



THE ECONOMIC TIMES

NEW FISHING CENTRE

A centre for the development and marketing of fish products is to be established shortly.

A two-member preparatory mission consisting of Messrs. J. H. J. van der Meer and Erhard Ruckes arrived in Ceylon to study and work out, in consultation with the Ministry of Fisheries, the scope and details for the establishment of a fishing centre.

The project, which will be sponsored by the Swedish International Development Agency Co-operative Programme, will be executed by the Food and Agriculture Organisation of the United Nations. SIDA has already pledged a grant of S. \$168,720 for this project.

Vol. 2 No. 8

Friday 16th July 1971

SHARE MARKET AT LOW EBB

(By our Commercial Cor.)

THE COLOMBO SHARE MARKET PRICES CONTINUED TO KEEP TUMBLING FROM JANUARY 1971. TEA, TEA-CUM RUBBER, AND COMMERCIAL & INDUS. TRIAL SHARE PRICES WERE THE WORST AFFECTED. RUBBER AND COCONUT PRICES, HOWEVER, MAINTAINED SATISFACTORY LEVELS.

Share brokers expect the downward trend to continue in view of the degree of uncertainty that exists in business and commercial circles, despite assurances given by Government that the private

sector will be permitted to play a decisive role in the spheres of economic development. Nevertheless, the private sector remains sceptical and apprehensive.

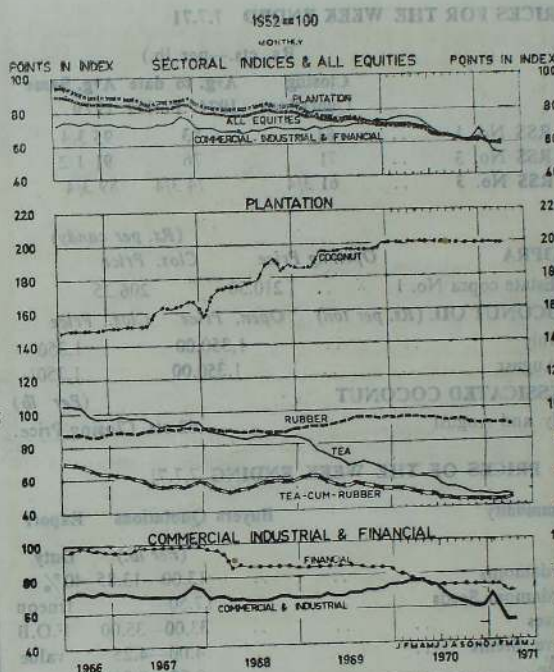
Table A below shows the Indices of Share prices of Rupee Companies with the base year 1952=100.

It will be seen that tea had declined from 55.76 at end of December 1970 to 46.44 at the end of April 1971. Tea-cum-Rubber had declined from 46.88, while commercial & Industrial share price index trumbled from 68.41 to 51.55 and All Equities declined from 66.90 to 58.31 during this period.

Table A	Tea	Tea-Cum-Rubber	Rubber	Coconut	Plantations combined	Commercial & Industrial	Investment Trust & Financial	All Equities
Period	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1960	89.37	77.49	98.45	139.47	89.40	59.77	81.40	82.75
1961	73.09	71.90	90.19	147.77	76.64	52.38	78.69	71.77
1962	75.51	64.13	86.96	140.34	77.51	50.80	87.36	70.94
1963	83.89	64.57	84.39	142.79	81.79	53.65	88.62	74.91
1964	79.78	62.13	84.56	141.12	78.91	49.86	85.01	71.50
1965	89.60	62.04	84.40	142.34	84.16	53.89	85.14	76.60
1966	100.80	69.17	86.89	147.33	92.56	96.25	95.32	86.79
1967	94.69	58.05	88.75	156.94	87.18	70.37	97.76	83.22
1968	85.19	54.90	87.87	177.02	82.16	66.96	88.24	78.50
1969	70.84	55.62	92.46	193.26	76.28	69.23	84.54	74.66
1970	55.16	46.80	93.54	199.34	66.13	68.41	74.52	66.90
1971 January ..	47.28	43.00	90.83	198.80	60.50	68.43	72.60	60.01
February ..	46.41	42.94	90.10	198.80	59.91	59.10	72.60	60.01
March ..	47.02	44.11	90.10	198.80	60.54	52.44	68.32	58.70
April ..	46.44	44.88	89.37	198.80	60.32	51.55	68.32	58.31

Source: Central Bank of Ceylon

INDICES OF SHARE PRICES OF RUPEE COMPANIES



EXTERNAL ASSETS UP

The gross external assets of Ceylon increased by Rs. 2.5 million to Rs. 475.7 million in March 1971.

The International Reserve of the Central Bank recorded an increase of Rs. 21.3 million whilst the foreign assets of the commercial banks recorded a decline of Rs. 18.7 million.

The assets of the Government and Government Agencies and Institutions are estimated to have decreased by Rs. 0.1 million,

In this Issue

	Page
* Plantation News :	3
* Export Intelligence :	3
* Global News :	5
* Commercial Exploitation of manioc :	6 & 7
* Investment in L.D.C's 6,8	
* National Day of France - Special Supplement	9-11

Aid pledges from socialist bloc countries

The Socialist bloc countries have pledged to assist Ceylon to the tune of about Rs. 400 million in the form of economic aid, according to the External Resources Division of the Ministry of Planning and Employment.

This assistance will be utilized entirely for economic development purposes. The Soviet Union also will contribute about Rs. 110 million of which about Rs. 60 million will be

for the extension of the steel mill at Oruwela. The balance will be made available for the importation of machinery for industrial projects.

The loan will be repaid over a period of ten years at three per cent interest.

The People's Republic of China has pledged an additional Rs. 56.8 million. Of this

Rs. 22.5 million will be allocated for two textile projects, one at Pugoda and the other at Minneriya.

The Polish Government has agreed to provide 40.5 million for an integrated textile mill at Ambalangoda while Yugoslavia has pledged assistance to the tune of Rs. 81.3 million.

The other countries which have pledged aid to Ceylon are Hungary Rs. 57.2 million for import of machinery and equipment for industrial projects. North Korea Rs. 5.9 million for the development of the silk worm industry. Bulgaria—Rs. 28.6 million project and Rumania Rs. 5.9 million loan.

TEA REPORT

MARKET PRICES

COLOMBO

CLOSING PRICES

TEA (Rs. Cts. Per lb.)

Approximate range of prices (including teas sold)

BOPS

	1.72	3.45	2.00
High Grown	1 at 3.50		
	1 at 3.65	1 at 3.70	1 at 3.40
Medium Grown	1.68	1.90	1.65
Small leaf Low Grown	1.70	1.85	1.65
Tea for Price	1.40	1.65	1.40
Leafy B.O.P.	1.75	2.15	

F. B. O. Ps. F. B. O. P. Fs.

Tippy Teas 1.75 2.15 1.75 6.50

1 at 6.60 1 at 7.00

RUBBER

PRICES FOR THE WEEK ENDED 7.7.71

Rs. cts.—per lb.)

Closing Avg. to date Avg. Same
Quotations 1971 Period 1970

RSS No. 1	81	83	95 3/4
RSS No. 3	71	76	91 1/2
RSS No. 3	61 3/4	74 3/4	89 3/4

(Rs. per candy)

COPRA	Opening Price	Clos. Price
Estate copra No. 1	210.50	206.25
COCONUT OIL (Rs. per ton)	Open, Price	Clos., Price
July	1,350.00	1,350/-
August	1,350.00	1,350/-

DESSICATED COCONUT

(Per lb)

July and August .62 cts. Closing Price.

PRICES OF THE WEEK ENDING 7.7.71

Commodity	Buyers Quotations	Export
	(Per lb.)	Duty
Cardamoms	13.00—13.85	40%
Cardamom Seeds	17.50—	true on
Cloves	33.00—35.00	F.O.B
Clove Stems	4.00—4.25	value
Mace	8.50—9.00	
Nutmeg (Shelled)	3.00—3.50	
Nutmeg (Unshelled)	1.75—2.00	
Pepper (Black)	7.00—7.50	
Papain (White)	13.50—14.00	
Papain (Brown)	11.50—12.00	
Cinnamon H/1	3.55	20% on
Cinnamon H/2	3.50	true f.o.b.
Cinnamon Quilings No. 1	2.75	value
Cinnamon Quilings No. 2	—	

	per Cwt.	Export	Duty
Cocoa	Unquoted	40% on	
Coffee	230.00—400.00	true f.o.b	
Kapok (Clean)	270.00	value.	
Kapok (Unclean)	33.00		
Croton Seeds	100.00—125.00		
Essential Oils	Per 25 oz. lb.		
Cinnamon Leaf Oil	22.00—25.00		
Cinnamon Bark Oil	Per oz 24.00		
Citronella Oil Estate Quality	7.80	10% on	
Citronella Oil Ordinary	7.40	true f.o.b	
		value	

SUBSIDIARY CROPS—WEEKLY PRICE LIST POYA
ENDING 7.7.71

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 154/ (58 Lbs) Per bushel)
Paddy :	
Samba	13.00—14.00
Other varieties	12.00—
Rice Par Boiled	70.00—

held on 8th
1971.

Commodity Commentary

RUBBER REPORT

Week-ending 7th July, 1971.

RSS NO : 1 opened 1 cent dealer in line with overseas advices at 82 3/4 cents per lb., improved further to touch 83 1/2 cents per lb. the following day but declined gradually thereafter to close at 81 cents per lb.

Approximately 421 tons of LATEX CREPES were offered at the Two Sales held during the period under review, a substantial increase of 162 tons compared to the previous week's total. At the First Sale, best latex and F. A. Q. types remained unchanged but the duller sorts eased fairly sharply by 5 to 20 per lb. At the following Sale, best latex and F. A. Q. Offerings declined by 1/2 cents per lb. but the duller sorts were irregularly dearer. However, inferior types once again registered a further drop of 2 to 4 cents per lb.

Approximately 164 tons of SCRAP CREPES were offered, a substantial increase of 7 tons compared to the previous week's total. At the First Sale, all Scrap Crepe grades met with an easier market and were marked down by 1 to 5 cents per lb. The easier conditions continued at following Salde when prices on once again showed a further drop of 1 to 4 cents per lb. The fairly sharp decline in this commodity has been attributed to lack of socialist buying interest.

Medium Grown Teas : Good quality colour Western Brokenkens and BOPF's were a few cents easier, but lower kinds met a strong demand and were 3/5 cents dearer. Improved Uva teas met keen bidding and appreciated sharply with quality. Leaf Grades were about steady.

Low - Grown Teas : There was a strong demand for all Low-Grown Brokenkens with the Black Leaf better made sorts generally about 5 cents dearer. BOPF's advanced 5/10 cents. Pekoes were firm but OP's barely steady.

Tippy - Teas : FBOP's which were firm at the beginning of the Sale, eased by 10 cents towards the end. Well made Small Leaf Sale, Flowery Fannings were 10/20 cents easier, while the best leafy Invoices on offer were again easier.

Dusts : Grainy Mediums, Uvas and Low-Growns were 5/10 cents dearer while the best liquoring teas were on average, 20 cents dearer. Secondary liquoring were 3/5 cents dearer, fibrous sorts easier.

Country Rice No. 1	82.00—84.00
—Country Rice No. 2	75.00—76.00
—Samba Rice	95.00—100.00
—Kora Rice	100.00—110.00
—Maize	29.00
—Red Gram (Toor Dhal)	40.00
—Black Gram (Undu)	61.00
—Bengal Gram	46.00
—Green Gram	53.50
—Bombay Cowpea	40.00
Millets	Per Bushel
—Finger Millet (Kurrakkan)	10.50 — 11.00
—Sorgum	440.00 (per ton)
—Soya Beans	850.00 (p cwt)
Spices Condiment	Per Lb.
—Mustard	6.50—6.75
Chillies	Per Cwt.
—Dried Long	315.00 — 320.00
—Dried Round	Unquoted
—Off Grade	
—Goraka	90.00 — 98.00
—Vanilla	Per lb. 1800 — 20.00
—Tamarind	Per Lb. .00 — 115.00
—Ground Nut	580
	8.00 — 60.00

Approximately 22 tons of SOLE CREPE were offered during the week under review, a decrease of 2 tons compared to the previous week's total. Very strong covering demand was encountered for all F.A.Q. 1/8" Smooth Offerings at enhanced prices, whilst the Smooth 3/16" and 1/4" thicknesses also received fair attention at about last rates.

FROTH & CUTTINGS opened easier at 55 and 56 cents per lb. but recovered thereafter towards the close of the week to fetch 56 and 58 cents per lb. respectively

India bans rubber imports

India will not import any more rubber this year because of record home production and large stocks in the country.

The Deputy Minister of Foreign Trade, Mr. A. C. George announced that the Government had stopped issuing licences for imports of natural rubber.

He said production had reached an all-time high of 92,000 metric tons in 1970-71. A high-level conference would be called to discuss the interests of small growers who are affected by a slump who are in the market.

The Minister said the ban on licences would continue if the present trend in production continued.

Produce Report

PRODUCE REPORT

Week-ending 7th July, 1971.

Cardamoms : 3,295 lbs. of Cardamoms were on offer indicating a fairly sharp drop of 2, 387 lb. With smaller quantities on offer followed by better demand all grades were dearer with No. 1 quotation closing at Rs. 13/- to Rs. 13/85 per lb., a increase of about Re. 1 per lb. Next best grades too were firmer at Rs. 11/- to Rs. 13/- per lb., whilst off-grades too were slightly dearer at Rs. 10/- to Rs/ 11/50 per lb. Seeds remained unchanged at Rs. 17/50 per lb.

Cocoa : Approximately 48 cwt. of Cocoa were on offer a marked decrease of 238 cwt. The market was unquoted in the absence of any buyers.

Coffee : Approximately 12 cwt. Off Quality Coffee were sold at Rs. 270/- per cwt.

Cinnamon : 100 lbs of Cinnamon which were on offer fetched Rs. 3/60 per lb.

Rubber Market - Review for June 1971

Most Estates are still behind in their deliveries against both Sole Crepe and Thick and or Thin Latex Crepe forward contracts. Arrivals of the various types of rubber in Colombo also once again registered a further marked decline.

FORWARD SALES

Standard Ceylon rubber: A quantity of 10 tons of "PEEN-CAR" SCR 5. TS Hevea Crumb changed hands at 75 1/2 cents per lb. for delivery during June 1971.

Thick and or thin crepe No: 1 Initially, transactions of Thick Crepe and Thick and or Thin Crepe No: 1 took place at 1/26 per lb. for July/September 1971 delivery. Thereafter a small quantity of Thick and or Thin Crepe No. 1 changed hands at Rs. 1/27 per lb. for July/December 1971 delivery.

Sole Crepe: The sale of a small quantity of Sole Crepe No. 1 took place at Rs. 2/30 per lb. for July/Dec. 1971 delivery but thereafter easier conditions prevailed when further quantities were transacted at Rs 2/25 per lb. for June /December 1971 delivery.

EXPORT DUTY

The sliding scale for EXPORT DUTY continued in operation in addition to a 3 cents per lb. flat rate.

Duties payable (including the flat rate) during the month were as follows:—

1st/ 6th June 71	5 cts per lb
7th/30th June 71	3 cts per lb

SHARE MARKET REPORT

There was more activity on the Share Market when compared with recent weeks, especially for teas, according to the Report of the Colombo Brokers Association.

Teas:		Previous Price		July 13th		+or—
		Rs.	Cts.	Rs.	Cts.	
Great Western	...	13.50		12.00		— 1.50
Maha Uvas	...	5.50		4.00		— 1.50
Mayens	...	3.25		2.50**		— .75
Moches	...	10.00		10.00		
Nahavillas	...	3.00		2.50**		— .50
Ryes	...	3.75		4.25		+ .50
Therisias	...	9.00		10.00		+ 1.00
Uplands	...	4.75		4.75		
Cum-Ruber						
Opatas	...	6.00		6.00		
Wellanduras	...	4.00		4.00**		
Commercials						
Ceylon Breweries	...	16.00		14.50		— 1.50
Farms25		.25*		
Rolands	...	4.00		4.00		
Wellawatte Spinning Weaving Mills	...	4.25		4.00**		— .25
Lambrettos	...	5.50		6.00**		+ .50
Kandy Textiles	...	6.00		6.00**		
Hunters	...	1.00		1.50		+ .50

There was no Business in Rubber and Coconut; Preference shares and Government Loans.

The following were quoted ex dividend:—
Clunes Estates of Ceylon Ltd. 7 1/2% Interim on 13.7.71.
Uwa Ketawella Tea Co. Ltd. 2% First & Final on 10.7.71
Doomoo Tea Co. of Ceylon Ltd. 4% First and Final on 12.7.71.
Stratheden Tea Co. Ltd. 6 1/2% First and Final on 16.7.71.
North Western Estate Co. Ltd. 8% First and Final on 16.7.71
Wittalls Estates and Agencies Ltd. 8 1/2% Final on 28.7.71.

Cesses remained unchanged at 1.980 cents per lb.

CEYLON RUBBER STATISTICS

Rubber production in Ceylon during January/April 1971 totalled 47,123 tons, a decrease of 3,258 tons compared to the corresponding period in the previous year.

Consumption of natural rubber during January/April 1971 was 50,885 tons, a decrease of 2,839 tons compared to the corresponding period in the previous year.

FOREIGN MARKETS

Renewed stoploss selling of June and July RSS No 1 found confidence lacking and in consequence Singapore Rubber values plunged sharply lower at the outset. Thereafter values fluctuated uncertainly in quiet conditions where the main feature was the re-appearance of the Malaysian Rubber Fund Board to bolster the outgoing June position against the continued heaviness of nearby.

During the latter half of the month the market turned somewhat firmer consequent upon a rumour that the Malaysian Rubber Fund Board had sold rubber to China. However operators remained aloof and cautious awaiting a definite lead from the movements of the July position which was considered to be their only guide at present, especially as uncertainty continued to prevail over the Government's non-appearance in the sagging market towards the close.

Fairly large quantities of nearby SMR 20 and SMR 50 changed hands at further

contracted
lecting the
of these gr

Lon
share

is taking steps
Tea Trading Cor-
which will progressively
the interant market
is new Corporation
independently
Auctions.
The proposed Tea Corpora-
tion's range of purchases for
the internal market are likely
to be 30 and 40 million lbs.
per year, and therefore, it is
likely to be the major bidder
at the Auction
The Corporations Agent for
foreign market will be consoli-
dated Exports (Ceylon)Ltd.

Towards the close, the news that the Malaysian Government's stockpile, estimated at between 3,000 to 5,000 tons purchased by the Peoples Republic of China was already in the process of being shipped appeared to arouse little comment as it was felt that there was insufficient underlying strength in the market for it to react. However, the significant factor was that the Malaysian Rubber Fund Board could now re-enter the market at source for replacement purpose, which would at the same time render appropriate support.

The New York rubber market was marked by a lack of activity in the absence of worthwhile consumer buying interest throughout this period.

PLANTATION INDUSTRY

TEA TRADING CORP.

Bulgaria, China Czechoslovakia, East Germany, Hungary, Poland, Romania, USSR, Yugoslavia and the U.A.R. Until now these countries have operated through private agencies in Ceylon. Communist countries, however prefer to deal with State owned trading institutions.

PRICES PICK UP

Tea export prices have shown some improvement so far this year. The average export price was Rs. 2.42 per lb in 1970-71 compared with Rs. 2.38 in 1969-70.

Production during the same period (June 1970—May 1971) at 466 million was marginally higher than in the corresponding period of the previous year.

STATE DOMINATION

With the setting up of the Corporation, tea exports to Communist countries is likely to be gradually dominated by the State. For the present the tea export trade with the following ten countries will be handled entirely by Consolexpo:—

Growth in Sterling Area Trade

The value of sterling area trade with the rest of the world last year increased sharply—exports by 10 per cent, imports by 15 per cent and there was a surplus of £174 million on visible trade.

Figures published in London last week show that sterling area exports and re-exports to the rest of the world totalled

£13,625 million, and imports £13,351 million.

The net inflow long-term capital to the sterling area was £1,000 million higher than in 1969, and the total reserve and currency flow increased by more than £700 million to some £11,800 million.

Figures released by the Central Statistical Office earlier this month and elaborated in tables published in the current issue of "Economic Trends", show that in Britain at least the inflow of foreign currency in the first three months of 1971 has outstripped the rate for the same period last year.

The net gain to Britain in the first quarter was £973 million—£58 million more than in January-March 1970.

The Economic Times

Remember
to
renew your
SUBSCRIPTION

See Order Form
on page 10

EXPORT INTELLIGENCE

Export Opportunities

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

M/s. Boyes & Roses Ltd.,
1012, Auckland Street,
P.O. Box 846, New West
Minister
British Columbia.

Bicycle and bicycle accessories.

M/s. Newark Wire Cloth Co
351, Verona Avenue Newark
New Jersey, 07104,
U. S. A.

Wire cloth (screening, netting).

M/s. Memake Enterprises,
140, Nedowa St., Bombay 1,
India.

Crude rubber.

M/s. S. A. Owolabi & Bros.
P.O. Box 5381, Lagos,
Nigeria.

Hardwares, padlocks, locks,
hinges, cords, buttons, nightwe-
ars, blouses, shirts—men/women
caps, hats, children's wear,
spectacle frames and other
general goods:

M/s. Orleap Export Co. Ltd.
P. O. Box 2086,
Teheran.

Cummin seed, almonds and
almonds kernels, apricot dried-
walnut kernels, coriander etc.

M/s. Hausen Enterprises
Co., Ltd.,
P. O. Box 3265, Taipei
Taiwan, Republic of China.
Various boots, shoes, sandal
slippers made of PVC leather,
canvas, rubber, EVA sponge,
fibre cloth etc.

QUICK-KNIT TOWELLING MACHINE

A new cotton textile machine which can produce towelling faster and more simply than any other known has been developed in Britain. The machine opens new possibilities for use of towelling type fabrics for such purpose as well hangings and floor coverings.

Developed by Loughborough University of Technology, the first commercial model of the machine was put through its paces for manufacturers, engineers and designers from all over the world at the recent International Textile Machinery Exhibition in Paris.

Professor Gordon Wray and Mr. Gerry Ward, of the university's department of mechanical engineering, are responsible for the development. Instead of a complicated action, the machine uses sewing needles specially designed to stitch through the backing fabric and from loops at the same time. Double pile material can be made by needles working through the fabric from opposite sides.

The machine is extremely simple to build. Another important advantage is that it runs quietly, while producing fabric at three times the speed

of the most up-to-date machines available. As this makes the Loughborough machine doubly

Textiles that are produced with the double-sided towelling machine are suitable for use in a wide range of applications, including the production of high quality ladderproof.

FIRST AMERICAN TRICYCLE

The Bridgeston Cycle Industry Co. Ltd., has developed the "Bon-Bon Cycle", Japan's first amphibious tricycle, and is now available in the market.

Instead of wheels, the tricycle has globes 640 millimeters in diameter. An improvement of the float used by fishermen, the globe has large buoyancy and is said to have sufficient stability. It can travel on land at a speed of 10 kilometers per hour and on water at 3.5 to 4kph. It can be used on lakes, inland seas and amusement parks.

The saddle and steering bar are adjustable to suit the rider and steering is easy. Being collapsible, it can be carried or stored conveniently.

The Computer as Carpenter

Control methods developed by a team of scientists at one of the leading aircraft industries, as well as by a team of scientists to bring production methods to a new level of efficiency.

The computer is used in a wide range of applications, including the production of high quality ladderproof. The computer is used in a wide range of applications, including the production of high quality ladderproof.

Important feature of the computer is that it eliminates setting-up time which on some wood-working machines can take as long as two hours. There are no stops to set, no tools to position. Changes from one job to the next, require only a new punched tape or card to be fed in to the control unit.

The Chairman of Wadkin, Mr. William Sims, says: "It is a major step towards meeting the increasing demand from wood industries for high speed and sophisticated multi-purpose machines which at the same time reduce the amount and quality of labour required".

SCIENCE AND TECHNOLOGY

Proteins from Petroleum

Proteins produced from petroleum paraffins may solve the food problem that is acute in many countries, the French

chemist Alfred Champagnat stated at the World Petroleum Congress held recently in Moscow. The scientist proposed the use of such proteins as food additives to offset protein deficiency in the diet.

LOW-COST ADDITIVE

A new low-cost additive for sumps, gear boxes and rear axles of any vehicle, and for marine or other engines with mineral oil lubrication improves performance, reduces repair bills and prolongs engine life, its manufacturers claim.

It is supplied in 10-fluid-ounce tins for use in that quantity when the engine gear box and rear axle have been warmed up. The additive will blend with any mineral oil and oil additives, and contains a sludge dispersant which keeps the oil cleaner. Twenty fluid ounces is recommended for engines exceeding nine pints oil capacity. Other advantages include high viscosity for lower oil consumption, improve piston, easier starting in cold weather, less carbon deposit, quieter running and reduction of leakage.

The additive, known as Carburel 707, is manufactured by United Lubricants Ltd., of United House, London W.11.

Alfred Champagnat's report on "The future of the oil industry as a source of food" evoked keen interest.

The scientist, who is one of the pioneers of research in this field, announced that today the oil industry in many countries is capable of compensating for protein deficiencies.

Tests were carried out for a few years in laboratory conditions to determine the toxicity and nutritional value of protein concentrates produced from petroleum paraffins. As a result it has been found that a daily ration of 5-7 grammes of pure protein is harmless to human health.

With such a dose allergy and disturbances are out of the question, the scientist said.

POLISH FOREIGN TRADE IN 1970

In 1971 the Central Office of Statistics will announce the official results on the implementation of annual tasks of the 1970 National Economic Plan. Among the numerous figures and data there will also be an assessment of Polish foreign trade.

There is, of course, no way in trying to make a comprehensive analysis of foreign trade turnover for the entire year prior to the announcement by the Central Office of Statistics of the respective communiqué; nonetheless, knowing the official data for the first six months of 1970, it is possible to point to certain facts and tendencies which might affect the results of trade turnover in the subsequent months of this year.

According to official data of the Central Office of Statistics, the turnover of Polish foreign trade in the January-June 1970 period was 16.3% up on the same period in 1969.

Overall exports grew that time by more than 14.5%. In spite of that, however, considering the higher pace in the increase of imports-by some 18% - the latter were in these six months higher than exports. Another characteristic phenomenon within that time were changes in the structure of Polish foreign trade. There occurred, namely rather marked alterations in the goods structure of the turnover. The share of machines and equipment rose in Polish exports, with a simultaneous drop in the exported quantities of fuels, raw materials and

materials, and also of foodstuffs and agricultural produce and in industrial consumer goods.

An unquestionably favourable feature in Polish foreign trade turnover is the increasing demand on markets abroad for machines and equipment bearing the "Made in Poland" mark. A particularly rapid increase in this respect was noted in exports of floating stock, complete chemical industry and food industry plants, automobiles and lorries, complete mining and metallurgical projects, drilling machines and equipment, complete power plants, ships, engines and wood working machines.

Compared with the same period last year, a further increase in exports of Polish goods occurred in the first six months of 1970. Exports to the capitalist countries grew by 14% including an increase by more than 27% to EEC countries by 4.6% to EFTA countries, and by 19% to the developing countries.

As was the case in exports, also in imports to Poland the increase in machines and equipment was the fastest. Imports of industrial consumer goods remained at the 1969 level; and, similarly as in exports, the share of fuels, raw materials and materials dropped.

A further increase in imports from the Council for Mutual Economic Assistance countries also in those from the capitalist countries, was recorded in the period under examination. Imports from the capitalist countries grew by 11%, to include: by 13.8% from the EEC countries, and by 5.9% from EFTA countries.

When examining the turnover of Polish foreign trade it must be said that trade became more brisk in the January-June 1970 period not only with the socialist, but also with the capitalist countries.

A marked increase in turnover occurred in Poland's commercial relations with the following countries: Finland, Italy, Holland, the German Federal Republic, Japan; and

27th Anniversary of the Polish People's Republic

as regard the developing countries - with some of those in Africa and Asia.

ORGANISATIONAL CHANGES

From January 1, 1971, with the introduction of organisational changes in Polish foreign trade industrial amalgamations combines will take over the function of a number of foreign trade enterprises and branch offices. This means that in the future industry will play not only the role of producer, but also that of exporter of its products, bearing full responsibility for the assortment, quantity and quality of the goods offered for sale.

Industry has already been authorized to carry out trade transactions with foreign coun-

tries in such branches which call for high concentrations and specialization of production and which determine the trends of further development of the national economy. These include: electronics, automation machine tools, tools, sea-going ships, building and road building machines, etc.

After the industry has taken over a number of export functions as a result of the process of concentration, the number of foreign trade enterprises directly subordinated to the Ministry of Foreign Trade will be notable reduced. For example, two well-known foreign trade enterprise markets under the name of Ceko-Polimex,

(Contd- on Page 11)

With the Compliments
of

**CEYLON
FERTILIZER CORPORATION**

746, Galle Road,
COLOMBO - 4.

Sole Importers of Fertilizer

Greetings to the
Government and People
of
POLAND
from
**NATIONAL TEXTILE
CORPORATION**

35/1, Horton Place,
COLOMBO-7.

Investment in C'wealth development tops £ 2,750,000

London

Investments worth more than £2,750,000 were made in the past financial year by the Commonwealth Development Finance Company (CDFC).

Its annual report, published in London last week, lists financial aid for hotel building, engineering works, textile companies, agriculture and transport in a dozen developing Commonwealth countries, including Ceylon.

British Honduras, Gibraltar, Seychelles and Cayman Islands appear for the first time in the list of the Company's investments. Chairman Sir George Bolton notes.

CDFC, whose share capital is held by industrial and banking interests in Britain, and by the Bank of England and certain Commonwealth central banks, exists to finance sound industrial development in Commonwealth countries and to advise and help in development problems.

The investment in British Honduras—a rice development represents CDFC's first significant operation in association with the Atlantic Development Group for Latin America (ADELA), says the report.

CDFC investments throughout the Commonwealth, covering industrial activities of all kinds—power, banking, hotels, water, textiles, tea, paper, chemicals, transport sugar and jute among them—are now valued at nearly £27 million.

Sir George comments that people who work in the field of development "are becoming more aware of the benefits that direct investment can con-

fer". While government aid has a most important part to play in the basic development process, "it needs to march in parallel with the activities of the private sphere, with its message of profit-consciousness and its 'spinoff' of training and experience in the fields of technology, management and enterprise".

The Company's investment in Pakistan at 31 March 1971 totalled £1,895,629. In Ceylon, at same date, £ 310, 830.

CARBON BLACK FROM PADDY HUSK

New York

Paddy husk, normally a waste product, may be turned into industrial raw materials in rice growing areas.

An American company building a plant in California to make carbon black from paddy husk, was reported considering similar plants in the United Arab Republic, South Korea, Japan and possibly HongKong.

The California plant will turn out about 10,000 tonnes a year of carbon black. This is an extremely fine form of soot, normally obtained from burning natural gas and used in making tires and newspaper printing inks.

Carbon black now sells for around 12 cents (90 paise) per pound, so the actual saving in foreign exchange to overseas countries might be small. However, the husk can also produce activated carbon, silica and high grade coke, all of them

usable as industrial materials.

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friendly neighbour, India".

Nepal's insistence on having

separate trade and transit

agreements had led to the dead-

lock in the India-Nepal trade

talks.

NEW INDUSTRIAL GIANT

EMERGING IN

MACEDONIA

Belgrade

One of the greatest projects

in Macedonia—construction

of the FENI complex—is to

begin in Macedonia soon, with

the help of foreign credits.

The project involves construction

of iron/nickel ore mine

and smelting plants.

A deposit of iron/nickel ore

has been found near the Rza-

novo village in the area of

Kavadar. In the area prospec-

ting terms have discovered

reserves of 110 million tons,

a quantity which is considered

sufficient for exploitation dur-

ing the next fifty years. The

fact that the Rzanovo area

contains 1.1 million tons of

nickel ore, 35 million tons

of iron ore, and 66,000 tons

of cobalt is sufficient justifi-

cations.

operation from a pattern chara-

cterized by Japan investing in

foreign countries, importing

raw materials, processing them

and then exporting the finished

products to an arrangement

under which she establishes

production and marketing

bases in Southeast Asian devel-

oping countries.

The prerequisite to the effective

use of aid is the social

and political stability in aid-

receiving countries. Another

precondition is that aid is of

such a kind that will benefit

all strata of the aid-receiving

nation.

Since developing nations

which are slow in making

use of foreign aid are usually

short of funds special financing

must be provided by making

full use of the facilities of in-

ternational monetary agencies

such as the Asian Investment

Co. and the World Bank.

Orderly Trade

Trade, which is inseparable

from aid, must also be carried

out in an orderly manner with

due consideration for the eco-

nomical conditions of the respec-

tive aid-receiving countries.

In conclusion, I should like

to emphasize that economic

aid is primarily based on

humanitarian ideas. This is

the point that differentiates

economic aid in our age from

that of yesteryear which often

verged on economic aggression.

Pattern to Change

Such effective labor utiliza-

tion will in the years ahead

change the mode of industrial

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Orderly Trade

COMMERCIAL EXPLOITATION OF MANIOC

At present the demand for manioc tuber is predominant as a food crop. Information available indicates that in an extent of approximately 54,930 acres was cultivated in Yala and 58,761 acres in the Maha. The total yield in seasons was 7.6 million cwt. from 114,000 acres giving an average yield of 2.8 tons per acre. Most of this output is for human consumption; a very small proportion is dried into chips and used for animal food.

The prices of raw manioc have risen rapidly in recent times following upon the reduction in the ration of rice and later, the banning of the imports of potatoes. Earlier the retail price of manioc, in the major urban markets was about 12 cent per lb. and at present it is about 15 cents per lb. The corresponding price in centres of production, where there is a surplus over local demand was in the range of 3 cents per lb. earlier and is 6 cents per lb. at present.

While there is no internal demand in Ceylon for manioc chips a flourishing international trade in manioc chips has been carried on for several years. A leading exporter is Thailand, exporting over 700,000 tons (including other manioc products) valued at Rs. 142.8 million in 1966. Other exporters are countries in South America and Africa. The international market price for manioc chips is at present approximately \$16 (Rs. 213.33) per ton f.o.b. Bangkok. The main buyers of manioc chips are Germany, Netherlands, and the U.S.A. Small purchases are also made by Japan and Belgium.

Manioc also provides a base for the manufacture of cassava starch. The demand for this

type of starch exists in U.S.A. for industrial

Industrial

High grade starch is processed in modern mills and require the use of centrifugal separators and dryers. The product has an export market in the U.S.A. as a foodstuff and for industrial uses. The industrial uses include—

- (a) soluble starch for laundry work
- (b) prepared dextrine for stationery trade
- (c) Starch for paper sizing
- (d) Starch for textile sizing and printing.

This class of product requires precise control over chemical and physical properties during the manufacture.

Finally an important group of Cassava products is baked and mixed food products, others are baked granules of starch called "seeds" and "pearls" and "flakes". The seed are known locally in Ceylon as Sago. Of these three grades high grade starch and baked and mixed food products are imported into Ceylon. In recent years the values of these imports were as follows

starch and conditions indicated above, it should be possible to reach a higher average yield under conditions where fertiliser is applied. In trials referred to in "Field Crops of Ceylon" the rate per acre was somewhat more than 10 tons (26 to 28 thousand pounds). It is possible that under good management yields of this order are possible and an average yield of 10 tons per acre is not unreasonable. The cost of production would fall if cultivation was carried on under efficient management conditions to even a lower figure. This is possible as indicated in the cultivation carried on under coconut by Mr. R. H. de Mel where the cost of production is slightly over 1 cent per lb. including cost of manure. The Committee was of the view that a fair average cost of production under efficient management conditions should not in any case exceed 1.5 cent per lb. On this basis the profits that could be earned by the sale of the tubers will be Rs. 224 per acre for each cent in excess of the prime cost (i.e. 1.5 cts. per lb.). Thus if the price of tubers was 4.5 cts. the gross profit (i.e. after deduction of prime cost) would be Rs. 672 per acre. Manioc chips are made by slicing and shredding the roots into chips, and drying these in the sun. The weight of chips that can be produced is about 35 per cent of the weight of tuber. Thus if the output is 10 tons per acre of tuber,

In Thailand where the area now cultivated is estimated at 280,000 acres (somewhat above three times the area cultivated in Ceylon) the total estimated yield is approximately 2.2 million tons giving a per acre yield of approximately 8 tons. At recent trials in Maha Illuppalam in September 1966 to June 1967 cultivation on irrigable high land regularly under previous crops and without fertiliser yielded a harvest rate equivalent to a little under 7 tons per acre. While this yield may be considered as a reasonable minimum output under con-

ditions indicated above, it should be possible to reach a higher average yield under conditions where fertiliser is applied. In trials referred to in "Field Crops of Ceylon" the rate per acre was somewhat more than 10 tons (26 to 28 thousand pounds).

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the production of chips would be 3.5 tons. at saturation, equivalent tuber content of 5

The costs of production have been estimated as follows

Cost of production of tuber
Cost of production of chips at the rate of Rs. 20 per ton for 3.5 tons
Packing, 15 sacks per ton, at 80 cts. per sack
Transport, an average of 100 miles at 1 cent per mile is

As the Oils and Fats Corporation offers at present Rs 325 per ton delivered at Seeduwa on a quality specification total receipts for 3.5 tons of chips would be Rs. 1,137.50. After deduction of the cost of Rs. 377 this would leave a surplus of Rs. 760.50.

The current price of manioc chips f.o.b. Bangkok is around \$16 per ton (Rs. 213.33 per ton). If, however, part of the earnings, say 25 per cent was made available as a bonus voucher the total rupee receipts to the producer would be as follows—

	Rs. c.
£. 4 at Rs. 40.00 per £.	160 0
£. 12 at Rs. 13.33 per £.	160 0
	320.0

PRODUCTION OF MANIOC FOR DOMESTIC CONSUMPTION AND EXPORT

An estimate is available of the potential market for manioc chips in Ceylon. According to this estimate, the internal market could absorb 18,000 tons of manioc annually

When the domestic market is unable to absorb the surplus of chips after satisfying local demand, it will be possible to export the surplus to the market abroad. In this case, the surplus of chips, after satisfying local demand, would be Rs. 16 supported by the Scheme applicable to the export of chips. The receipt of the export would enable the producer to receive a rupee profit per ton of export. The gain of profit, nearly equal to that on sales of chips made in the market, i.e. to the Fats Corporation per ton.

SUMMARY OF CULTIVATION OF MANIOC

The potentialities of increasing Casava production are tremendous. It is easy to grow and are possible with but simple management and the farmer's traditional acquaintance with the crop. The main increased production of manioc farmers view app

Investment in the LDC's (Part II)

The contribution to development of investment which is motivated by protection tends to be limited. Since countries are likely to be high-cost producers of the products they import in substantial amounts, investment in domestic production of these products may only be profitable when there are subsidies in the form of tariffs and quotas. When the recipients of the subsidies are foreign investors, the country is likely to be a loser, both as a result of the reduction in real income resulting from higher product costs to consumers and because the foreign investors repatriate the subsidies. These losses will tend to offset any benefits obtained by the LDC.

Very little direct evidence is available on the actual net effects of foreign manufacturing investment in LDCs. The evidence available on the training of labor, for example, indicates that foreign firms do in fact train substantial numbers of workers and medium-level technical personnel. However, this training tends to relate to the firm's specific operations and is not therefore readily transferable. Foreign firms have been much less active in recruiting and training nationals of LDCs for management positions; as a result, a substantial proportion

of the key management positions in most subsidiaries is usually occupied by expatriates from the parent company.

There is even less evidence concerning either the characteristics of production processes used by foreign firms or the level of their costs in LDCs. One study sponsored by the Agency for International Development (AID) indicates that U.S. subsidiaries in the Philippines employ more capital-intensive production processes than Filipino firms in the same industry. This failure of U.S. firms to use the most labor-intensive processes may be explained by their access to more abundant supplies of capital, lack of knowledge about local labor markets and wages, or by their inability to adapt production processes that have been developed for use in countries where labor is scarce.

Obviously, more empirical research is necessary to determine which direct investments by U.S. firms have contributed to the economic development of the LDCs. It is clear, however, that not all their investments have been beneficial. It is also clear that the contribution of an investment is related to the motivations for making the investment decisions. Protection of domestic markets, for example, induces

investments that are less likely to be beneficial to the recipient country. The formulation of policies to encourage desirable types of investment therefore requires a consideration of the factors influencing investment decisions.

These questions concerning the benefits of foreign investment for development suggest the size of the problem facing government policy-makers. If greater emphasis is to be placed on the role of private direct investment, policies must be found not only to increase the volume of investment, but to insure that the kinds of investment that are stimulated will be beneficial to the recipient countries. Specifically, policies must be developed to encourage investment in industries that can and will produce efficiently in the developing countries. In order to formulate such policies it is necessary to know what factors influence foreign firms to invest in LDCs. Unfortunately, no comprehensive theory of foreign investment has been formulated and tested empirically. Only fragments of a complete explanation based on economic theory and more recently on the theory of organizational decision-making are available.

Decision-Making Process
Neoclassical economic theory assumes that firms systema-

tically search the world for the most profitable investment opportunities. It also assumes that conditions are stable enough for firms to assess the expected returns and risks of a project. The firm then invests when the excess of expected returns (net of risks) over costs is greater than those available on other projects.

The application of neoclassical investment theory to the circumstances of contemporary

Most of the existing and proposed U.S. programs to encourage private investment in LDCs are based on the neoclassical theory of investment. The specific and extended risk guaranty programs are designed to reduce the risk of investment to acceptable levels. The informational programs (including the government's investment survey program) are designed to reduce the cost of investigating an investment. Several recent propo-

classical theory of investment can be used to identify types of direct investment which will make a contribution to development.

These questions result of recent research on the investment decision-making process. This suggests that in a world of uncertainty, a firm's life expectancy cannot be maximized because of their inability to predict the critical factors which determine product demand. Firms pursue several goals that are achieved through internal organizational processes. These include such objectives as the maintenance of sales and a satisfactory level of profits.

As a result of the lack of knowledge and lack of systematic information about the world for the most profitable investment opportunities. Rather, investment decisions are usually a result of a problem that threatens the achievement of one or more of the firm's broad goals. A firm to consider investment in a foreign country where the threat to its survival is such that foreign investment is the easiest and most rapid response. Further, the search for investment opportunities is largely

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LDCs suggests that firms with labor-intensive production processes would earn higher returns in LDCs than in advanced countries. In addition, firms producing a standardized product not requiring substantial technical and skilled labor inputs could produce most easily in LDCs. Finally, firms possessing a particular monopolistic advantage, such as control of special resources, technology or research and development capability, could earn a return sufficient to justify investment in LDCs.

sals to provide tax incentives for investment are designed to increase the investor's net return.

There is little doubt that direct investment in LDCs can be increased if the U.S. government provides sufficient subsidies, either through tax concessions or otherwise. There is a question, however, whether the subsidies will generate sufficient additional investment to justify their costs. There is also a question whether subsidies and other incentives based exclusively on the neo-

MANIOC

uration, equivalent to a
content of 51,400 tons.

ated as follows per acre -
Rs. c.
190.0

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70.0

per sack 42.0

1 cent per cwt. 75.0

Total 377.0

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There is tremendous potential today for the commercial exploitation of manioc. Industrialists are assured of a good foreign demand for manioc chips and starch in the EEC countries, particularly in West Germany where about 690,000 tons are used a year. Here lies a lucrative source of foreign exchange earnings which the country desperately needs.

This Report of the Committee on Agriculture on the commercial exploitation of manioc should provide useful information to those interested in this project.

the lack of a ready outlet for the crop.

Nutrient wise, two major drawbacks of the crop for human consumption are its low protein content, and the presence of the poisonous hydrogen cyanide (prussic acid) in the root.

Climate and Soil requirements

Cassava is essentially a tropical plant. It can be grown in Ceylon up to an elevation of about 3,500 feet. It can be grown under conditions of heavy rainfall (wet zone) as well as during the wet season.

Maha) in the dry zone. Well drained soils are essential. It does best on easily draining sandy loams. Stiff intractable clays are generally unsuitable.

Varieties

A multiplicity of varieties of manioc are known. They vary in yield, age of maturity, HCN content, etc. Two broad types are recognised; the Sinnyokka type which is characterised by the presence of red pigmentation in various parts of the plant and possession of a zig-zag unbranched stem and the manyokka type which is unpigmented and possess a straight early branching stem. Intermediate types are also known.

of some specific threat to the attainment of organizational goals, firms do not usually base decisions on close calculations of profit. This is particularly the case in LDCs where expected profit is uncertain because most of the variables affecting profits (product prices, prices of imports, etc.) are uncertain. Thus, in situations characterised by major uncertainties, growing factors such as the important of the export market to the company or the general prospects for growth in the LDC are more important determinants of investment decisions that are precise profit calculations.

If the findings of recent investigations into the nature of organizational decision-making processes are valid, it is doubtful that policies which marginally reduce the risk or increase the return on investment (e.g., political-risk insurance and tax concessions) act as a positive incentive to invest in LDCs. Policies designed to increase the profitability of investment may be particularly useless in encouraging investment by the specific industries and firms which could make the greatest contribution to the growth of LDCs. This is because the firms which could make the greatest contribution may not be currently involved in trade with LDCs and are thus not

The following varieties are generally recommended although many local strains are also being cultivated.

- (i) Mu 6—Sudu beli manyokka
- (ii) Mu 22—Kalu ala sinnyokka
- (iii) Mu 41—Sinnyokka
- (iv) Mu—51Kos manyokka
- (v) Mu—73Maha manyokka

The above varieties can be harvested at 4 1/2 months.

COST OF PRODUCTION OF MANIOC TUBER AND MANIOC CHIPS

The cost of production per cwt. has been estimated at Rs. 1.43

der cwt. (equals 1.3 cent per lb.) as follows—

Pro forma price cost of production per acre.

Preparation of land (Mechanically)	Rs.c.
planting material, cost of preparation of appros,	60 0
5000 cuttings—3 man days	12 0
Setting in field—3 man days	12 0
Earthing & wedding—3 man days	12 0
Fertiliser, 3 cwt., at nominal Rs. 420 per ton	63 0
Lifting at—10 cts. per cwt.	14 0

Contingencies 173.0

17.0

Total 190.0

Field yield anticipated 200 cwt.

Less 5% loss contingency 190 cwt.

Cost of production per cwt. Rs. 1.00.

It is necessary to understand the term 'maturity' in relation to Cassava. The term is not

as a rainfed crop, it should be grown in the Maha season.

Land Preparation

The land should be loosened to a depth of about 12 inches and cultivated to prepare a suitable seedbed.

Planting Material

9-12 inches stalk cuttings taken from the middle portion of mature sticks constitutes the best planting material. Woody bottoms and tender tops are not as satisfactory.

Planting method and spacing

Stalk cutting are placed vertically in the moist soil. Cuttings should be pushed into the soil to a depth of 4-6 ins. A spacing of 3X3 ft. is recommended.

Inter-cultivation

Inter-cultivation is necessary during the early stages for weed control. Depending on weed growth a first inter-cultivation will be necessary 3-4 weeks after planting. Tow further inter-cultivations may be necessary.

It is necessary to loosen the soil and earth up round the plant hills during the second inter-cultivation (6-7 weeks after planting).

Like all rapidly growing crops yielding carbohydrates Cassava has a high nutrient requirement and rapidly exhausts the soil unless fertilizers are added.

The crops responds to NP, and K. Deficiency of Potassium tends to increase the HNC content.

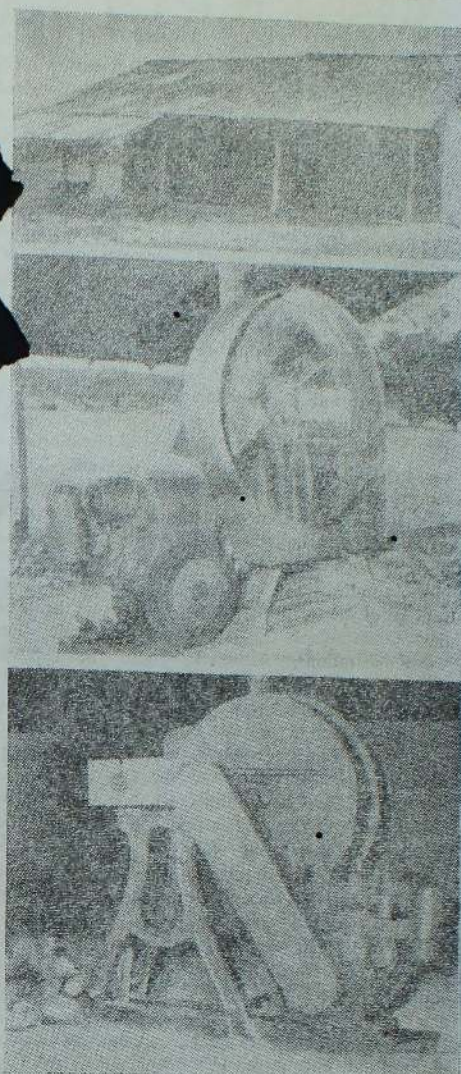
In general, the fertilizer mixture given below may be used.

1 1/2 cwt. Sulphate of ammonia.

3/4 cwt. Superphosphate.

1 cwt. muriate of potash.

The superphosphate, and muriate of potash together with 1/2 cwt. of sulphate of



Picture shows the drying kiln and the root cutter presently in use at the Ragedara Farm

amonia should be given as a vasa application and 1 cwt. of sulphate of amonia as a top-dressing at the period of earthing up.

Pests and diseases

The crop is relatively free of disease. Cercospora leaf spot is occasionally found to occur but not appear to be of economic significance. Damage to roots by rodents and other animals could be serious in certain localities.

Harvesting

Harvesting consists of digging up the roots. Care should be taken to avoid damage to the roots during this operation.

Yields

Yields of 10 tons per acre have been obtained in experimental plots. The average yield of the crop recently cultivated in Ceylon is 2 1/2—3 tons per acre. The average world yield in 1951 was 3.5 tons per acre.

Utilization

Practically the totality of presently cultivated crop is utilised for human consumption. The crop, however has numerous other uses that can be successfully exploited.

Four main types of products are possible (a) Chips and meal, (b) Baked and mixed food products, (c) Low grade starch, (d) High grade starch.

(a) Chips and meal are prepared by slicing, drying and grinding to a white powder. This is used primarily for animal food stuffs. There are export possibilities.

(b) Baked and mixed foods. The product in this category commonly known is Ceylon is Sago.

(c) Low grade starch, is prepared in small factories by grinding the roots, washing out the starch in rotary sieves, settling in tanks and drying. Used for technical purposes and can be exported.

(b) High grade starch requires modern milling techniques. This product is generally produced in other parts of Asia, for export particularly to the U.S.A. and has therefore to conform to specified standards. Starch with special properties is prepared from this e.g. for paper and textile sizing, laundry work etc.

It has also been suggested that 10 per cent. Cassava starch could be added to all wheat flour imported into this country. This possibility of producing power alcohol from Cassava meal has also been raised.

There appears to be little danger of over production in the immediate future. Apart from the increased demand of substitutes such as Cassava for human consumption consequent of the potato import ban, there is the prospect of replacing certain commodities that are presently imported.

The presence of hydrocyanic acid in the Cassava root is a hazard that requires mention since it is an item of human consumption.

The toxicity stems from the presence of a glucoside linamarin in the roots from which hydrocyanic acid is released by the action of the enzyme linase also present in the roots) or strong acids. Varieties with a HCN content higher than 100 mg/kg. should therefore not be cultivated for human or animal consumption.

INVESTMENT IN LDC's

Contd. from page 7

opportunities in those particular countries where efficient production possibilities offered the greatest threat of competition.

The threat to U.S. firms of competition from imports originating in the LDCs will not be credible, of course, if productive capacity in the relevant industry does not exist in the less developed world. In such situations, the Overseas Private Investment Corporation has a crucial role to play. The OPIC should identify industries in LDCs where production for export can be undertaken profitably, in the economic sense, and then help to establish U.S. private enterprises in those industries to take advantage of their export potential.

Administration witnesses have testified that the OPIC will have the authority and the assets to permit it to play a more active role in searching for an promoting productive private-investment opportunities in the LDCs than has been possible for the Agency for International Development. To the extent that the anticipation is matched by performance, the OPIC can be an effective instrument to encourage private foreign investment that will benefit LDCs.

The program that has been outlined to encourage U.S. private direct investment in the LDCs would have costs for the U.S. These costs would be in the form of at least a temporary loss of jobs and an immediate balance-of-payments drain. Whether Congress would be willing to accept these costs and the important adjustments required any more than it is willing to accept the costs of foreign aid is an open question.

The employment costs or additional private direct investment in LDCs may be particularly difficult to accept. It is probable that the types of investment stimulated by the UNCTAD I proposal for tariff preferences would be in labor-intensive industries. These industries have been relatively stagnant in the United States, and foreign investment might well lead to a shift in the location of operations rather than a redirection of marginal additions to productive capacity. Consequently, for these industries the unfavourable employment effects of foreign investment could be substantial.

Moreover, increases in private direct investment in LDCs would also represent an initial balance-of-payments drain. This initial drain would be offset to some extent by the additional exports of capital equipment necessary to make the added investment. The long-term impact of the additional investment on the U. S. balance of payments would depend on such factors as the effect of the investment on

- (a) U.S. exports of the products manufactured by the investor firm ; (b) U.S. exports of materials and intermediate products to the foreign firm ; (c) U.S. imports of products from the foreign firm ; (d) additional exports resulting from the recipient country income ; (e) profit remittances to U.S. firms investing

Long-Term Results

These long-term balance-of-payments effects of foreign direct investment are difficult to measure. The results of several recent attempts at measurement conflict, largely because the making of estimates requires knowledge of what would have happened in the event the investment had not been made. For example, would the U.S. firms have continued to export a product if an investment had not been made, or would the export market have been pre-empted by investment of a U.S. or another foreign firm. In the latter case, would the investing foreign firms obtain raw materials and intermediate products in the United States or in some other country

Such questions are difficult if not possible to answer. Most of the studies circumvent the problems of qualification by making assumptions about what would have happened had the investment not been made. Despite the considerable energy and effort applied to measuring the balance-of-payments effects of foreign investment, we are still at sea on the subject.

Incentives, Costs, Benefits—

It is obvious that there are many unanswered questions concerning government policies to encourage private direct investment in LDCs. The most important are : (a) what incentives are necessary to encourage investment that will contribute to the development of LDCs and (b) what are the costs and benefits to the U.S. of such investments

Answers must be found for these questions if the encouragement of private direct investment is to be an important component of U.S. foreign policy in actuality as well as in policy statements. LDCs are no longer willing to accept just any foreign investment, regardless of its contribution to national development. For example, Latin American spokesmen now insist that foreign investment must generate additional exports, make a technological contribution and participate as a supplement to national investment.

In general, events in a number of LDCs in recent months suggest that they are convinced that the basic rules governing world trade and investment are responsible for their present economic position. Most of the LDCs are abysmally poor ; most of their

exceed their most are de- low range of for their and their gen- only a few products than can compete in world markets. The United States and other advanced countries gradually have been brought to the point of conceding that more constructive policies can improve

the situation. On balance, these new policies must promote investments that benefit both the LDC and the investor. The formulation of such policies is a major challenge for the United States. (Concluded)



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NATIONAL DAY OF FRANCE: 14th July, 1971—

The French economy

Special Supplement

After the devaluation of the Franc on 8th August 1969, the French Government introduced a recovery plan which set the following target dates:

- to balance the budget by 1st January 1970;
- to balance supply and demand by 1st April 1970;
- to balance foreign trade by 1st July 1970.

By the first quarter of 1970 these objectives had either been obtained or were about to be. The rapidity with which the initial results were achieved can be explained by the rigorous nature and the variety of the measures which were adopted. In fact, when confronted with a situation of such gravity, the Minister of Economy and Finance brought into play all the means at its disposal—reduction in public expenditure, tax changes, measures to encourage savings, credit restriction, and control of the rise in prices.

Aims

The recovery plan was aimed at eliminating the stresses which were apparent in the home economy particularly in respect of supply and demand of goods and services and thus contributed to the deficit in foreign trade. It was thus necessary to restrict home demand to enable industry to make a larger proportion of its production available for export.

Credit restrictions formed the cornerstone of the recovery plan. These measures which were introduced at the time of the monetary crisis in November 1969, were renewed for two years. In the first half of the year (despite a moderate growth of Bank credit) businesses were able to finance expansion by calling on money markets and external contri-

butors. Nevertheless, the quantitative nature of credit restrictions created more serious financing problems for companies after June. Moreover tightening of restrictions on consumer credit had a distinctly depressing effect on demand for consumerables: this particularly affected cars, furniture and electrical domestic appliances as most private individuals buy these items on hire purchase.

Another determining factor in the carrying out of the recovery plan was trend in public finance. From the end of 1969 restrictions on Government expenditure made it possible to reduce the budget deficit of 3,450 million Francs (the figure put forth in the Recovery Plan) to 1.35 milliard. The 1970 budget which was designed to be in balance in fact resulted in a large surplus in the first six months, which enabled the Treasury to reimburse the banks. It thus exercised a strong deflationary influence on the economy in not increasing the money supply, the latter has above all been fed by higher foreign currency earnings as a result of an increase in export sales.

The return to a balance in foreign trade (1) which took place at the end of 1969 was consolidated during the first six months. For this period the rate of cover for trade outside the Franc zone (seasonally adjusted) was on average 92.5%, which almost corresponds to a state of balance, taking into account the statistical methods used by the Customs Authorities. With trade balance restored, it was evident at the beginning of the year that the position of the Franc

It was possible to achieve a rapid return to a state of balance between supply and demand. In fact, from the Autumn of 1969 consumer demand started to slow down after the wave of early buying which was characteristic of the preceding months. The low level of home demand continued throughout the year, reflecting a change in the purchasing habits of households which were further affected by measures to restrict consumer credit. Moreover, the renewed confidence in the Franc and the rise in interest rates favoured an increase in savings. The combined effects of the lower rate of increase in consumption and reduction in public expenditure were the main factors responsible for an easing of pressure on productive capacity; the latter was thus in a better position to meet very strong foreign demand.

END OF THE RECOVERY PLAN

At the end of the first six months, the international economic situation and the trend of the home economy lead the authorities to re-orientate the economic policy, applied up to that time.

Abroad, it appeared that France's main economic partners were endeavouring to bring their inflation under control and introducing measures designed to slow down their economies. From that time it appeared very probable that French foreign trade would follow an unfavourable trend under the effects of a decline in foreign demand. In fact, the surveys carried out by the I.N.S.E.E. in industry revealed, from June onwards, a decline in orders from abroad. The growth of exports continued to be a stimulus to the economy but it had become much less powerful.

Within the French economy, the stagnation in consumer demand, which became apparent from the Autumn of 1969, was no obstacle to continued expansion during the early months of the year. As of the spring, 1970, the slowing

MESSAGE FROM THE AMBASSADOR

On the 14th of July, anniversary day of the storming of the Bastille, in the whole world, French Embassies open their doors to French nationals and to friends of France to celebrate together not only the French National Day, but the day which, for all nations, is synonymous with Liberty, Equality and Fraternity.

This year, making an exception to the established custom and in order to respect the austerity recommended by the Government the French Embassy in Colombo has decided to abstain from holding this traditional reception.

A few months only after the tragic events which spread desolation in this friendly country, it hardly seems possible indeed for French and Ceylonese to get together to make merry and congratulate one another.

I am happy, however, to seize the occasion which is given me today by the **ECONOMIC TIMES** to express my faith in the Franco-Ceylonese friendship and in the future of Ceylon where so many people have displayed the highest virtues of courage and self-sacrifice to build up a nation politically free, socially and economically just.

down of activity in the consumer goods sector. In addition, the delay in certain investment outlays due to credit restrictions contributed to a slowing down in the demand for capital goods.

Progressive easing of restrictions

It was not judged feasible to lift credit restrictions completely, bearing in mind the continuing inflationary tendencies in certain sectors of production. In fact, the quantitative limitation of credit was never able to have its full restrictive effect on the growth of total money supply the latter increased beyond the forecasts during the second six months with the influx of foreign currency. At the beginning of the summer the Government was not intending to stimulate consumption as it anticipated that there could be spontaneous increase owing to the high level of domestic liquidity; on the contrary, its policy was directed to stimulating production by easing the granting of credit for capital investment and export. It was thus, at the end of June, that the Conseil National du Credit lifted all restrictions on medium term re-discountable credit for industrial investment. It was the same for building loans

granted within rural loans intended for rural improvements. As regards the other types of credit, the squeeze continued. However export credits, which had already been eased during the first quarter, benefited from a further increase in the rate at which they were allowed to grow. With regard to hire purchase, special measures were taken in favour of the furniture and domestic electrical appliance sectors, which had been very adversely affected as they did not make up for the low level of their sales on the home market by a large volume of exports.

In the field of indirect taxation, there were certain reductions in T.V.A. in the second quarter in order to bring about a recovery, particularly in sales of television sets.

Finally the Government started to increase public expenditure by unfreezing half of the investment credit available under the Fonds d'Action Conjoncturelle (Economic Contingency Fund). A broader conception of balancing the budget was adopted to facilitate the movement from a policy aimed at economic recovery to one designed for a period of economic growth.



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FRENCH ROLE IN ECONOMIC DEVELOPMENT IN CEYLON

French engineering has been proving very successful in Ceylon in the last 10 years or so.

Electricity: Over 60% of the energy output of Ceylon's major power station supplying the national grid is produced by French machinery at Grandpass, Norton Bridge, and Laxapana power stations. The completion of the Maskeliya Oya Project-Stage II-which is scheduled for 1972, will raise this percentage up to 75% of the C.E.B. electrical energy total output.

The power for the Island's major industrial and consumers centres is being supplied from completely French equipped power receiving and distributing stations whether it be the Steel Factory, The State Cement Plants, the Textile Complex of Thulhiriya, the Oil Refinery and Fertilizer complex at Sapugaskanda, the State Plywood Manufacturing Plant etc.... Power cannot reach any consumer in this Island without flowing through French equipment.

Almost the entire equipment has been set up by "Compagnie Generale d'Enterprises Electriques" (C.G.E.E.) subsidiary of the

Group "Compagnie Generale d'Enterprises Electriques" (C.G.E.E.) established in Ceylon with a branch office with a resident engineer and over 50 persons.

Another engineering firm specialised in the construction of irrigation projects, SOGREAH, has been engaged as consultants for the Sri Lanka Irrigation and Waterways Development Project.

COLOMBO HARBOUR— GALLE HARBOUR FISHERIES INSTALLATION

The Colombo Harbour was built in 1950 by the firm CITRA which is now completing in Galle the construction of the biggest and most modern fisheries harbour in all South-East Asia and North Indian Ocean, thus offering the Fisheries Corporation a cold storage capacity of some 2,400 cubic metres.

COMPAGNIE DES SAINS DU MIDI were entrusted the modern task of engineering the mechanized 120,000 tons salt works at Chavakacheri for the National Salt Corporation.

The award for such works were in all cases won on highly competitive international tenders.

Public works equipments such as BERLIET and SAVIEMRENAULT trucks, RICHIER cranes and concrete

mixers, POCLAIN excavators, RICHARD CONTINENTAL bulldozers, and crawlers are currently in operation in the working sites of the State Engineering Corporation and the R.V.D.B. while RENAULT, International Harvester France and Massey Ferguson France tractors are steadily ploughing in many a field all over the Island.

TECHNICAL CO-OPERATION

In addition to the traditional scholarships granted to Ceylonese engineers (100 of whom have thus been able to study French technology in the last 15 years) and missions of French experts sent to Ceylon one realisation is worthwhile to note: the Technical Training Centre of "ELECTRO-CITE DE FRANCE" in Castlereagh.

The school's objective is to turn out linesmen welders and other field staff who operate, maintain and repair the complex equipment involved in electrical energy, from the most elaborate generating plants to the humblest of home lights of irons.

The 600,000 Rupees set of apparatus in use in the Castlereagh Centre is a unique "Look and learn" system of teaching, devised in France, which has

proved its efficiency on already some four hundred Ceylonese technicians.

The school recruits 60 students a year to follow a one year course which includes 3 months specialised course in the various trades. Arrangements are also being made for the training of 10 electrical foremen per year. The success of this centre has been such that the C.E.B. and "ELECTRICITE DE FRANCE" are considering the opening of a similar establishment in Colombo.

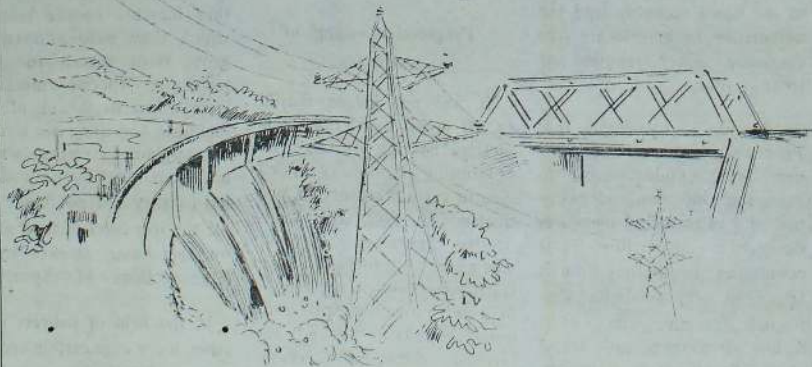
CREDIT FACILITIES

While French engineering, technology and equipment were coming increasingly into Ceylon, this country had to face a difficult foreign exchange balance situation. In 1966, the French Government decided to join other western countries and granted a first loan of 40 million French Francs (43 million Rupees) for the purchase of raw materials, semi-products and light equipment. This loan was followed in 1968 by another one of 45 million Francs and again in 1969 for another 54 million Francs.

The main items allowed to be imported under this loan have been fertilizers, glass, aluminium and steel sheets, cars, tractors and lorries, tubes and tyres, building equipment and even the Colombo City street lighting system. In addition we must mention the 20,000 tons of wheat flour, given to Ceylon in 1969 and 1970.

The French Government has decided to continue credit facilities to enable Ceylon to meet its disequilibrium.

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THE ECONOMIC SITUATION

FRANCE

On the eve of 1971 the French economy presented two divergent aspects, both bearing with them opportunities to progress or risks of recession.

The complete lifting of credit restrictions became necessary at the end of October to stimulate the economy, but this was made possible by the complete success of the recovery plan on both the monetary and financial levels. The very satisfactory state of French public finance is the most positive factor to become apparent in eighteen months. In the leading world markets, the excellent standing of the Franc is evidence of this state of affairs. Inside the country, where exchange control has been less severely applied, the confidence in the Franc has been particularly reflected by the substantial increase in savings.

It was, however time to relax the measure introduced to limit consumption. As this was

supported by both a vigorous and profitable export trade, and by important industrial investment, the economy made favourable progress. Since the summer, foreign markets have become less attractive with the slowing down of the economy in several leading countries. Moreover, although orders for capital goods continue to be satisfactory, they are not, by themselves, sufficient to cause the rest of the economy to follow suit.

The recovery in consumer demand certainly appears to have taken place after the summer holiday, but it was probably not sufficiently great. A notable increase in unemployment in the course of the last few months of 1970 proves that the situation cannot be allowed to deteriorate any further. It appears that the task of fulfilling this obli-

gation is all the more as increases too great and the slump

Stagnant France's partners. They can favourably encourage, moreover, is uncertainty in currencies which is apparent.

J. T. A. boosts tourism in Ceylon

French and Ceylonese Engineers and Industrialists are the only ones to have discovered each other. French tourists also coming here to discover the charms of this Island are increasing numbers (almost 5,000 in 1970 out of a total of about 46,000 visitors).

Of these 5,000 Frenchmen who visited Ceylon last year, the largest proportion flew here by the French Airlines company, U.T.A.

It is a fact that never in its history UTA has spent so much time and money in a short time to promote tourism in one particular country. UTA is printing brochures and pamphlets, organising information in UTA premises in Paris and in departments, inviting to Ceylon travel agents, reporters, writers and lecturers, UTA keep spending over 1 million Rupees to advertise Ceylon's tourist image abroad.

In 1969, 3,500 tourists in 1969, 5,000 in 1970, an increase of 40 per cent. The Jumbo Jets have not come yet. So, at the end of 1970, 100,000 tourists in 1975? Why not!

"Gaz De France" is 25 years old

Created in 1946, when it was nationalized by the Act of March 29 published in the official gazette dated April 8, Gaz de France is celebrating its twenty fifth anniversary.

The closing down in Belfort of its last coal distillation plant is symbolic for this great enterprise. It marks its complete self-conversion, its transformation into an integrated enterprise for the transport

and commercialization of gas, supplies of which come from many sources abroad.

Clean, unobtrusive, adaptable and powerful, natural gas is a product that is remarkably suitable for present day urban and industrial use. It will certainly be put to many uses in future. The stages in its rise and development augur well.

Coke Paramount

To achieve its objectives, the Equipment Plan of the Gas Industry first resulted in an extension to the Villeneuve-La-Garenne coking plant and the building of three new plants at Cornillon, Alfortville and Grand-Quevilly. Several consumer centres were brought up to date, those at Gennevilliers, Nanterre, Lille, Charleville, Le Havre, Brest, Nantes, Limoges, Marseille, Nice, Dijon and Strasbourg. At the same time, 24,000 kilometers of broad diameter pipes were laid in the North and Paris Regions. Connections were established between different towns so as to concentrate production; for example Nantes-Saint Nazaire, Marseilles-Toulon, Chambéry-Aixles Bains Vannes-Lorient. All this was carried out during the "local era" from 1946 to 1952.

A sensational metamorphosis

Four stages have marked the metamorphosis of Gaz de France that started with the discovery of the famous Lacq deposits in December 1971, operating in May 1957. It was a decisive event of considerable importance. It brought about on three fronts a real mutation as regards supplies, technology and market.

Purchases of coal or coal gas were progressively replaced by deliveries of natural gas or petroleum products; transport grew apace; the market hitherto confined to "town gas" was extended to cover central heating and thermic or chemical industrial uses.

A very marked change in scale has ensued. The town plans that used to serve the engineers most adequately, have been superseded by ordinance maps, the map of France and now the world atlas. In twenty years the sphere of Gaz de France passed from the modest local area to the regional, national and even international scene. The periods that mark the story of this enterprise coincide roughly with the corresponding Plans marking French economic development, which was first the Monnet Plan (1947-1953), then the 2nd Plan (1954-1957), the 3rd (1958-1961) and 4th Plan (1962-1965) and last the 5th Plan (1966-1970).

FOREIGN TRADE...

Contd. from page 4

In the new organizational set-up, the role of the Ministry of Foreign Trade will be basically modified. Apart from the function of supervising the subordinate enterprises, it will increase its co-ordinative and supervisory activity in other branches of the national economy engaged in the turnover with foreign markets. To a much greater extent it will deal with planning and prognostication of the global turnover between Poland and foreign countries. Moreover, it will define the policy of treaties, payments and credits compulsory for all exporters and importers at home.

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THE ECONOMIC TIME

Editorial Department
Friday 16th July, 1971

(1st Floor), 157, J
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COLO

PLANNING AND GROWTHMANSHIP

Our planning experts are now actively engaged in the preparation of a medium term development programme which is to form the basis of the Government's much talked of "package deal". This new Five Year Plan will of course be eagerly awaited by all sections of the population as the future destiny of the nation depends on what it has in store, and how effectively it is going to be implemented.

This plan will be very vital for obvious reasons. The responsibility that falls on the Ministry of Planning & Employment in formulating it will indeed be tremendous because the expectations of the people have now reached new heights. And this time at least their aspirations must be fulfilled if the country's political and social fabric should remain unstrained in the future.

The country has seen economic development plans in the recent past—long term, medium-term and short plans, but these plans have only caused disillusion to many.

The Ministry of Planning & Employment is today headed by Professor H. A. de S. Gunasekera who is reputed to adopt a more mundane approach to planning. He also firmly believes that planning at the top does not suffice and that active support and co-operation of the people must be enlisted if our plans are to be implemented successfully. It therefore augurs well that the "ivory tower" planning era exists no more and that a more down to earth approach is being adopted.

While the Government seems determined to concentrate on development at the expense of social welfare a word of caution might seem necessary. It is accepted that the country cannot afford the degree of welfarism that is presently maintained. This must no doubt be axed in the present circumstances, but it should be done judiciously without causing undue strain on the already overburdened masses. A single minded pursuit of economic growth regardless of social stability might prove risky at the present time when social and political awareness is far more vivid and widespread than in earlier times.

A more equitable income distribution would seem to be a risk worth taking even if it were to result in a slower growth rate of private savings. A decline in the growth rate of private savings could be made up by more vigorous resource mobilisation in the public sector, and so the overall rate of savings and investments will not be unduly affected. In modern conditions, increased public sector expenditure is found to be an important incentive to rapid economic growth. For example, Italy has a much bigger public sector than Britain has, and it enjoys double the British rate of economic development.

No economy can expect to expand steadily without devoting a growing proportion of output to education, health and the provision of improved transport. This fact must be conceded.

It is hoped that Ceylon's new medium-term Plan will be one that would enable the Government to deliver the goods.

rubber needs better price for rubber from China

tious names. These exporters have indulged in considerable under-invoicing of exports.

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abuses in the private export trade, when the free market was in operation.

The department has not prevented overtrading and other abuses in this sphere.

The committee, therefore recommended that "the entire export trade in RSS 4 and 5 should be in the hands of the state". It then went on to recommend the take over of the crepe rubber export also, which has remained throughout in the private sector.

In the course of its investigations this committee has detected malpractices, in the rubber export trade of the private sector.

It found several rubber exporters, "who had no officers or stores and were in fact operating under various ficti-

"Moreover some of these firms have found ways and means of keeping their entire export earnings abroad".

The committee went on to say: "These exporters have not only grossly violated the Exchange Control regulations of the country, but also have successfully evaded the payment of any income tax".

The committee reported these activities to the Exchange Control Department and the Inland Revenue Department. On the basis of this information the income Tax Department had been able to levy additional taxes amounting to Rs. 525,000 on these rubber exporters.

5 Year plan to boost C'nut Industry

A five-year plan to develop the coconut industry has been prepared by the Ministry of Planning and Employment.

According to sources in the Ministry of Planning and Employment, the coconut industry will be made one of the mainstays of development in the next five years. Consequently, a number of studies have been made regarding the industries that could use products of the coconut palm as raw material.

The sources added that greater emphasis will be placed on cottage industries where larger numbers of people could be employed.

Under the development of the coconut plantations programme as envisaged in the plan, it is said that by 1976, Ceylon hopes to produce 3000,000,000 coconuts a year.

Out of this production around 130,000,000 nuts are expected to be exported earning the country over Rs. 350,000,000 at the 1970 price of coconuts.

The five-year plan recommends the re-plantation of 250,000 acres of coco nut

land, and the distribution of fertilizer to land owners at 50 per cent of its cost price to the Government.

DEFORESTATION PROGRAMME

A two-fold Government proposal to clear the dense Gili-male jungles, making them fit for human habitation and further development and to utilize the forest resources for development purposes, is to be undertaken shortly with Rumanian assistance.

A Rumanian expert is presently in Ceylon finalising arrangements for the deforestation programme.

The total cost of the project is estimated at nearly Rs. 2 million.

Rumania has also agreed to construct a narrow gauge railway line from the peak wilderness to Ratnapura at a cost of Rs. 3 million to transport the timber. For this purpose Rumania will supply three locomotive engines and 40 wagons to the Minister of Communications.

Malpractices
Commenting on the export of RSS 4 and 5 the committee said that it found a number of

EXPANSION TO CEMENT FACTORY

The Ceylon Cement Corporation has finalised plans to commission Stage II of the factory at Puttalam in March next year.

A spokesman for the Cement Corporation said that the Corporation will be able to meet the entire demand for cement at least for five years once Stage II was commissioned.

The annual cement requirement of the country is estimated at 450,000 tons, but the present production at the factories at Kankasanturai, Puttalam and Galle is in the region of 360,000 tons.

GSP comes into effect

All manufactured and semi-manufactured Indian goods, including cotton textiles will now enter EEC countries duty-free the Generalised system of Preferences (GSP) finalised last year by the developed and the developing countries has come into effect.

The other European Countries will "implement" their offers some time this year, Japan from August 1, and the USA sometimes next year.

The GSP will give Indian exports a big shot in the arm. There has been a fall in India's exports to the EEC countries during the last few years. In 1968-69 India exported goods worth Rs. 111 crores to these countries. In 1969-70, the figure came down to Rs. 100 crores.

Britain's official reserves reach new peak

Britain's official reserves rose again last month for the ninth successive month to a total of £1,508 million by the end of June. This was after long-term debt servicing payments of £31 million, mainly to the £31 million, mainly to the United States Export/Import Bank, said the Treasury in London. So the total of reserves in London have reached a new peak; at the end of May they were already the highest in dollar terms since the devaluation of the pound, and in sterling terms the highest

since the end of the Second World War.

Britain has already cleared repayments to the International Monetary Fund ahead of time. The next repayments on her outstanding drawings—\$619 million in respect of \$968 and 1,000 million in respect of 1969-70—are not due until next year.

The sterling rate against the dollar rose overall last month. It began June at 2.4175 and for most of the month fluctuated 2.4180 and 2.4197, the rate obtaining on 30 June.