
Pest Control	10.00
Harvesting and Curing	75.00
Per acre	200.00

For new plantings also loans will be provided on a long-term basis.

The demand is for artificially cured green cardamoms rather than for the sun cured one. Financial assistance would also be considered by way of loans for construction of processing units. No other incentives would be necessary in view of the gross profitability of this crop.

PEPPER

As the prospects for pepper cultivation seem satisfactory it is proposed to increase the plantation of pepper in the country by 14,000 acres during the period 1971–77 as follows:—

PROGRAMME

Acreage	Yield	1971	1972	1973	1974	1975	1976	1977	1978	1979
Old plantation	10,600 3 cwt	32000	32000							
	4 cwt			44000	44000	44000	44000	44000	44000	44000
New plantation	1971 1,000				1000	2000	3000	4500	6000	7500
	1972 2,000					2000	4000	6000	9000	12000
	1973 2,000						2000	4000	6000	9000
	1974 3,000							3000	4000	6000
	1975 3,000								3000	4000
	1976 3,000									3000
	1977 —									
	24,600 cwt	32000	32000	44000	45000	48000	53000	57000	68000	81500
	tons	1600	1600	2000	2250	2400	2650	2850	3400	4075

Full production is reached as from 1986 with (180,000 cwt) 9,000 T.

For this programme long-term loans will be available. Pepper is a diversification crop in the tea lands and rubber lands. The Tea and Rubber Controller will provide

an irregular spacing to avoid bad patches.

The development programme is shown in Table IV

TABLE IV

Acreage	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
Old Plantation	2500	3500	3500	3500	3500	3500	3500	3500	3500	3500
New Plantation	1971 1000	—	—	—	—	—	1000	2000	3000	4000
	1972 1000	—	—	—	—	—	—	1000	2000	3000
	1973 1000	—	—	—	—	—	—	—	1000	2000

3500 3500 3500 3500 3500 3500 3500 6500 9500 12500

(In Tons) 225 325 475 625

Full production of the new plantation is reached in 1984 with 15,000 cwt. The total will then be 18,500 cwt. or 925 tons.

TABLE V

Acres	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
New plantings	1971 500	—	—	—	—	—	250	500	750	1250
	1972 500	—	—	—	—	—	—	250	500	750
	1973 1000	—	—	—	—	—	—	—	500	1000
	1974 —	—	—	—	—	—	—	—	—	—
	1975 —	—	—	—	—	—	—	—	—	—
	1976 —	—	—	—	—	—	—	—	—	—
	1977 —	—	—	—	—	—	—	—	—	—
Existing planting	3500	3500	3500	4000	4000	4500	4500	4500	4500	5000
Total (cwt.)	3500	3500	3500	4000	4000	4500	4750	5250	6250	8000
In tons	175	175	175	200	200	225	237.5	262.5	312.5	400

The full production on the new plantation will be attained in 1987 with 799 tons.

subsidies as well as a supplementary loans through the State Mortgage Bank.

NUTMEG

The development of this crop will also be done on the same lines as for cloves. Nutmeg is well suited for planting as a diversification crop. Because of its wide spacing it will be possible to plant up at a desired density even in

CLOVES

Clove offers best economic prospects as a diversification crop in existing tea lands where a subsidiary income from tea would accrue till the shade becomes too dense for tea, that is for about five to six years. At this stage the clove plantation should come into production. Another possibility is for growing cloves in

on a small plantation scale of a few acres, income during the non-productive years should be obtained from cash crop inter-planted with cloves, e.g. bananas, manioc, etc.

During the plan period it is proposed that 2,000 acres of cloves be planted as given in Table V.

CITRONELLA

In view of the uncertain future of this crop it is not proposed to plant any new acreages. Any reasonable increase in world demand should be met from the existing acreages by measures of fertilizer application and good cultivation.

LEMONGRASS

There is already a demand for lemongrass oil from local industries as well as from exporters. During the period 1971–72 it is proposed to plant 5,000 acres as shown below:—

Planted	1971	1972	1973	1974	1975	1976	1977
1971 500	10	40	40	40	40	40	40
1972 2000	20	80	80	80	80	80	80
1973 1500	30	120	120	120	120	120	120
1974 2000	40	160	160	160	160	160	160
5000							
In lbs.	10	60	150	280	400	400	400
In tons	4.5	27	67.5	126	180	180	180

BRITAIN'S NATIONAL OUTPUT UP

London

A four per cent rise in exports of goods and services and a three per cent increase in consumer spending helped bring Britain's total national output last year to between 1 1/2 and two per cent above 1969.

The increase took place despite a drop in national output in the first quarter of last year. But there was a recovery on the second quarter, a small increase in the third quarter and probably a further rise between October and December. Output in the second half of 1970 was between 1 1/2 and two per cent higher than in the first six months—a rate of annual growth more or less in line with official expectations.

But the Central statistical Office, which published the figure last week, warns that for the final quarter they must be regarded as less reliable than usual because the receipt of data has been delayed by a postal strike.

The statistics show that Britain's Gross Domestic Product at factor cost rose by £490 million between 1969 and 1970 on a constant price basis.

Export went up by £315 million, a rise of near four per cent. This was a relatively impressive performance since, whereas consumer expenditure accounts for more than half of total "final expenditure" exports account for less than one-fifth.

150 M-DOLLAR AID PL-480 FOR INDIA

New Delhi,

The United States will supply to India 1.57 million tonnes of wheat, 250,000 bales of cotton and 75,000 tonnes of vegetable oil under a new PL-480 agreement concluded last week.

Dr. I. G. Patel, secretary, Department of Economic Affairs and U.S. Ambassador Kenneth B. Keating signed the agreement.

The commodities covered by the agreement are valued at 150 million dollars (Rs. 112.5 crores). The wheat supply is intended to help India achieve the target of a five million-tonne food grain buffer stock.

India will pay in rupees for one fifth of the commodities. The United States will lend 93 per cent of this amount to India for financing development projects. The remaining 7 per cent is reserved for use by the U. S. Government.

Payment for the remaining commodities will be covered by a longterm loan. The U.S.

A notable feature of 1970 was the sharp rise in the level of personal incomes. Disposable income (total income from employment, self-employment, rent, dividends and interest after tax payments and social security contributions are deducted) rose by nine per cent between 1969 and 1970.

Government has the option to call for repayment of principal and interest on this credit in dollars or other convertible currency. The loan, repayable over 40 years, will have a ten year grace period during which no repayment of principal will be required and interest will be 2 per cent per annum. Interest during the remaining 30 years will be 3 per cent.

America's share in the total foreign aid utilised by India up to May 1970 was 56.4 per cent and the next largest contribution amounting to 12.4 per cent, came from the World Bank and Development Association.

187 MICA MINES CLOSED IN 10 YEARS

Patna,

More than 187 mica mines in Bihar had closed down during the last decade throwing over 10,000 workers out of employment, the State Mines Minister, Mr Bejoy Kumar Mitra stated last week.

Mr Mitra said there were only 531 mica mines in the State now against 718 in 1961. As a result production of mica, one of the biggest foreign exchange earners, had dropped by 42 per cent.

The Minister attributed the closures to steep rise in wages and cost of machinery.

The mine-owners had urged an increase in the floor price of mica or reduction of export duty but nothing had been done so far by the Union Government in this regard, he said.

Similarly about 10,000 iron ore mine workers had been rendered jobless as only 24 out of 72 iron ore leases were functioning because of shrinking market for low grade iron ore. The National Mineral Development Corporation, he said had refused to buy Bihar iron ore even with 62 per cent Fe content for export to Japan.

MORE ECONOMIC CO- OPERATION BETWEEN USSR & DEVELOPING NATIONS

Moscow

Within the next few years the Soviet Union intends to expand stable economic, scientific and technical Co-operation with the developing

Not surprisingly, this general increase in personal prosperity was reflected by a sharp rise in saving. The "saving ratio" (the level of personal saving expressed as a percentage of personal net income) rose from 7.9 per cent in 1969 to 8.5 per cent last year.

countries of Asia, Africa and Latin America. This is envisaged by the draft directives for the new five-year plan and will be carried out on terms of mutual advantage and in the interests of strengthening the economic independence of the developing countries.

The USSR now maintains business ties with 70 countries of Asia, Africa and Latin America. With 40 of them it has agreements on economic scientific and technical cooperation.

The Soviet Union is helping a number of countries in developing agriculture. Under construction in twenty countries (Algeria, India, the UAR, Syria, etc.) are at least 150 projects connected with the irrigation and development of new lands, the building of animal husbandary farms and workshops for repairing agricultural machinery.

Australian farmers met in Canberra recently in the first conference of its type to be held in Australia to take a close look at problems facing the rural industry. The object was to try to assess the future of the industry in relation to Australian and world demands for agricultural products.

The meeting, attended by more than 300 representatives from primary producer organisations, rural product marketing bodies and agricultural organisations, was convened by the Australian Government's Department of Primary Industry. It was called the Agricultural Outlook Conference.

The conference discussed the marketing outlook for wool, meat, wheat, coarse grains, oilseeds, dairy products poultry and eggs, fruit, cotton, tobacco sugar and rice.

Among points made by delegates were:-

* **WORLD AGRICULTURAL OUTLOOK:** World agricultural supplies have been increasing more rapidly than effective demand, while many importing countries were becoming self-sufficient.



THE US IN THE INTERNATIONAL ECONOMY

Washington

The Annual Report of the Council of Economic Advisers which is published early each year when the President of the United States makes his Economic Report to the U. S. Congress, usually provides interesting insights into the trend of thinking among U. S. Government economists on trade and other international economic issues.

The 1971 chapter on "The United States in the International Economy" includes these points:

TRADE:- "For a country to benefit from trade liberalization, it is not necessary that its trading partners also have liberal policies" but "freer trade is more likely to be achieved through reciprocal action than through unilateral moves." Assisting firms and workers hurt by rising import competition is generally a better way to deal with the problem of adjustment to imports than

trade restrictions. If some restraint on imports is unavoidable, tariffs are less harmful than quotas, and voluntary quota limitations are more desirable than legislated quotas.

FOREIGN ASSISTANCE

The reduction in recent years in the percentage of U. S. economic output devoted to foreign aid "has reflected a disillusionment both with the effect of such aid on the growth rates of less developed countries and with the efficiency of our aid institutions." Proposed reforms of the U. S. aid program are designed to improve its effectiveness and more technical assistance will be given to the governments of developing nations to help them build their capability to make good use of the resources made available to them. The recent downturn in absolute amounts of U. S. aid will probably be reversed.

Australian farmers assess the future

These tendencies had resulted in a relatively slow growth of world agricultural trade and declining export prices.

* **GENERAL FARMING OUTLOOK:** Australian farmers would find it harder to get a reasonable income. Income would fall \$A150,000,000 to \$A900,000,000 in 1970-71 and production would fall by three to four per cent.

The volume of rural production in Australia for 1970 seems likely to fall by some three to four per cent on 1969-70. Prices received by farmers are expected to be lower in 1970-71, consequently the gross value of production is expected to be down. Although the volume of rural exports is expected to be slightly higher than in 1969-70, the fall in export prices, particularly for wool, will probably result in a value of rural exports down on the previous year's level.

* **WOOL:** Only a substantial increase in wool prices from their present low levels within the next 12 months will stop a cutback in Australian wool production. Man-made fibres would continue to effect the future for wool.

* **WHEAT:** Prospects for stability in the world wheat

market depends upon production controls in exporting countries.

Competition in international markets for wheat had extended beyond prices. Sales had been made under different credit conditions and importing countries had become more exacting in specifying the wheat types needed.

* **DAIRY PRODUCTS:** The outlook for Australian dairy products depended to a large extent on Britain's entry into the European Common Market.

* **SUGAR:** At present, prospects for the Australian sugar industry were bright because of the strong upturn in international sugar prices.

Two factors may alter this healthy situation-The future of the Commonwealth Sugar Agreement (CSA) and the review of the United States sugar act.

The CSA, under which Australia has a major market in the United Kingdom, could be lost with Britain's entry to the Common Market.

The United States' market could be lost if agricultural protectionism gains strength when the sugar act is reviewed later this year. Japan presents the most promising market for future expansion.

THE ECONOMIC TIMES

Editorial Department
Friday 16th April 1971

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

UNEMPLOYMENT AND SOCIAL COSTS

The problem of unemployment is not peculiar to the developing countries of S.E. Asia alone it is in fact regarded as an international phenomenon. The spectre that looms largest today is the rising unemployment bogey. And what developing nations lack most, apart from the paucity of resources, is the requisite skill to solve this pressing problem.

The bitter irony of unemployment is that there is enough unfinished business on this planet to keep everyone gainfully occupied according to one's ability. What most nations lack is not work that has to be done, but the innovative ideas about how to get that work done, and also the courage and determination to profit by the lessons of the past.

A solution to the growing malaise of poverty and unemployment was never more urgently needed than it is today.

The gravity and significance of the problem are clearly brought out in the following statement of the President of the World Bank Group:-

"Prolonged and mounting unemployment exact a tremendous social cost from a nation. Let there be no doubt: social costs are real costs. And once human hopelessness and frustration have been pushed beyond the breaking point, social costs can erupt into catastrophic economic costs as well".

It is estimated that the equivalent of over 20% of the entire male labour force in the developing world is currently unemployed and at the present inadequate rates of economic growth the problem of unemployment can only grow worse—unless of course effective steps are taken to counteract this trend.

Closely coupled with the growing problem of the unemployed is a fast expanding urbanisation. Even by World Bank standards the solution to this problem still remains primitive. Even population planning at its highest degree of effectiveness would not make much impact on it. The solution would not come by population control alone. What is needed is a massive development effort through the optimum utilisation of resources.

All nations be they rich or poor have an equal stake in the success of global development. While the developed countries are morally obliged to lend a helping hand to the developing nations, the latter are equally obliged to help themselves by doubling their development efforts. And this is precisely the answer to the economic ills that confront us here in Ceylon.

Britain sponsors conference on aid for Co-operatives

The British Government, through the Overseas Development Administration, is sponsoring the third international conference on Aid for Co-operatives in Developing Countries, now being held at the International Co-operative Training Centre, Loughborough.

The conference, which follows conferences on similar themes held in Denmark in 1965 and 1968, brings together donor countries and international organisations and is concerned chiefly with questions relating to the nature, organisation and co-ordination of assistance for co-operatives in developing countries.

The chairman of the conference is Mr. A. E. Oram. Government officials and Co-operators from 14 countries will attend. Eight international organisations will also

be represented, and there will also be participants from the developing world, including Tanzania, Panama and Pakistan.

Administrative and other services are being provided by the International Co-operative Training Centre and the Plunkett Foundation for Co-operative Studies.

Opportune moment

The conference takes place at an opportune moment, at the beginning of the United Nations Second Development Decade, and at a time when the House of Commons Select Committee on Overseas Aid has underlined, in its recent report, the importance of rural development in most developing countries, and the value of co-operative action.

The International Co-operative Training Centre at the Co-operative Union's College at Stanford Hall, Loughborough, is the main centre for officially sponsored training of overseas Co-operators in Britain. Annual sessional courses, other regular and occasional courses financed by the ODA through a grant and payment of students' fees, are conducted at the centre.

The Plunkett Foundation for Co-operative Studies undertakes, with financial support from the ODA, Co-operative training courses overseas in developing countries.

Training in export promotion

Mr. P. Murugasu, Deputy Director of the Public Sector Division of the Ministry of Industries and Scientific Affairs, who is in charge of work connected with the development, production, marketing, sales and export promotion activities of the 19 State corporations under this Ministry, and Mr. N. R. Meemeduma, Assistant Director of Commerce, who heads the Tea Section of the Department of Commerce, will leave for Britain on 27 April to follow a three month training course in export promotion at the Manchester University.

Their training is being financed by Britain under the Technical Co-operation Scheme of the Colombo Plan.

U. S. RELAXES EMBARGO ON TRADE WITH CHINA

President Nixon has announced a significant relaxation in the 20-year-old embargo on direct U.S. trade with China, part of a five-point plan aimed at encouraging the sudden thaw in long-frozen relations between Washington and Peking.

The President said he would soon approve a list of non-strategic goods which American businessmen can export there. The scope of the trade involved will be known in a few weeks.

Mr. Nixon, who lists an improvement in relations with Peking as one of his major foreign policy goals, also said he intends to permit the import of designated goods from China

In a statement issued by the White House, the President announced the lifting or easing of restrictions in four other areas in addition to the relaxation in trade relations.

These other decisions were:

Rice on long term credit

The Thai Government has approved a proposal to try to sell rice on long-term credit or barter terms to countries short of foreign exchange reserves.

Credit terms ranging from 10 to 20 years and payment in local currencies by the buying countries have been proposed.

Thailand expects to have a surplus of 900,000 tons of rice at the end of this year.

* U.S. currency controls are to be relaxed to permit the use of dollars by China.

* The United States, which last month dropped all restrictions on the right of Americans to travel to China, is prepared to expedite entry visas for visitors or groups from China to come to America.

* Restrictions are to be ended on U.S. oil companies providing fuel to ships or aircraft proceeding to and from China, except for Chinese-owned or Chinese-chartered carriers bound to or from North Vietnam, North Korea or Cuba.

* U.S. vessels or aircraft may now carry Chinese cargoes between non-Chinese ports, and U.S. owned foreign flag carriers may call at Chinese ports.

THE ECONOMIC TIMES

Order form

157, Jayantha Weerasekera Mawatha,
Colombo 10.

Please send me/us 24/12 issues of The Economic Times I/We enclose herewith Rs. by M. O./P.O. Cheques Cash and look forward to receiving The Economic Times fortnightly.

Mr./Mrs./Messrs.

Address

Date..... Signature.....

All remittances should be made payable to:-

SEMAK PUBLISHERS

Our subscription rates are:

1 year 24 issues	Rs. 12.00
1/2 year 12 issues	Rs. 6.00
per issue	cts. 50

(Postage free)