

**Further credit squeeze on the private sector**

The Government has clamped down further on the lending activities of the Commercial banks. In a new Circular to all commercial banks the Central Bank has directed that bank loans or advances to the private sector up to March 31, 1972, should not exceed by more than 9 per cent the total amount advanced as at October 31, this year.

The tightened credit squeeze will not apply to commercial bank loans to State Corporations, Government or the co-operative sector.

The new restrictions are expected to affect the import and export trade of the private sector.

# THE ECONOMIC TIMES

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## ACCENT ON AGRO-BASED INDUSTRIES

A significant drawback in the existing pattern of industry has been its negligible impact on the development of the agricultural sector. A corollary of this has been the heavy dependence of the industrial sector on imported raw materials. A radical change in this situation is envisaged and emphasis will be given to the development of an industrial sector producing a wide range of items based on domestic agriculture.

This is revealed in the Government medium-term plan (1972-76).

In addition to paper, wood products, rubber and coconut based products new agricultural programmes will provide the following raw materials for industry:-

- Manioc flour for industrial starch and for bread
- Vegetable fibres for textiles
- Vegetable oils
- Natural silk

The import substitution programme will be realized in two areas. Some of the public sector investments are designed to provide basic raw materials required for industrial growth. On the other hand, specific programmes in the agricultural sector have been designed to provide raw materials such as seed cotton, beedi leaves, maize, manioc

and kenaf to a wide range of agro based industries.

In a situation where cotton has to be imported, the foreign exchange benefits of the textile industry are negligible. The production of cotton therefore is an important part of the import-substitution programme. The target for cotton production is 18,000 tons per year by 1976, and this would be about 28% of the demand for cotton in that year. The anticipated foreign exchange saving is about Rs. 15 million.

Until recently the entire requirements of beedi leaves for use as wrapping were imported. A programme has already commenced for the production of this item locally. This would result in a foreign exchange saving of nearly Rs. 6 million annually.

Projects have been prepared for the manufacture of indus-

trial starch from manioc. The possibility of substituting a proportion of manioc flour for wheat flour in the baking of bread is being investigated by the C.I.S.I.R. in collaboration with the Tropical products institute in the United Kingdom.

### RESOURCE SURVEYS RESEARCH AND DEVELOPMENT

A programme of research designed to identify and deve-

lop local raw materials, with possibilities of industrial application, has been assigned high priority in the Plan. Although in the past some items were identified on a laboratory basis, their use on an industrial scale has been limited.

Specific programmes prepared in consultation with research organisations to remedy these shortcomings will be implemented during the Plan period. As a first step the following possibilities have been identified:-

- \* New process for oil and protein extraction from the coconut kernel
- \* Coconut cream
- \* Industrial uses of rubber wood and rubber seed
- \* Manioc flour for bread making
- \* New Fibres for paper making
- \* Industrial carbon and chemicals from coconut shell
- \* Vegetable fibres, e.g. ramie, banana fibre, pineapple fibre.
- \* Programmes of oil exploration and mineralogical surveys are also currently in progress.

## M'FACTURING CORPS. MAKE STEADY PROGRESS

Most of the State manufacturing Corporations functioning under the Ministry of Industries and Scientific Affairs recorded significant increases in production in the first nine months of this year (January-September) compared with the corresponding period last year.

The most significant increase in production was re-

corded by the Tyre Corporation whose production of tyres moved up from 54,688 to 103,441 while production of tubes rose from 54,853 to 71,285 in the period under review.

Out put of these Corporations showing the increase in production are given below:-

Producing Agency	Commodity	Unit	1970	1971
Eastern Paper Mills Corp.	Paper	Tons	6,627	7,272
Ceylon Plywood	Plywood	M.S.F.	17,808	17,125
Ceylon Cement	Cement	Tons	230,501	287,387
Ceylon Steel	Rolled Steel	Tons	15,595	19,500
	Wire Products	Tons	3,254	4,637
	Barbed Wire	Tons	338	683
Ceylon Tyre	Tyres	Nos	54,688	103,441
	Tubes	Nos	54,853	71,285
State Hardware	Mammoties	Nos	43,749	173,559
Paranthan Chemicals	Caustic Soda	Tons	418	440
National Salt	Chlorine	Tons	31	319
Ceylon Ceramics	Salt	Tons	51,152	72,513
Mineral Sands	Ceramic ware	Tons	1,364	1,482
Ceylon leather	Ilmenite	Tons	69,560	77,319
	Footware	Pairs	182,848	206,758
	Chrome leather	sq. ft.	705,519	798,036
	Bark leather	lbs	116,966	228,101
Oils & Fats	Proverder	Tons	37,078	40,582
	Fatty acid	Tons	818	1,345
National Textiles	Yarn	m. lbs	1,662	2,415
	Textiles	m. yd.	4,286	5,837
Flour Milling NSIC	Flour	Tons	34,281	46,332
	Files	mils.	6,531	6,996

Source: Ministry of Planning and Employment.

## RICE IMPORS DECLINE

Ceylons rice imports for the first nine months of the year have shown a marked decline, according to the latest statistics released by the Food Commissioner.

From 278,056 tons in the first nine of last year, rice imports have dropped to 245,477 tons in the January-September 1971 period. This represents a decline of 32,579 tons.

### G.P.S. Paddy Purchases

Paddy purchases under the Guaranteed Price Scheme showed an increase from 19,037,038 bushels to 25,210,639 bushels in the period under review.

Rice supplied by the Food Commissioner also increased from 213,660 tons for the January-September 1970 period to 366,011 tons in the January-September 1971 period.

## ANOTHER MULTI-MILLION RUPEE TEXTILE MILL

The Government of the People's Republic of China has agreed to provide Ceylon with another multi-million rupee textile mill.

Details of the project which is to be provided under Chinese aid, have been finalised by the Government with the Chinese Embassy here, and a formal agreement is expected to be signed shortly.

This will be the second textile mill under Chinese aid.

The first factory being built is on a 64-acre site at Pugoda in the Dompe electorate. Chinese technicians are assisting construction work there.

According to Industries Ministry sources, Ceylon has been given the option of selecting the site for the new complex. The Ministry is now examining the suitability of several locations.

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# MARKET PRICES

COLOMBO CLOSING PRICES 30-11-71  
TEA (Rs. Cts. Per lb.)

Approximate range of prices (including teas sold Ex, Estates)

	B.O.Ps		B.O.P.Fs	
	Rs. Cts	Rs. Cts	Rs. Cts	Rs. Cts
High Grown:	1.80	2.70	1.70	2.80
	1 at 3.00	2 at 2.80	1 at 2.95	1 at 2.90
	1 at 2.74	1 at 3.25	1 at 2.85	1 at 3.05
Medium-Grown:	1.80	2.00	1.65	1.08
Small Leaf Low-Grown:	2.10	2.00	1.75	1.87
Leafy Low-Grown:	2.20	2.45	1.45	1.60
Tea For Price:	1.45	1.69		
	F.B.O.Ps		F.B.O.P.Fs	
	2.35	2.25	2.15	7.20
Tippy Teas:			1 at 7.80	1 at 8.90

RUBBER PRICES FOR THE WEEK ENDED 28.11.71.

	(Rs. cts.—per lb.)		Avg. to Same Period	
	Closing Quotations	Avg. to date	1971	1970
RSS No. 1	72 3/4	80 1/4	91 1/4	
RSS No. 2	62 1/4	71 1/2	86 1/4	
RSS No. 3	60 3/4	69 1/2	84 1/4	

COPRA

	Opening Price	Clos. Price
State Copra No. 1	188.00	179.25
COCONUT OIL (Rs. per ton)		
November	1275.00	1275.00
December	1275.00	1275.00

DESSICATED COCONUT (per lb.)

	Opening price	Closing Price
November	.54	.51
December	.54	.53

PRICES OF THE WEEK ENDING 28.11.71

Commodity	Buyers (Per lb)	Quotations	Export DUTY
Cardamoms	11.50	—12.50	40%
Cardamom Seeds	11.45	—12.75	on true
Cloves	30.00	—31.00	F.O.B.
Cloves Stems	5.00	—5.50	value
Mace	17.00	—18.00	
Nutmeg (Shelled)	5.00	—5.25	
Nutmeg (Unshelled)	2.25	—2.50	
Pepper (Black)	5.00	—5.75	
Papain (White)	21.00	—22.00	
Papain (Brown)	17.00	—18.00	
Cinnamom H/1	3.05	—	40% on
Cinnamom H/2	2.85	—2.90	true f.o.b
Cinnamom Quilings No. 1	2.30	—	value

	Per Cwt.	Export Duty
Cocoa	Unquoted	40% on
Coffee	400.00	—400.15
Kapok (Clean)	140.00	true f.o.b
Kapok (Unclean)	48.00	value
Croton Seeds	100.00	—125.00
Essential Oils	Per 25. op./bl	
Cinnamom Leaf Oil	17.50	per 25 ozs
Cinnamom Bark Oil	Per oz 20.00	per oz.
Citronella Oil Estate Quality	Per lb. 7.30	per lb.
Citronella Oil Ordinary	Per lb 7.15	10% on true f.o.b value

SUBSIDIARY CROPS WEEKLY PRICE LIST POYA ENDING 28.11.71

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

Cereals (Per Bag 154/158 lbs)

	(Per bushel)
—Paddy	13.00—14.00
—Other varieties	12.00—
—Rice Per Boiled	75.00—
—Country Rice No. 1	88.00—90.00
—Country Rice No. 2	86.00—88.
—Samba Rice	100.00—105.00
—Kora	100.00—110.00
—Maize	Per Cwt. 35.00—36.00

## TEA REPORT

Auction No. 44 held on the 29th and 30th November, 1971. The total quantity offered was 8,483,457 lbs., comprising 4,442,186 lbs. Leaf Grades, 1,061,545 lbs. Dusts, 114,974 lbs. Reprints, 50,116 lbs. Sun-dry Lots and 2,929,610 lbs. Ex Estate. Quality was generally plainer this week from both sides of the Island but keen interest was shown throughout the Sale for teas around the Rs. 1/90 level.

**High-Grown Teas:** The better Western Brokenes were generally 10/20 cents easier but some below best and most teas selling around the Rs. 1/85 and Rs. 1/90 level met strong competition, and were often a few cents dearer. Poorly manufactured sorts were about firm, sometimes slipping by a few cents per pound. Most Uvas improved by 5/10 cents a pound. BOPF's were irregular. All Leaf Grades were firm to slightly dearer on last rates.

**Medium-Grown Teas:** These met strong demand, the best showing advances of up to -/80 cents a pound, while the poorer sorts moved up by 5/10 cents per pound. BOPF's improved irregularly between 3/15 cents a pound. Pekoes were firm or slightly dearer but OP's were easier.

**Low-Grown Teas:** At the opening, the better manufactured small leaf BOP's increased by 5/10 cents a pound, while leafy types and BOPF's showed advances of up to -/10 cents per pound. Pekoes were about firm but OP's were 30/40 cents easier.

**Tippy Teas:** FBOP's and small leaf Flowery Fannings met good demand and were often 5/10 cents a pound dearer. The showy types were neglected and were generally easier.

## Commodity Commentary

**Off Gracs:** Met a strong market and sold around last prices. A few Medium-Grown Fannings moved up by 3/5 cents per pound.

**Dusts:** Best Western grainy sorts improved by -/50 cents a pound, while the corresponding Medium and Uva Dusts declined by 3/5 cents a pound. Powdery types except for the Low Grown teas were fully firm. All Low Grownes eased by about -/05 cents per pound.

### RUBBER REPORT

For the week ending 28th November 1971.

RSS NO:1 opened 1 1/4 cents easier at 73 1/4 cts. per lb. declined further to 72 1/2 cts. per lb. during mid-week but recovered somewhat thereafter in life with overseas advices to close at 72 3/4 cts. per lb.

Approximately 501 tons of LATEX CREPES were offered during the week under review, a slight increase of 14 tons compared to the previous week's total. At the first Sale, best latex crepes were marked down by 1/2 to 1 ct. per lb. but the FAQ Offerings improved by 2 cts. per lb. Duller sorts too gained by 1/2 ct. per lb. but the inferior grades declined fractionally by 1/2 ct. per lb.

A the following sale best latex crepes, FQ 1/2 Offerings and the duller sorts met with an easier market and were quoted 1 to 3 cts. per lb. lower. Inferior grades however recovered by 1 ct. per lb.

Approximately 123 tons of SCRAP CRAPES were offered a decrease of 26 tons compared to the previous week's total. At the First Sale, less demand was in evidence than of late and consequently all offerings declined by 1/2 to 1 1/2 cts. per lb. At the following sale however light brown scrap crepes recovered by 1/2 to 1 ct. per lb., whilst the dark brown sorts remained unchanged. Darker offerings were irregular. Flat Bark improved by 1 ct. per lb.

Approximately 21 tons of SOLE CREPE were offered during the week under review, and increase of 6 tons compared to the previous week's total. The easier trend continued, except for some selective covering of Smooth and Pebbly 3/16" thickness around last rates. Poorer sorts were once again difficult to sale and fetched prices ranging between Rs. 1/90 to Rs. 1/36 per lb.

### COMPANY MEETING REPORTS

The Economic Times regularly features Company Meeting Reports.

Annual Reports of Companies may be addressed to :

Editor, (Company News)  
C/o. The Economic Times  
(1st Floor.)  
157, Jayantha Weerasekera  
Mawatha,  
Colombo

## Produce Report

Week-ening 28th November, 1971

**Cardamoms:** 14,842 lbs. of Cardamoms were offered, a substantial increase of 4,559 lbs. compared to the previous week's total. With larger quantities on offer both at the auctions and privately, to-

gether with the absence of three major buyers, the market for Cardamoms was easier with No. 1 quality being quoted at Rs. 11/50 to Rs. 12/50 per lb., a drop of around Rs. 1/50 lb. Next best grades too were proportionately easier at between Rs. 9/50 to Rs. 11/- per lb. whilst Off

grades were also weaker at Rs. 6/- to Rs. 9/- per lb. The demand for Seeds was rather irregular fetching between Rs. 11/45 to 12/75 per lb. Although there was fairly good quality on offer the demand for superior quality cardamoms however was not sustained with the highest price for the day at Rs. 20/- per lb.

**Cocoa:** The Cocoa market continued to be neglected, the market dropping still further with absolutely no demand for No. 1 quality which remained unquoted. Below best grades were easier by Rs. 10/- per cwt. to be quoted at Rs. 130/- to 135/- per cwt., whilst darker and poorer sorts too dropped to fetch between Rs. 60/- to Rs. 95/- per cwt.

**Coffee:** Approximately 23 cwt. of Coffee were on offer with one good quality Arabica fetching Rs. 415/- per cwt., whilst Robusta was quoted at Rs. 305/- to Rs. 315/- per cwt.

**Nutmeg:** 2 lots of 2,134 lbs. of Shelled and Unshelled Nutmeg were on offer but were withdrawn due to lack of suitable bids.

**Cinnamon:** Approximately 487 lbs. of Cinnamon were transacted at Rs. 2/70 per lb with the market remaining unquoted.

Pulses

	Per Cwt
—Red Gram (Toor Dhal)	40.00
—Black Gram (Undu)	61.00
—Bengal Gram	46.00
—Green Gram	53.5
—Bombay Cowpea	40.00

Milletts

	Per Bushel
—Finger Millet (Kurrakkan)	11.00—11.50
—Sorgum	Unquoted (per ton)
—Soya Beans	850.00 (er cwt)

Spices Condiment

	Per lb.
—Mustard	9.00—9.50

Chillies

	Per Cwt.
—Dried Long	370.00—350.00
—Dried Round	Unquoted
—Off Grade	Unquoted
—Goraka	9.00—95.00
—Vanilla	Per lb
—Tamarind	Per cwt
—Ground Nuts	Per 80 lb
—Cashew	Per lb.

## MORE INCENTIVES TO EXPORT INDUSTRIES

Foreign and local investors who help to set up export-oriented industries, will soon be entitled to the same tax concession and investment incentives as those extended to the tourist industry.

This follows a Government decision to extend all facilities and incentives to manufacturers of non-traditional goods to help diversify the country's export trade.

Among the incentives to be offered to export industries

include a five-year tax holiday and a tax-free period on profits earned from non-traditional exports.

A rebate scheme on investment will also be worked out for these exporters.

The incentives scheme for export industries has been prepared by the Planning Ministry in consultation with the Ministry of Industries which will be announced shortly with the White Paper on foreign investment.

The Government's plan is to increase exports of manufactures and semi-manufactures progressively to reach a target of at least Rs. 500 million by 1975.

### Export Intelligence

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

M/s. Babs Stores (Nigeria) Ltd.  
P.O. Box 670, Lagos, Nigeria  
Shirts, Sweaters, Pulovers, Pijamas and Sewing machine thread.

M/s. Amor Colothies Stove,  
144, Walthville Road,  
Handsworth, Birmingham  
21, England.  
Textile fabrics

M/s. Mighty (Nigeria) Trading Co.  
G.P.O. Box 819, Lagos  
Nigeria.

Children's wear, Ladies blouses, underwear, Shirts, Pullovers, Sweaters, textile piecegoods, scarfs and pants etc.

## EXPORT INTELLIGENCE

### Bright trade prospects with West Germany

Ceylon's trade mission in Bonn has been conducting surveys in the Federal Republic of Germany to explore the possibility of increasing trade in non-traditional products such as fresh flowers, frozen fish products, canned pineapple, fresh fruits and handicrafts.

#### Biggest buyers

West Germany, according to the Far Eastern Economic Review, is already one of the biggest buyers of Ceylon, handi-

crafts like curios, ebony elephants, silverware and brassware.

In the field of traditional exports to West Germany, the review says, Ceylon is today the biggest supplier of desiccated coconut. Other exports include, tea, rubber, coir fibre, coconut oil, and cinnamon quills and chips.

The Ceylon Tea Propaganda Board, the review adds, plans to launch an intensive European drive soon, with the emphasis on West Germany.

## PLANTATION INDUSTRY

### Tea production declines

The declining trend in Ceylon tea production, especially in 1969, continued in 1970 and production fell by over 16 million pounds for the year, easily the steepest decline for a single year in recent times.

This is revealed in the report of the work of the Ceylon Tea Propaganda Board for the year 1970.

The report states that the annual production at 467.8 million pounds was the lowest since 1962. On the other hand, exports due to carry over from the previous year

exceeded the 1969 figures by over 15 million pounds and the total of 459.2 million pound for the year ensured that Ceylon retained her position as the world's largest exporter of tea.

The total value of Ceylon's export also rose by nearly Rs. 60 million as compared with the previous year and the unit trade value of exports rose from Rs. 2.38 in 1969 to Rs. 2.43 in 1970.

The report adds that prices both in London and Colombo showed a very welcome rise on the low levels of the previous year. The net average price at Rs. 1.63 per pound for all teas in Colombo was 10 cents higher than the previous year.

## S. ARABIA OFFERS TO BUY MORE TEA

Saudi Arabia has offered to purchase ten million lbs. of tea per year from Ceylon at a price higher than at the international market, provided, it is given sole agency rights, according to trade sources.

Saudi Arabia has also offered to open a tea centre there at their own expense and give employment to two Ceylonese to man it.

It is also stated that the people of Saudi Arabia consume about 20 to 30 cups of tea per day and that certain agencies sell packeted tea which are a mixture of Ceylon and inferior South African and Indian teas under the Best Ceylon Tea label at a fantastic price of about Rs. 10.

If Ceylon were to accept this offer, Saudi Arabia is willing to increase the quota by another ten million lbs.

The Economic Times

Remember to renew your SUBSCRIPTION

See Order Form on Page 10

### Industrialisation of tea production

A Machine to separate rough impurities from raw leaves was developed at the Institute of Tea Industry of Georgia, Trans-Caucasus.

Mechanisation of separation of the raw material is one of the last links in the technology of tea production by an industrial method. Processes of maintenance of plantations, collection and processing of tea leaves have been fully mechanised in Georgia already.

From several tons of raw tea leaves to 260,000 tons of leaves collected this year, from one primitive mill to 76 big enterprises that put out 66,000 tons of tea products this year—this is the path traversed by the tea industry of Georgia in 50 years.

## SHARE MARKET REPORT

Conditions on the Share Market were easier throughout the week, according to the Report of the Colombo Brokers' Association.

	Previous Price	November 26	+ or -
	Rs. cts	Rs. cts	Rs. cts
<b>Teas</b>			
Glasgows	6.00	4.50	-1.50
Strathedens	6.75	6.35	-.50
Uplands	5.00	4.75	-.25
<b>Tea-cum-Rubbers</b>			
Pine Hills	5.75	5.25	-.50
Saffragams	3.25	3.00	-.25
	6.50	5.50	-1.00
<b>Commercials</b>			
Richard Pieris	6.00	5.25	-.75
Millers	9.00	9.00*	
	3.50	3.50	

There was no business in Rubbers, Preference Shares and Govt. Loans.

The following were quoted ex-dividend:—  
Ceylon Hotels Corp. Ltd. 2% on 30.12.71.

Bata  
Bata  
Bata  
Bata

shoes  
for  
the  
whole family

## Finer tools for the Microsurgeon

A development in microsurgery that began with a suggested study of old gramophone needles has led to the production of a range of high-precision instruments for eye surgery—and the formation of a new British research group.

A group of surgeons and engineers has been searching for a better cutting edge. Up to now, the best edge has been that on a razor blade. So surgeons have been using chips of razor blade for their work, but improvements in eye surgery techniques, especially the use of microscopes, had made better edges essential.

### Scalpels with diamond edges

The idea of using sapphire or diamond—the gramophone needle suggestion—has led to a range of scalpels with diamond edges that are far finer than steel and last longer. Clinical trials are showing "very promising results."

Now the research group, which has been meeting regularly over the past two years to swap ideas on improving instruments and methods in surgery, has formed itself into the Microsurgical Instrumentation Research Association Ltd. (MIRA). Mr. Dermot Pierce, an eye surgeon and one of the founders of the group, said in London that it was a non-profit-making body which would rely on co-operation and assistance from industry as well as from the profession.

Equipment developed by MIRA will be manufactured under licence and income will be used to finance the project.

### First-ever bi-focal microscope

Microsurgery entails manipulating instruments extremely accurately, so the first area to benefit is eye surgery, though brain and vascular surgery are two obvious follow-ups. Among instruments at the prototype stage is a bi-focal microscope, the first of its kind. Simply by moving his eyes, a surgeon can change magnification of the scene in front of him to either 10 or 20 times with no loss of brightness or contrast.

With previous microscopes he had to push a pedal or turn knobs, with a danger of contamination. The MIRA microscope is small, can be used on an operating table or clipped to a bed.

Other instruments include microforceps and finger grips to hold one instrument while another is being used. MIRA is also working on a system which will be able to move instruments anywhere in a spherical space of about five millimetres diameter with great precision, not involving a surgeon's hands but following their delicate movements.

## Paint that does not spill

A small boy in the painting class at school drops his pot of poster paint. It does not spill, nor does the pot break. He has managed to get paint on his hands, and licks it off. No harm done, for the paint is non-poisonous. And his mother is able to wash off any smears on his clothes with soap and water.

There is no magic involved; the paint is "thixotropic," which means that it stays thick like a jelly until you dig some out of the pot on your brush. But once you start painting, the consistency gets thinner and it spreads like ordinary paint.

Thixotropic paint was one of the new products of British industry described in the BBC's "New Ideas." Introduced by the firm of Humbrol, it has the added advantage that it does not dry if you leave the lid off overnight.

The unbreakable plastic pots can be bought individually, or the paint also comes in palettes which can be stacked on top of one another.

## SCIENCE AND TECHNOLOGY

### Moving traffic lights on the road

Jan Zaleski, a Polish engineer has recently developed and patented an interesting solution for non-collision road-traffic in cities.

The patented solution proposes the shifting of traffic-lights from their posts on to individual traffic lanes in the road. The traffic signal would thus be able to guide a motorist right from the moment he enters a cross-roads until the moment he leaves it.

Two-colour permanent traffic signals: green and red, are built into the middle of a traffic lane from 100 metres before a cross-roads to 50 metres past it. One colour, i.e. green, is lit over any distance, and moves along with the traffic at the speed-limit permitted at the cross-roads, i.e. at 40 kilometres an hour. The speed of the red and green lights following it are so synchronized that when they meet at the intercutting of their respective lanes, a red light will always meet up with a green light. The speed-limit for the cross-roads is the same in all directions of traffic-flow and can be regulated. If it is, a driver is informed by a lighted road-sign indicating a given speed at the cross-road.

In case anything goes wrong the signal controller lights up red an every lane. After the removal of the obstruction, the whole system goes under way again, gradually increasing the speed of the moving lights.

### AUTOMATED SYSTEM FOR OIL INDUSTRY

An automated system to control the oil industry is being created in the USSR and its first section is to go into operation in the new five-year plan period (1971-1975) on the basis of 120 fully automated oil fields.

Since deposits in the old oil areas—the Volga valley and the Caucasus—are gradually becoming depleted, the emphasis being made on the new oil centres—Western Siberia, Kazakhstan, and the North. It is planned to extract 125 million tons of oil in Western Siberia in 1975.

All the new deposits, Shashin said, will be worked by the most effective method based on the pumping of water into seam. This method leads to an intensification of extraction and reduces the number of wells required. Deposits worked by this method now account for 70 per cent of the entire oil production.

## FROM OUR CHAMBERS

### PRIVATE SECTOR IN AWKWARD POSITION

A leading Trade Chamber in a memorandum to the Government on the Budget proposals for 1971-72 has welcomed the invitation extended to the private sector to participate in the implementation of the tasks of the new Five-Year Plan.

The Chamber has, however, drawn attention to certain proposals outlined in the Budget which they claim would be a disincentive to private sector participation in any tangible manner.

The salient points made by the Chamber in the memorandum are given below:—

The success of our efforts will be dependant, amongst other things, on the availability of Capital, which is a prerequisite in any development programme. We are mostly dependant for our finances on capital accumulation both from savings and borrowings. We would like to respectfully submit that some of the proposed fiscal measures announced during the course of the Budget Speech will not result in capital accumulation and hence the Private Sector will be placed in the awkward position of having to fulfil certain specific obligations assigned it without the finances to implement them.

### Ceilings on Income

As it has now been proposed to have a ceiling on Disposable Income at Rs. 2,000/- per month, we would submit that the following matters be taken into consideration before fixing such a ceiling:—

(1) System of family units should be provided for. It would appear from your Budget Speech that a bachelor would have a disposable income of Rs. 2,000/-, as would a married man with a wife and four or even more children to support. It is suggested that allowances be made to meet family obligations and such allowances granted should be more generous than those presently allowed for the calculations of Income Tax.

(2) All contractual obligations entered into by an individual prior to and after the introduction of the Income Ceiling such as payments of Insurance Premium, Loan Repayments including Housing Loans, Contributions to Provident Fund, should be allowed. Failure to do so exposes the economy to the inevitable collapse of the credit system.

(3) In computing Disposable Income deductions should be permitted in respect of the following items of expenditure:—

- Medical Expenses
- Legal Expenses
- A sum paid under an Order of Court
- Travel abroad for Medical reasons
- Birth, Marriage and Funeral Expenses
- Travel abroad for business like canvassing Export Orders.

(4) Technically qualified personnel who have been brought down to Ceylon for various development projects and whose salaries have been exempted from income tax as an incentive, should be left out of this scheme. Otherwise, our country may lose the expertise of these personnel who may leave the country, not wanting their incomes to be subject to the ceiling.

(5) A special concession will have to be granted to non-national temporary residents who have to meet the expenses of educating their children abroad.

(6) In determining this Ceiling only 25% of the annual value will be permitted to meet the cost of repairs and improvements to a house owned by an individual whether it is given out on rent or owner occupied. This permitted allowance may not be adequate to meet the full cost of such maintenance.

The annual values fixed will have to be drastically reduced to make them more realistic. Due to the fall in the level of disposable incomes and the reduction of amenities which could be provided, the values of properties are likely to drop.

It is suggested that the net annual value of an owner oc-

cupied house and the rent paid in the case of a tenant be exempted from this ceiling.

### Compulsory Savings

It has also been announced that the Compulsory Savings Scheme will be extended for at least another two years.

It would be necessary to make clarification regarding the following:—

(a) The circumstances under which Compulsory Savings would be refundable.

(b) The rate of interest payable on the Compulsory Savings and whether such interest is exempt from tax. It is recommended that the rate of interest should be the same as the rate of interest in Government Securities.

(c) Confirmation that all retiral benefits will be excluded for purposes of the levy.

Adverse effects will also be felt, as a result of the extension of the Compulsory Savings Scheme, in the following instances:—

(i) Tax exemptions have been granted to investments in certain fields in order to attract investments. These exemptions have been granted especially in the case of the Tourist Industry, inter alia, due to the risk element involved, returns accruing over a long term period, and the rate of return being lower in comparison to other fields of investment. If such investments are to be subject to Compulsory Savings, the present incentives afforded would be of little or no avail.

(ii) The Private Sector participation in the Five Year Plan will be retarded due to lack of finances. If money lying to the credit of the Compulsory Savings Fund are permitted to be utilised for investment purposes it will be possible to overcome this problem to some extent.

### Capital Levy

(a) Powers of a person to borrow from lending institutions will be curbed, in so far as these institutions will be reluctant to lend money on the security of immovable property which can be surrendered to the State in lieu of the Capital Levy payments.

(b) All approved investments made prior to 31st March, 1971, both local and foreign would be subject to the Capital Levy. In these fields especially tourism where it is necessary and conscious attempts have been made to attract foreign capital on the strength of categorical assurances (Investment Guide to the Ceylon Tourist Industry) that investments will be tax free. Such super imposition of a tax contrary to all expectations will cause irreparable damage especially where foreign investment is concerned.

We would respectfully request that consideration be given to the above matters placed before you, in order to enable the Private Sector to make its due share to National Development within the framework of Government policy.

# Big drive in India to woo Japanese Investors

Tokyo

A big campaign has been launched here to woo prospective Japanese investors to India where, they are told, they can see money multiply at a faster rate than almost anywhere else.

The drive has come at a time when Japanese investors have been permitted by their Government and the Bank of Japan to invest overseas and are looking for fields of investments.

Evidence of Japanese interest in India is seen in the stream of Japanese delegations going to India. At the moment one is there exploring possibilities in the field of light machines.

A recent American survey of US overseas investments and rates of their profitability showed that the US capital in India was fetching the second highest profit, next only to profits earned in Japan. The US profitability in India is 14.7 per cent as against 22 per cent in Japan.

But the Japanese claimed that profitability of their own investment in India was only five per cent. This may be true because the Japanese investment now is in such fields where profit in terms of money is more than compensated by gains in other respects such as getting iron ore at cheap rates.

Japanese Government officials are said to be encouraging Japanese investors to go to India. One official is reportedly finding out what the

## Investors

Americans, British and Germans do to encourage their nationals to invest in India.

But the Japanese have a few complaints mainly relating to bureaucratic red-tape and what one investor called indecision on the part of various authorities.

This investor said it was a paradox that while India was so eager about foreign investment so little should have been done to remove red-tapism.

"The time factor is so important for the Japanese. Capital blocked is capital lost," he added.

## UNEMPLOYMENT IN BRITAIN

London

The number of people out of work in Great Britain rose by 39,691 between October and November to 926,243 or 4 per cent of the labour force the Department of Employment in Britain announced last week. When the Northern Ireland figure is included, the U.K. unemployment figure will reach 970,022.

Recent Ministerial reference to a strong upturn in the economy have been based largely on the rise in consumer spending during the third quarter which was in line with official forecasts. But the trend of unemployment in the past few weeks have been markedly

worse than the Treasury was predicting at the time of the Chancellors Mini-Budget. And these are signs that the Government is more worried about the course of the economy than its public pronouncements have indicated.

In the next few weeks, the Government will announce further public works measures aimed at reducing unemployment in addition to the extra £162 m. already earmarked for expenditure on infrastructure in the development and intermediate areas.

## WORLD SUGAR OUTPUT RISE PREDICTED

An increase of just over 2 million metric tons in this seasons world sugar production was forecast by Sugar statistician F.O. Lincht. World output for 1971-72 is put at 74,826,000 metric tons against 72,768,000 metric tons last season.

The regional breakdown shows that growth is wholly in beet sugar production. World cane output however, is likely to show a slight reduction.

West European beet output is estimated at some 13 m. metric tons compared with 11.5 million metric tons last season. In Eastern Europe production this season is put at 13.9 million metric tons with a Soviet crop of 10 million metric tons.

Total world cane output is forecast at 42.4 million metric tons against 42.6 million metric tons in 1970-71. The largest cane producer Cuba—



is forecast to have a total crop of only 4.9 million metric tons.

A fact Reuter reported that grinding of the Cuban harvest has got off to a late start with only two of the country's 152 mills in use so far.

## RECORD RUBBER CONSUMPTION FORECAST

Washington

U.S. rubber consumption in 1972 will reach a record figure of 2,875 million tons against 2.7 million tons in 1971. Mr. Rors, R. Ormsby President of the Rubber Manufacturers Association predicted. The estimate Mr. Ormsby told the annual meeting of the Rubber Manufacturers Associations is per cent higher than 1970.

## COMECOM CREDIT FOR CZECHOSLOVAKIA

Moscow

An eight year modernisation program for Czechoslovakia's Tatra lorry works have been approved by the newly formed Comecom Investment Bank at a recent meeting in Moscow. A long-

term credit of 77.5 million roubles (about 35 m.f. at the official rate) will be advanced to the works next year enabling it to replace obsolete equipment and to step up medium-sized lorry output to an eventual 7,400 vehicles a year.

The Banks Council, according to a Bulletin issued after the meeting was unable to meet all demands—but decided to advance credits totalling 128 million convertible roubles—less than half the total sum sought—for 7 projects next year. A stipulation is that the receiving companies will agree to other comecon participating in the projects concerned.

Another condition for the Tatra credit is that all vehicles produced by the works should be delivered to Comecom customers indicating that the Organisation is not willing to help credit recipient earn hard currency through exports to the West.

## NEW PLANT AMONG SAND HILLS

Moscow

The first stage of a sulphur plant, to become a major enterprise of the gas and chemical industry, was recently put in operation in Mubarek, The Uzbek Republic.

Not long ago geologists discovered natural gas containing hydrogen sulphide and sour gases among the boundless sand expanses of the area. Before long the construction of a plant to process this valuable raw material was launched there.

The chemical giant in Mubarek will have an annual output of about 9,000 million cubic metres of gas. It covers a territory of 60 hectares and all its production processes are automated. Together with the production of the valuable product, the plant will help to improve the quality of the "blue" fuel channeled through the Mubarek-Tashkent-Frunze-Alma-Ata gas pipeline. (APN).

## Hungarian Economy

The year 1971 has set great tasks for economic life: the experimental stage of the new economic management has come to its end, and the execution of the Fourth Five-Year-Plan (1971-75) has begun.

The solution of the new tasks has been facilitated by the fact that work could be based on those results of the previous plan period which—exempt productivity—exceeded the set tasks in respect of all major indices.

### Achievements

The economic achievements of the first of 1971 are considerably large. The supply of consumer goods and means

of production has been undisturbed. The money-income of the population rose by 8 per cent, goods turnover in trade, by 9, within this retail turnover by 10 per cent, as envisaged in the plan. The average

## PLAN FOR FIRST HALF YEAR FULFILLED

level of consumer prices rose by 1.3 per cent.

Production value per one work-hour and one employed person, exceeded the level of the same period compared to last year in an equal proportion. It is specially worth mentioning that 100 per cent

of this increase, has derived from the rise of productivity which means that the tendency started in 1970 is developing. Within industry building trade has a special position. Here production increased by 14 per cent and average earnings rose by 7 per cent as compared to the same period last year.

Production in metallurgy increased by 5 per cent on the average, machine engineering by 6, within it instrument industry by 11 and electric industrial machines by 12 per cent. Chemical industry increased its output by 13 per cent, while the production of synthetic materials and PVC—powder grew by more than one and a half times. Light industry grew in a greater degree than the average of the whole of industry; the development of building material industry, however, fell short of the average industrial growth

The transformation of energy structure continued. The production of coal mining was 98 per cent of the similar period of 1970, but mineral oil output grew by 2, natural gas by 5 per cent. The share of hydrocarbons in the country's heating material balance amounted 45 per cent. The production of electric energy exceeded 7,300 million kilowatt-hours by its 10 per cent growth.

### Labour problems

The worries concerning labour forces supply in industry somewhat diminished, and fluctuation of labour power lessened. Migration of labour power in coal mining stopped and machine engineering industry, textile industry, building trade and building material industry still have to fight with labour shortage.

Industrial investment expenses exceeded the level of the first half of 1970 by 23 per cent, in a larger degree than was envisaged, but investments in process are being realized at a slower rate than desired.

The results of agriculture cannot be surveyed at the moment since gathering is still in process. So much is sure, however, that work has been carried on satisfactorily, mechanization and chemicalization have developed. Despite the summer drought, plant production is expected to fulfil its envisaged 6-7 per cent increase, while animal husbandry is probably to surpass it.

### Trade

Within the 10 per cent development of retail trade, the turnover of the so-called mixed industrial articles—cars, furniture, refrigerators and building materials—grew by 15 per cent, of eatables and stimulants by 9, of clothing apparel by 4 per cent.

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# TOWARDS A WORLD RECESSION?

**TODAY'S CONFRONTATION BETWEEN THE INDUSTRIAL COUNTRIES THREATENS THE WORLD ECONOMY; BUT THAT DOES NOT MEAN THAT THERE IS NECESSARILY GOING TO BE A WORLD SLUMP**

This article begins by summarising the arguments of those who fear that most of the world may be heading for a pronounced recession even if the American economy itself recovers real momentum next year; and then goes on to list some of the more hopeful factors. But there are three assumptions commonly made by those on either side of the argument:

First, that the economies of Japan and most of continental Europe have in any case already entered a time of slower growth.

Second, that the impasse on a widespread realignment of exchange rates and the related issues of trade restrictions and the sharing of defence costs may not be resolved quickly, and.

Third, that there is a good chance of relatively quick progress towards a fundamental reform of the world payments system through a pooling of existing reserve assets in a new, international asset consisting of a modified form of Special Drawing Rights on the International Monetary Fund.

From this it follows that the difference in outlook is partly over a matter of timing, though it is also true that if a recession should get going over the shorter run it could then feed on itself.

The main fear of the pessimists is for the deflationary impact on the rest of the world of a very large reduction of the deficit let alone a swing into surplus on the part of the American balance of payments. The IMF has recognised this danger by advocating policies of domestic expansion for countries other than the US to take up some of the slack anticipated for their exports. But a possible limit to this approach is that economies may not respond with sufficient flexibility to the stimulation of domestic demand as a part-substitute for a contraction of export demand; that business confidence and hence investment might suffer; and that the fear of inflation could, in any case, limit the willingness of governments to fuel domestic demand.

The argument then goes on that a contraction in the growth of world liquidity, which has been supplied mainly by America's deficits, would revive with new intensity the desire of all countries to achieve payments surpluses in conditions where they could do so only at the cost of other countries' deficits. This argument assumes that the creation of new SDRs will be insufficient for global needs, and it therefore goes on to assume a continuing trade and payments "war" in the form of export subsidies import restraints, payment controls and other direct and indirect manipulations contrasting with the growing freedom for trade and payments of the past quarter century. At root, all such arguments boil down

to the one that governments will feel driven to maintain trade at almost any cost for the sake of maintaining employment, but that they will defeat each other's efforts. There is a good deal in these arguments and they have been put by some highly respected authorities around the world. But there are other possibilities too.

## "War" without casualties

The first is that the United States probably will not achieve anything like its stated aim of a massive swing bringing its trade surpluses to a level of \$7-8bn. a year at times of full employment in the US. Other countries have shown considerable tenacity in limiting the appreciation of their exchange rates by a variety of direct and indirect controls and one would expect this tendency to continue in the absence of international agreement on a realignment of parities. The drift towards ever more intervention on trade and payments may be deplorable, but it need not necessarily be quite the same thing as a world recession. At least the export subsidies proposed by the European Economic Community would have the

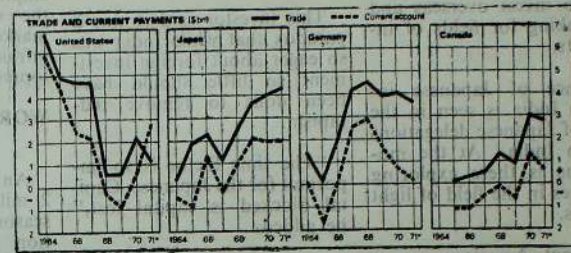
saving merit of being expansionary, by contrast with limitations on imports. These are the sort of considerations that seem to have been implied by at least one respected authority, Prof. Harry Johnson, of the London School of Economics, when he recently predicted there might be "a trade war but not a world recession".

Next, there is the prospect that the American economy may recover some real momentum from next year on the massive fiscal programme already in train, the lagged effect of record credit creation over the first half of this year, and on the generous spare capacity that now exists both in its industrial plant and its labour force. If this recovery takes place, then it would be bound to offset some of the effect of the import surcharge and provide some of the usual stimulus to the rest of the world. And it would also take some of the feverishness out of America's mood of protectionism, which is the dramatic and also the really damaging aspect of its present payments policy.

## Reform of the Fund

Last but by no means least, there is the paradox that the nominally longer term objective of a fundamental reform of the world's payments

system may prove easier to achieve than the realignment of currencies and the settlement of trade disputes which are being treated as the first priority. There was practically unanimous acclaim at September's annual meeting of the IMF for the plan formally



proposed by the British Chancellor, Mr. Barber, and by Sr. Mario Ferfari Aggracci of Italy, for a pooling of existing reserve assets in a modified SDR. The governors of the Fund promptly instructed their deputies to study proposals for reform and report "with out delay."... Most important of all is that a plan along these lines has the approval in principle of the US.

The creation of a new international asset (whose possible form is described in greater detail in the following article) would not merely replace most dollars, sterling and other currencies in national reserves, but would also take over from the dollar the function of numeraire in terms of which parities are expressed. And it would thus act as a stabilising influence in several ways. It

payments in the past decade. It has not been just the deficits first of Britain and the US that have broken back of the Bretton Woods system, but the haemorrhage of capital inspired by deficits and timing of them.

## Reserve creation

Another stabilising device that would hopefully be achieved by the creation of new, pooled reserve assets would be to reduce the disequilibrium contributed in the past by cyclical changes in preference between reserve assets, reducing the large shifts on the part of national authorities (distinct from private holders) between sterling, dollar and gold in the composition of reserves. On top of this should reduce the incidence of uncontrolled creation of world liquidity that has taken place over the past two years through the action of central banks in recycling export capital inflows through Euromarkets. And this, in turn, should ease the

**Ceylon is famous for its gems from time immemorial. It is interesting to note that reference has been made of the importance of this industry in the old chronicle like Mahavamsa. Gems of Ceylon are found principally in the alluvial deposits of Ratnapura district and also in the province of Sabaragamuwa. It is believed that the alluvial deposits are the result of the erosion of the schistose and gneissic rocks and crystalline limestones, resulted from the metamorphism of older rocks.**

At present important gemming areas are situated in the Ratnapura district (City of gems). Moneragala and Elahara which is famous for garnets. Gems are not equally distributed throughout the alluvial deposits. Usually gems are found in a layer of gravel like material called "illam" found under the alluvium. Normally miners dig the pit till they reach the gem bearing stratum known as illam.

There are three methods employed in gemming. They are:

(i) Surface gemming: Sometimes gems are found on the surface of the earth. Mr. M. Kirimenike unearthed a perfect Cat's eye weighing about 2050 carats in the back garden of his compound by surface mining.

(ii) Gemming in pit and tunnelling: Here the gem pits are dug till the gem bearing stratum "illam" is reached and the excavated materials are brought to the surface and it is washed in a basket. This process leaves the precious stones at the bottom of the basket. Thereafter, the rough minerals are sorted out and sold by auction.

(iii) Dredging in river valleys: Gem gravel is found in most of the river valleys in Ratnapura district. The miners dredge the river beds with long handled mammoets. The gravel thus obtained is washed for gem minerals.

The rough minerals sorted out are sold by auction. People from various parts of the island participate in the auction to buy the rough stones. The majority of them are from

Beruwala. The Muslim merchants are very clever in judging a stone whether it is cut or uncut. Many of them do not possess any academic qualifications in the field of Gemmology. It is by experience alone they identify and value the gems. In the case of rough gem minerals the valuation is very difficult. Before the rough gem mineral is cut and polished it is difficult to judge its inherent beauty. The problem is more acute in the case of cat's eye and caundums. The Muslim merchants from Beruwala buy these rough minerals and get them cut by the lapidaries and make a good margin of profit.

## Gem Cutting

The lapidaries in Ceylon use primitive methods in cutting and polishing the gems. These lapidaries do not possess any academic knowledge in the field of gemmology. A knowledge in crystallography is very essential for a lapidary. These crystals are divided into uniaxial and biaxial crystals. A knowledge of distinction between uniaxial and biaxial crystals is very im-

portant for lapidaries in order to cut the gem in the correct form to give the stone the best colour effect. For instance in Blue Sapphires and Rubies, table facets should be cut at right angles to the optic axis to give the best colour effect; in the case of biaxial stones, cutting the stones to give the best colour effect is more difficult. The lapidaries in Ceylon cut the crystals from their experience to give the best colour effect.

# Gem industry in Ceylon

By  
S Nalliah FGA  
Dip. in Gemmology (Ceylon)

Therefore, setting up of a gem cutting institute is very essential. Alternatively gem cutting may be included in the curriculum of studies with the gemmology course at the Ceylon College of Technology. Gem cutting is a specialised job.

The inhabitants of the town of Idar-Oberstein in West Germany are specialised in gem cutting. They import gem minerals from various parts of the world including Ceylon and cut and polish them beautifully and sell them to the people who visit this town in large numbers. We find best lapidaries in West Germany, Belgium, Israel, and Holland.

## Exports

If we analyse the exports trade of gems we find that 90% of the gems mined in Ceylon are exported from Ceylon. Nobody will deny

this fact. The chief buyers of Ceylon gems are Hong-Kong, Switzerland, Singapore, West Germany and U.S.A. There is no accurate record available as to the quantity and value of the annual output of gems. It is alleged that the value of the annual output of the gems is in the region of 300 to 400 million rupees. One way of estimating the output is to reckon the sources of supply. Another way is to reckon it

at the point of marketing. In the case of gems it is not possible to estimate the output at the point of marketing because 90% of the gems mined are exported to foreign countries. Ceylon is one of the few countries which produce beautiful gems like Blue Sapphires, Cat's eye and various other gems and no one knows exactly the value of the gems exported from Ceylon.

According to the Customs statistics for 1969 the value of exports of gems is Rs. 674,105.00 and for 1970 the value of export is 4.28 million rupees. The increase in the volume of export of gems in 1970 is mainly due to the granting of FEECs. It is alleged that the gems of Ceylon are exported to foreign countries by illegal means and thereby the Government is losing valuable foreign exchange earnings. The Customs Department is trying its utmost to prevent the smuggling of valuable gems out of Ceylon. Recent detections made by them bear testimony to it. This Department has taken various remedial measures lately to arrest the outflow of this national wealth.

## Gem Corporation Act

In order to obviate these irregularities in the industry, Government has decided to establish the Gem Corporation. The bill closed all existing loopholes in this valuable industry. The port of gems in future will be channelled through Gem Corporation. The Corporation will buy rough and stones from the miners at reasonable prices. At present middlemen buy the stones and make a very good margin of profit.

Under the provisions of Gem Corporation Act, interests of the workers are safeguarded. Under the Act mine owners will be compelled by law to pay wages to their workers who are not shareholders, while the mine owners obtain minerals from the mines not. If the workers are shareholders the proceeds are divided amongst the mine owners and the workers and the venture does not result in yielding gem minerals to themselves.

One of the functions of Gem Corporation will be prevention of the unlawful removal of gems from Ceylon. The best way of preventing export of gems by illegal means will be to grant incentives like the foreign exchange bonuses to gem dealers as done in India.

Under the provisions of Gem Corporation Act, gem testing centres could be established to enable foreign tourists to get their purchases of stones tested, and valued without any payment of fee.

(Contd. on page 11)

## INVESTMENT THAT PAYS OFF BOTH WAYS

For more than a century the United Kingdom has been a large scale investor overseas, and today she has an ever increasing accumulation of overseas assets. Her investments have helped her through the financial strains of two world wars and with an estimated value of £14,500 million at the end of 1970, they remain a source of immense strength to her economy.

At the same time these investments have played an important part in the economic development of the host countries, both through their productive contribution as a whole and through the introduction of the latest technological innovations and advances. Moreover direct investment is usually accompanied by managerial skills and know-how which might not be otherwise available.

Direct investment overseas by British companies produced estimated net earnings (excluding those of oil companies) of almost £700 million in 1970 and generated additional exports from the United Kingdom. Indeed annual net earnings since 1961 have averaged £440 million, compared with an average annual capital outflow of £325 million (and average outgoings of £5550 million for imports and £470 million for Government expenditure overseas over the same period).

### What The Public Wants

These earnings arise of course because the investments are of great value to the countries in which they are made. The enterprises owned of partly owned by British companies overseas provide the public of the host country with goods and services it wants and in industry and agriculture with necessary materials, equipment and services. They make

a significant contribution to the economic growth of both developing and advanced countries, and in the latter they play a role similar to that performed in British by the overseas owned companies which have long been welcomed within her shores.

Thus the overseas investment programme has been more than self supporting in terms of outgoings, and if technical fees are taken into account the return on such investments has been even greater. Moreover, although Britain may be a short term debtor, her external assets are such that she is basically a substantial creditor.

### Governments' Investment Control

British industry has always regarded overseas investment as an integral part of its marketing strategy and with the growth of multinational companies it is important that

companies should not be placed, at a commercial disadvantage compared with their major competitors.

The last decade has seen the annual flow of new direct investment by UK firms (excluding oil investment) increase from £250 to £500 million, although such flows are susceptible to year to year fluctuations. Largely because

By  
**CAMPBELL ADAMSON**  
Director General Confederation of British Industry,

of continuing balance of payments problems, successive UK governments have over the past decade sought to influence the scale and finance of this overseas investment. During the 1960s they evolved a system of exchange control on direct investment in all countries of the non sterling area, and introduced the voluntary programme of restraint on investment in the four developed sterling area countries (Australia, New Zealand, South Africa, Irish Republic). In general the growth of the Euro currency market has helped mitigate the restrictive effect of these controls.

### Complementary Arguments

Freedom for companies to invest in any part of the world on continuing basis is of the greatest importance to the

economic strength and prosperity of the capital exporting and host countries, as well as to the companies themselves. The arguments for the freedom of international trade and freedom of capital movements are similar and complementary.

Free movement of goods and of capital puts scarce resources to the most profitable use, improves the international pattern of production and thereby increases output and income. Free capital movement can to some extent act as a substitute for free trade; thus the more the restrictions on trade, the greater the importance of the free movement of capital. It should be remembered that the majority of developing countries bent on expanding their manufacturing sector, have used tariffs and similar restraints on trade to protect their newly established industries.

Investment in these industries becomes the only way in which foreigners can continue to do business and is therefore especially important to these countries' traditional trading partners. At the same time such investments contribute to the development of the host's economy.

### The Need For Research

The growth of very large companies, operating internationally, is already a development of long standing, and

(Contd. on page 11)

towards a controlled increase of global liquidity over the longer term through the creation of additional SDRs, thus reducing the imperative to strive for payments surpluses which can be achieved only at the expense of other people's deficits.

All this still lies in the future.

But the greater the difficulties of resolving the immediate issues of exchange rates and trade restrictions, the greater the impetus may grow for action on reform of the system as a whole. And it is not wholly impossible that some such reform might come into being as early as the end of next year or some time in 1973. But although the prospect may seem reasonable, it would be unsafe to rely on it. Perhaps the most that can be said is that the outlook for the world economy in a year or two seems more hopeful than for the time immediately ahead.

(Courtesy National & Grindlays Review)

## Economic Intergration—Two Parts

Economic integration is in the news and is likely to remain there. The various processes of integration already at work in Latin America, Africa, Asia and Europe have made it a subject of vital importance for people everywhere.

Of particular interest today is the vast area embracing the continent of Europe and the whole of the Soviet Union, where a considerable portion of the world's industrial potential is concentrated and where, in the form of two major interstate economic communities, the entirely different processes of capitalist and socialist economic integration are taking place.

In the West is the European economic group comprising Belgium, Holland, Italy, Luxembourg, France and the Federal Republic of Germany. According to UN statistics, these "Six," or the so-called Common Market, have in recent years been producing 13-14 per cent of the world's total industrial output.

In the East the eight member countries of the Council for Mutual Economic Assistance (CMEA)—Bulgaria, Czechoslovakia, the GDR, Hungary, Mongolia, which joined only later, Poland, Rumania and the Soviet Union—account for about a third of the world output figure. Over the past twenty years the output of the Common Market countries has increased 3.8 times, and that of the CMEA countries nearly 6.8 times. CMEA economists predict that by 1985 these eight countries of the socialist community will be

accounting for approximately 40-50 per cent of the world's industrial output.

### Fundamental Difference

Socialist economic integration is fundamentally different from capitalist integration in both method and aim. The former is carried out in the interests of all the peoples of the CMEA countries on the basis of voluntary agreement and equality. The latter (in the Common Market framework) is primarily concerned with building up the power of the monopolies and further intensifying exploitation of the working people. The processes of integration in the West involve in fierce bargaining and submission to the will of the strongest, amounting, in the final analysis, to a new form of struggle between the member-countries themselves for spheres of economic and political influence.

Recently the 25th Session of the Council for Mutual Economic Assistance passed a Comprehensive Programme for Further Extending and Improving Co-operation and for the Development of Socialist Economic Integration between the Member-Countries. In previous years the average annual growth rate of national income for the community as a whole has been high (8.2 per cent), but the individual growth rates of the member-countries have shown certain discrepancies. The Council's new programme seeks to even up the economic development of all its eight members. This process will be combined with the vital task of making labour more

productive in the socialist countries than it is in the capitalist world.

A characteristic feature of the programme is that it defines the future course of co-operation in relation to a whole complex of economic questions. The processes of socialist integration embrace all fields of co-operation—from long-term forecasting, international co-ordination of plan indices and the organisation of joint scientific and technological research and development on a parity basis to industrial integration and specialisation and the marketing of the finished product. "Practice," Leonid Brezhnev has said, "has led us to the general conclusion: it is necessary to deepen specialisation and co-operation of production and to link national economic plans more closely together, that is to advance along the way of the socialist countries' economic integration."

Fulfilment of this task will raise the working people's living standard, further consolidate the political and economic unity of the countries of socialism and play a positive role in strengthening peace and international security. The methods of socialist integration are in accord with its aims. One of its most fundamental distinctions from capitalist integration lies in the fact that it is not accompanied by the setting-up of supra-national bodies.

Integration processes in the West constantly run into difficulties and acute contradictions. This was particularly evident during the recent dol-

lar crisis, when the Common Market countries found it quite impossible to take a united stand in regard to the steps taken by Washington to bolster up its weakening currency. The result of this was a threat to the new economic and monetary union, which is intended to come into operation at the beginning of next year.

The measures for further improvement of the credit and monetary-financial relations which have been included in the CMEA integration programme are the exact opposite of the supra-national monetary plans of the Common Market. The national currencies of the socialist countries are being used and will continue to be used alongside the convertible rouble, the collective currency used by CMEA to simplify financial operations. The function of the CMEA collective currency is limited to expediting external economic relations and developing them in the interests of every member-country. This, in our opinion, constitutes a fundamental distinction between the CMEA collective currency and the projected "European currency" of the Common Market.

### Differences

The differences between the two forms of integration are enormous. This does not mean, however, that mutually acceptable forms of economic relations between the two communities as they exist today cannot be found. On the contrary, co-operation between them is both possible and desirable, because it would undoubtedly benefit both sides.

In connection with Britain's plans for entering the Common Market the London Times stated that "in the modern world of advanced and highly expensive technology" it is not only equipment that is expensive but also the very use of highly qualified personnel. It is worth nothing in this context that the scientists of the CMEA countries constitute about one-third of the world total of highly trained specialists. Experience has already shown that scientific and technological co-operation between the CMEA countries and the West is mutually acceptable.

### East-West Integration

As a trend in world development, the international internationalisation of productive forces should not be confined to separate groups of countries. The Italian newspaper Ore 12, for instance calls on the business circles of Western Europe to "give close consideration to the integration programme recently passed by the CMEA member countries" and to the possibility of expanding business ties with the East on a general European basis rather than on that of such closed groupings as the Common Market. In the Italian paper's view such an approach to the development of relations with the socialist countries would help the states of Western Europe to relieve the difficult situation in which they have been placed by the advancing crisis of the capitalist monetary and financial system.

(Contd on Page 11)

# MANAGEMENT

## HOW CAN YOU BECOME A MANAGER?

The State owned sector plays the dominant role in the Hungarian economy: around three-quarters of the national income is produced by this sector. The decisive role of the state sector is also reflected in the microstructure: the majority of economic units are state owned enterprises.

The State owned enterprises are autonomous legal entities whose means of production are owned by the state. This means that only the owner, the state can found such an enterprise in Hungary. The economic ministries and the local councils representing the owner, exercise the right of forming or dissolving enterprises.

The state enterprises are headed by managers, with one-man responsibility who are appointed to these positions by the head of the state organ entitled to found enterprises in the field of the economy concerned, this person usually being the minister. The minister also appoints the manager's two deputies, the chief engineer and the chief accountant. The heads of Hungarian enterprises employ-

ing several thousand workers are entitled by the minister to the title manager in chief and assistant manager in chief.

### Selection

How can someone become a manager or manager in chief in Hungary, what are the criteria for selection and how is the decision made? Immediately after the large scale nationalization in 1947-1949 the majority of managers were promoted from the workshops straight to the board room and the main criteria for the appointment were past activity for the cause of the proletariat, and honesty. By the fifties the standard had been considerably raised and professional competence was being increasingly demanded. The worker-managers attended universities and academies and began to study. Most of the worker-managers of the fifties are now in retirement although one can still find heads of big enterprises who were formerly promoted to this position from the ranks of the blue-collar workers. Ede Horvath, manager in chief of the Hungarian Waggon and Machine Factory in Győr, one of the biggest Hungarian engineering enterprises, was made manager of a smaller factory while

a turner, at the age of 27. Since then he has been promoted to the head of even bigger and more important enterprises, in the meantime matriculating and then earning an engineering degree. Today he is one of our most competent managers.

Special qualifications are required for appointment to the two assistant positions: the chief engineer must have an engineering degree and the chief accountant must have a university degree and training in accountancy. No compulsory training or schooling is demanded for appointment to the post of manager. There are written and unwritten conditions for the appointment: reliability, which means political and moral stability, honesty and also professional competence. However, this latter cannot be defined merely in terms of training since it also implies qualities of leadership—a knowledge of people a high standard of general culture, the ability to see things in perspective, initiative etc.

### Training

Most directors, especially in industry, have university degrees and began as engineers or economists. And while it is not rare for managers to have doctorates or even higher scholastic rank, it is generally true that the best experts in a particular field, e.g. technical development, organization, economic analysis, are less efficient in running and guiding the whole enterprise. Until

quite recently, managers were selected in the course of normal work: those who showed abilities for management progressed step by step. However, since the introduction of the economic reform, special management training has been given an active role in the process of selection.

Since 1968 a number of management training institutes and academies have been operating in Hungary; they teach the science of management, adapting experiences in other countries to socialist conditions. The aim of socialist manager training on the one hand is to stimulate and strengthen leadership qualities and skills and, on the other, to provide modern knowledge of management methods. For example, lectures are given on the possibilities for the use of computers in enterprises, the theory of decisionmaking, data processing, psychology, etc.

Manager training based on organized and scientific knowledge is now indispensable because the new system of economic management has given managers wider jurisdiction and greater responsibility. The enterprises no longer receive instructions from above and the manager, who bears full responsibility, must decide himself on all fundamental questions—how much of what to produce, whether to sell on the domestic or foreign market, whether to increase or decrease the payroll, what investments should be made, etc.

This article gives an insight into the basis of selection and mode of training of managers in an economy that is predominantly State controlled. The Hungarian system is analysed here.

Appointment to the position of manager, chief engineer or chief accountant is for an indefinite period. Appointment announcements published in the official bulletins of the different ministries are generally made only after long and thorough consideration during which the minister also requests the opinion of the trade unions on the appointments. The trade unions' right of opinion is closely related to the role and jurisdiction of the trade union committees within the enterprises.

Within the enterprise the manager and the trade union are partners on an equal footing; the collective agreements which they sign settle and regulate questions and problems in a manner binding on the managers. And while the minister examines and evaluates the merits and suitability of the candidates from the angle of the interests of society as a whole, the trade unions express their opinions on the different candidates in their capacity as organs representing the workers' interests. They are the ones which consider how the prospective managers would care for the workers and the relationships they would form.

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# NATIONAL DAY OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA: 29-11-1971

## A Special Supplement

### Industrial production in Yugoslavia

The physical volume of industrial production in 1970 was 9.1 per cent higher than in 1969, and the increase in the production of finished goods was somewhat higher than the production of raw materials. To be more precise, the rise in the total production of consumer goods amounted to 9.7 per cent. The production of capital investment goods was more modest and did not amount to more than 7.6 per cent, while the production of raw materials was increased by 8.9 per cent (the total rise in the production of finished products was somewhat faster—9.2 to 9.3 per cent).

During the last twenty years industrial production in Yugoslavia was increased seven times. In the period from 1947 to 1969 its average rate of growth was 9.7 per cent. The annual production during this period was increased as shown below:

- Electric power from 1,173,000,000 to 23,000,000,000 KWH
- Oil refining from 97,000 tons to 10,000,000 tons
- Steel from 235,00 tons to over 2,000,000 tons.
- Electric copper from 12,000 to nearly 80,000 tons
- Aluminum from 2,000 tons to 48,000 tons.
- Ships from 400,000 d.w.t. to 1,300,000 d.w.t.

Yugoslavia today occupies second place in the production of copper in Europe, third in the production of bauxite, and fourth in the production of silver.

During the last three years the Yugoslav industry has put 11,700 new products on the market; basically modified 10,000 products; and perfected about 20,000 products.

In conditions of industrial modernization and the application of modern technological methods, the following industries have made the progress: ship-building, engineering, the chemical in-

dustry, the oil industry, non-metallic minerals, power generating, and some other industries.

#### Ship-Building

Ship building for years has been recording a high rate of production growth. In the period from 1960 to 1964, shipbuilding increased by 40 per cent, and in the period from 1964 to 1970 production jumped by 113 per cent. The marketing of completed ships abroad has reached such volume that shipbuilding today has the highest export balance sheet of all industrial branches. The Yugoslav shipyards now produce ships of up to 250,000 d.w.t.

#### Engineering

The metal manufacturing industry is one of the basic branches of industry in Yugoslavia. As regards number of workers, it employs about 19 per cent in the total production, and in the total production in industry some 17 per cent. The production of machinery and means of communication are the basic branches of the metal manufacturing industry, particularly as regards technology and the development of product. Today, the Yugoslav industry produces over 100,000 tons of machines for wood and metal manufacturing, over 25,000 tons of agricultural machinery (among them special and uni-

versal harvesters), 11,000 tractors, 12,000 trucks, over 80,000 cars, etc.

#### ELECTRONICS AND ELECTRICAL MANUFACTURING

This industry produces annually transformers with a total power of over 5 million kilowatts, insulated conductors totalling 90,000 tons, 350,000 T.V. sets, 7 million radio tubes, 2,000 tons of electronic components, 39,000 tons of electric heating appliances etc. The value of the export of this industrial branch in 1969 amounted to 98 million dollars.

#### THE CHEMICAL INDUSTRY

The Chemical industry has been developing very fast and has been constantly increasing its share in the total Yugoslav export balance sheet. Thus, in comparison with 1939, the production of sulphuric acid was increased from 23,000 to 600,000 tons, anhydrous sodium carbonate from 22,000 to 100,000 tons, and artificial fertilizers from 71,000 to

#### TIMBER AND FORESTRY

Timber and forestry occupies an important place in the Yugoslav economy. The products exported were made mostly of beechwood (42 per cent), hardwood (11 per cent,) and oak (14 per cent). The value of furniture exports in 1969 surpassed the 40-million mark.

#### TEXTILES, LEATHER, AND SHOES

In the export of textiles the most important place is occupied by cotton cloth (annual production 420 million square metres) and cotton (annual production about 100,000 tons), and then comes readymade clothing and woolsens. Yugoslav modes and the creations of the Yugoslav fashion designers of ready-to-wear clothing have acquired a high reputation throughout Europe.

In 1970, 60 million pairs of shoes were manufactured.

#### AGRICULTURE

Yugoslavia possesses over 10 million hectares of arable land, of which 7.5 million are ploughed fields and gardens, 440,000 hectares are orchards and vineyards, and 1.9 hectares are meadows, while the remainder of the area consists of grazing surfaces. In addition to the individual farms there are 2,155 socially owned farms employing 300,000 workers (1,371 farm co-operatives, 498 agricultural estates and enterprises, and 286 combined farm and industrial plants). They account for 20 per cent of arable land and account for about half of the Yugoslav agricultural production. Of the 46,900 tractors available in Yugoslavia today, 31,236 are socially owned. Modern production methods employed by the socially owned farms have contributed towards an increase in the average income of the individual farm holdings. The wheat yield in 1970 was about 25 metric centners per hectare.



The technical and technological capability of the Yugoslav industry today is growingly approaching the most contemporary scientific technical fields and achievements in the world.

Picture Shows An industrial complex in Yugoslavia.

The production of household appliances is also well advanced. Here are some of the items produced: refrigerators, vacuum cleaners, electric and gas cookers, automatic washing machines, dish-washing machines etc. In 1970, 10 million dollars worth of cookers was exported, as well as washing machines and refrigerators valued at 6 million dollars. Also, in 1970 over 40,000 tons of synthetic fibres was produced, as well as 110,000 tons of soap and detergent. The value of 1970 exports of the chemical industry amounted to 84 million dollars, of which one quarter was accounted for by the export of pharmaceutical products.

Greetings to the  
Government & People of  
The Socialist Federal Republic of  
YUGOSLAVIA

on their  
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# Yugoslav construction firms abroad

The experience, technical potential and know-how acquired by the Yugoslav building construction industry in the reconstruction and building of its own country have been successfully applied during the last twenty years to many similar undertakings abroad.

Pioneer work was performed in the Middle East by Yugoslav enterprises which built ports and hydroelectrical construction projects, and undertook land-reclamation projects, etc., financed mostly by long-term crediting provided by the Yugoslav Government.

The statistical data show a constant growth in the volume and type of these works, accompanied quite frequently by the appearance of Yugoslav road constructors, architects, and construction designers.

### Constant increase

From 1952 to 1965 the Yugoslav construction companies performed construction work in twenty different countries, primarily in the developing countries. However, the number of the countries rose in 1967 to 34, the most

important of which were Libya, Czechoslovakia, Federal Republic of Germany, Pakistan, Ceylon, Zambia, India, Guinea, Iraq, Ethiopia, Egypt, Ghana, Tunisia and Kuwait. These fourteen countries accounted for 86 per cent of the total volume of construction work abroad.

In 1968, the value of such work abroad reached a sum of 124,700,000 U.S. dollars, while in 1969 its value was estimated at 167,500,000 U.S. dollars. Thus, for example, there was a constant increase in participation in the field of construction designing, building, assembly, completion of work and preliminary work. Today, Yugoslav building contractors are present in as many as thirty-nine countries of the world. The greatest increase was manifested in Europe (86.6 percent), particularly in Czechoslovakia, Holland and Federal Republic of Germany. These three countries accounted for approximately half of such activity in Europe and one quarter of that in the world in general. The volume of building in Africa was not far behind, particularly in such countries as the Arab

Republic of Egypt, Zambia and Guinea.

In 1970 The value of construction reached the sum of 200 million U.S. dollars, which means that the final balance sheet will record an unusually high growth rate. Among European countries, Federal Republic of Germany occupies the leading place, followed by Czechoslovakia, Holland, France, Democratic German Republic, etc. (a total of eleven countries). In Asia and Africa, the leading countries where the majority of building work is being conducted are Pakistan, Kuwait, India, Iran, and Syria, followed by Cyprus, Iraq, Ceylon, Lebanon, Jordan, and Turkey. In Africa, Zambia occupies the first place closely followed by Libya, Egypt, Guinea and eleven other countries. In both Americas the volume of construction is quite modest.

### Policy of non-alignment

When we speak of the emerging countries we must not forget to stress the fact that the activity of the Yugoslav building firms is based on the principle of the policy of non-alignment. Yugoslavia considers it her duty to assist these countries in developing their economic potential and participate in the training of their technical personnel. The

result of this has been the appearance of many local engineers and technicians on construction sites in the developing countries, who were trained and educated through close co-operation with Yugoslav construction engineers participating in the building of some important projects in their countries.

At this point we should stress that Yugoslav building firms operate abroad either directly or as part of mixed

companies. There are now more than hundred such companies acting abroad, some of which are quite large even by world standards. Their capabilities and potential can best be shown by enumerating some of the most important projects completed abroad. This summary comprises only a small group of the Yugoslav construction firms and their completed projects in various foreign countries. The acknowledgements which these firms have received from a great number of investors are the most effective testimony of the quality of their work and their efficiency.

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# TOURISM - PROSPECTIVE INDUSTRY IN YUGOSLAVIA

Yugoslavia is one of the most popular tourist countries in Europe. Its beautiful lakes, snowy mountains, and sunny beaches are attracting more and more tourists from many foreign countries, every year. Tourism has become a very prospective industry. It brings much needed foreign exchange. Its return helps to develop national economy.

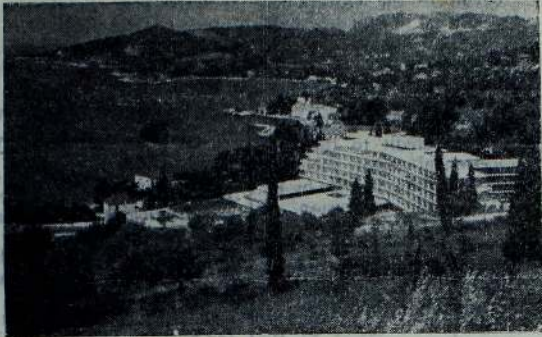
To be able to receive tourists in numbers many hotels, motels, villas, highways and airports had to be built. The living standards of the people had to be raised. The immigration Laws had to be eased—easy and speedy border crossings least formalities, no visas and passports required for tourist to stay upto 30 days—just any valid identification document from driving licence to birth certificate. The tourist industry had to be oriented to give appropriate standards to foreign tourists — foreign

tourism is considered as "invisible trade," bringing foreign exchange which enables intensified construction of tourist industry. Every tourist has to be satisfied; a low income tourist in camps and inexpensive cottage tourism, a high income tourist in expensive and exclusive hotels. Casinos,

sightseeing trips, many attractions have to be ready at hand.

### More accommodation

Ten years ago Yugoslavia had about 50,000 beds in hotel accommodation. In 1970 the figure changed to 175,000. Besides hotel accommodation, improvement has been no-



In the peak of the season there may be up to 20,000 tourists a day in Budva. In recent years Budva has split over the medieval ramparts, and new modern hotels where one can stay at moderate prices, were built.

Picture shows the Astarea hotel at Mlini with its remarkable architectural designs attracts the attention of the tourist.

ticed in so called "complimentary capacities" mansions, private villas and homes, camps etc. Now, there is accommodation up to about 500,000 beds.

To build the tourist industry Yugoslavia has in the past ten years, invested annually 1,000 million dinars (about 70 million dollars). Much of this amount has been invested in high class hotel accommodation of high standards. Many economists and planners complain that much had been invested in expensive projects; hoteliers and people in tourist trade reply that expensive and comfortable accommodation is in accordance with demands of the tourist market today.

In 1970 there were about 23 million registered foreign tourist overnights in Yugoslavia, and 26 millions domestic tourist overnights.

West Germans lead among the foreign tourists with 8 million tourists overnights, Austria 3.5 million, Italy 2.2 million, Britain 1.4 million etc. The foreign exchange income in 1970 was 330 million dollars. The average daily expenditure of a foreign tourist was 10 dollars. (includes lodging and boarding, entertainment etc). Total receipts from tourism in 1970 were nearly 400 million dollars.

The Yugoslavs have also made themselves good tourists to foreign countries. The regulations to obtain a passport without any limitations, as well as sufficient foreign exchange, allotted for private trips, have enabled them to spend their holidays and vacations in foreign countries in greater number. Yugoslav tourists have spent 100 million dollars travelling abroad in 1970.

## Machinery and means of communication —

Metal manufacturing is one of the basic branches of industry in Yugoslavia. It employs 19 per cent of the total labour force, and accounted for over 17 per cent of the total production of industry.

The production of machinery (excluding electrical manufacturing) and means of communication are the basis of the metal industry, particularly from the technological and the manufacturing point of view.

The production volume of machinery in 1969 (metal and wood finishing machinery, other machinery and equipment, construction machinery

and equipment, agricultural machinery and equipment, and implements), was 120,000 tons; the production of the means of communication reached 180,000 tons.

### Significant progress

Machine tools were produced mainly after the second world war, since the production volume in 1939 amounted only to 84. Significant progress in the development of production and technology was made in the period between 1960 and 1965, when a number of patents were purchased from the industrially advanced countries.

## Basic facts

The most important licences acquired in the field of machine tool manufacturing were from the following: E. BATIGNOLLES France; MORANDO, Italy (lathes); PITTNER, Federal Republic of Germany (automatic turning lathes); E. HECKERT, Democratic Republic of Germany, and FRITZ WERNER, Federal German Republic (milling machines); SEALFEELD, Democratic German Republic (drilling machines); TOS, Czechoslovakia (radial drilling

Machines); and FORTUNA WERKE, Federal Republic of Germany (grinders).

The purchase of licences played a positive role in the training of engineers and technicians, the raising of the level of technology, and the application of technological methods in production. Meanwhile, the development of machine tools was taken over by our own engineers, trained in Yugoslavia. Some designed machine tools of our own design acquired quite a reputa-

tion, so that our licence partners often bought Yugoslav-made machine tools.

In the last decade (1960—1970), there was a great need for construction machinery, due to the expansion of building and the need for its modernization. In particular, there was a great need for heavy-duty construction machinery, such as caterpillar tractors, wide-axle tractors on tyre wheels, mobile and semi-mobile scrapers, excavators, cranes, dump trucks, rollers, road construction machinery etc.

### Investment . . .

Contd from page 7

the numbers and scale of such companies are likely to increase. The stimuli to company growth include the normal economies of scale, but the crucial factor in many industries is research and development. This is required on an increasingly big scale if a company is to maintain a competitive position; but the expense of the research effort is becoming such that only companies with the largest operations and the widest markets will be able to support it.

It is, then, unlikely that Britain's traditional role as a major overseas investor will be altered. Britain is a major exporter (and importer) of capital, and her industry believes that such international investment is beneficial both to the investor and to the host country. We welcome other countries' investment in Britain, and would like to see an even greater flow of overseas investment in both directions.

### Gem Industry . . .

Contd from page 6

Now unscrupulous gem merchants sell synthetic gem stones as natural ones and as a result bring discredit to the gem industry in Ceylon. The importation of synthetic gems is prohibited by law but we find that the market is flooded with synthetic stones. Stringent laws must be passed to prohibit the selling of synthetic stones of any kind. In U.K. gem merchants are prosecuted if they sell synthetic products as natural ones under the Trade Description Act 1968. It is hoped that with establishment of the Gem Corporation, a new era will begin in the gem industry of Ceylon.

(Courtesy Industrial Ceylon)

The Federal economic plan of development for the period from 1971 to 1975 calls for the production of 20,000 tons of machine tools by 1975 and 75,000 tons of mining and building construction machinery.

## Opportunities for Small Industrialists

Another article in the series will appear in our next issue

## Economic integration . . .

Contd from page 7

As for the socialist countries, they are opposed to isolated groupings and are in favour of the widest economic relations between countries with different social systems. The sincerity of this position is confirmed by the Soviet Union's constructive and realistic programme for the solution of such problems as the setting-up of a unified power network for Europe, the organisation of international transport, international co-operation in the conservation of the environment and the rational use of natural resources, and so on. It is now for the Western countries to reciprocate. General European co-operation could take the form of collective economic relations between the two centres of integration. This would be in the interests of each individual country as well as the

whole continent, and would also benefit European security.

It should perhaps be mentioned at this point that the Council for Mutual Economic Assistance is but a purely regional organisation inaccessible to others. Any country that is not a member of CMEA may take part in any of the projects envisaged in the Comprehensive Programme.

The Soviet Union and the fraternal socialist countries, Alexei Kosygin has stated, constantly advocate peaceful coexistence between countries with different social systems. We do not believe war to be inevitable and therefore uphold economic competition between the two systems. We are opposed to closed groupings of the Common Market type but favour the broad development of multiform economic ties without any discrimination. This our fundamental position. A. P. N.

# THE ECONOMIC TIMES

Editorial Department

Tuesday 2nd December, 1971

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

## BRITAIN'S ENTRY INTO THE E. C. M.

THE DEBATE INTO THE PROS AND CONS OF BRITAIN'S ENTRY INTO THE EUROPEAN ECONOMIC COMMUNITY (EEC) IS NOW OVER AND BRITAIN'S ENTRY NOW REMAINS A MERE FORMALITY. IT IS EXPECTED THAT TOGETHER WITH BRITAIN, IRELAND, NORWAY AND DENMARK WILL JOIN THE "SIX" AT BRUSSELS ON JANUARY 1ST 1973.

BRITAIN IN THE EEC IS BOUND TO BE MORE INFLUENTIAL THAN OUT OF IT. GENERAL DE GAULLE OPPOSED BRITAIN'S ENTRY ON TWO MAJOR GROUNDS: THAT BRITAIN HAD A SPECIALLY CLOSE RELATIONSHIP WITH THE UNITED STATES AND THAT IT HAD SPECIAL OBLIGATIONS TO THE COMMONWEALTH. THESE RELATIONSHIPS STILL REMAIN AND WHILE THE UNITED STATES WILL EXPECT BRITAIN TO PURSUE A LIBERAL ECONOMIC POLICY, THE COMMONWEALTH WILL HOPE THAT BRITISH INTEREST IN THE DEVELOPING NATIONS WILL INFLUENCE ITS E.E.C. PARTNERS. WHILE THE COMMONWEALTH PREFERENCE SYSTEM HAS DWINDED IN IMPORTANCE IN RECENT YEARS, THE DUTY-FREE ENTRY OF GOODS INTO BRITAIN (EXCEPT FOR TEXTILES) WAS OF MUCH VALUE TO COMMONWEALTH NATIONS. A SIMILAR SYSTEM HAS BEEN PROMISED BY THE E.E.C. (WITH CERTAIN EXCEPTIONS) AND IT IS HOPED THAT THE E.E.C. TARIFF WILL NOT BE USED TO EXCLUDE INDUSTRIAL PRODUCTS OF DEVELOPING NATIONS.

BRITAIN FOR HER PART HAS TAKEN MEANINGFUL MEASURES TO SAFEGUARD THE INTERESTS OF THE COMMONWEALTH COUNTRIES IN THE COURSE OF THE NEGOTIATIONS BOTH IN BRUSSELS AND LUXEMBURG, AND HAVE SUCCEEDED IN SECURING TERMS THAT ARE FAIR AND PROPER BOTH FOR BRITAIN ITSELF AND FOR THE COMMONWEALTH.

BRITAIN HAS SECURED FOR THE ASIAN COMMONWEALTH COUNTRIES VIZ., INDIA, CEYLON MALAYSIA, SINGAPORE AND PAKISTAN, A FIRM UNDERTAKING FROM THE COMMUNITY THAT AFTER ITS ENLARGEMENT THE COMMUNITY SHALL GET TOGETHER WITH THE COUNTRIES CONCERNED TO TAKE WHATEVER MEASURES ARE NECESSARY TO MAINTAIN AND EXPAND TRADE.

ALREADY THE EUROPEAN COMMUNITY HAS AN IMPRESSIVE RECORD OF TRADE AND AID WITH THE DEVELOPING WORLD. AS ENTRY INTO THE EUROPEAN COMMUNITY IMPROVES BRITISH PROSPERITY THE DEVELOPING COUNTRIES TOO WOULD HOPE TO BENEFIT AND THESE HOPES SHOULD NOT BE BELIED.

HOWEVER, BRITAIN'S ENTRY INTO THE E.E.C. WILL QUITE NATURALLY HAVE REPERCUSSIONS ON CEYLON'S TRADE WHEN COMMON EXTERNAL TARIFFS OF THE E.E.C. ARE EXTENDED TO ALL THIRD COUNTRIES, INCLUDING CEYLON, BUT THE COMMUNITY HAS EXPRESSED ITS WILLINGNESS TO EXAMINE TRADE PROBLEMS WITH COUNTRIES LIKE CEYLON AFTER ITS ENLARGEMENT. IN VIEW OF THE UNDERTAKING GIVEN TO BRITAIN IT COULD REASONABLY BE HOPED THAT THE E.E.C. WOULD NOT ACT IN A MANNER THAT WOULD JEOPARDISE THE EXISTING TRADE RELATIONS, BUT TAKE STEPS TO REINFORCE AND EXPAND THESE TRADE RELATIONS.

## MONETARY TRENDS IN CEYLON

In absolute terms the money supply in 1970 increased by Rs. 85 million or 4 per cent over the level reached in the previous year. Although there was some increase in Bank credit to the non-government sector, the predominant pressure for expansion stemmed from credit extended to the Government.

Credit to the Government was utilized to liquidate debts incurred to finance the purchases of paddy under the Guaranteed Price Scheme. Gross bank credit to Government increased by Rs. 350 million and credit to the non Government sector, including state corporations, rose by Rs. 148 million. Expansion on account of other factors was Rs. 30 million. However, the increase in Government cash balances by Rs. 124 million and time and savings deposits of the private sector by Rs. 196 million, accompanied by an increase of Rs. 120 million in other liabilities and accounts of the Central Bank substantially counterbalanced the expansionary factors outlined earlier.

When the Government assumed office in May 1970, the excess of external banking liabilities over assets was Rs. 700 million which indicated a further decline of Rs. 102 million in the first half of 1970 alone. Due to the financing of an import programme totally disproportionate to export resources the Government had to adopt emergency measures to check this unhealthy trend and arrest the tendency to put this country in the debt of foreign bankers and damage the external value of our Rupee.

In the course of the current year it was endeavoured to improve the position further by liquidating the country's banking debts accumulated by the previous Government. In the first 6 months of the year the position improved further by Rs. 206 million. In spite of the efforts to put the situation right the excess of external banking liabilities over assets in December 1970 was Rs. 649 million (\$109 million). This Government is deter-

### Complete take over of oil industry

The Ceylon Petroleum Corporation will complete the nationalisation of the oil industry on 30th December 1971, with the take over of the balance of the aviation fuel industry from Esso Limited.

The Corporation entered the aviation refueling business in June this year and is at present handling 75 per cent of the trade in Ceylon. With the take over of Esso Ltd the nationalisation of the oil industry which began in 1960 will be complete.

Presently the Corporation Supplies aviation fuel produced by the refinery to all international airlines.

The total value of aviation fuel supplied by the Corporation in the past five months has enabled the Country to earn Rs. 4 million in foreign exchange.

By the end of the year the Corporation will emerge as the next largest foreign exchange earner next only to tea, rubber and coconut earning over Rs. 100 million on the sale of fuel oil and naphtha to international shipping at Colombo and Trincomalee.

## TARIFF CUTS TO REDUCE TRADE BARRIERS

Britain has made a further move in the reduction of barriers to international trade.

A statutory order published last week provides for tariff cuts on a range of industrial imports into Britain to come into effect on 1 January next.

On the same day, the present quota system which regulates imports of cotton textiles into Britain from Commonwealth countries, will come to an end and be replaced at rates of approximately 6 1/2 per cent on yarn, 15 per cent on cloth, and 17 per cent on garments.

With her new tariff cuts, Britain will have carried out the final stage of her undertaking, arising from the Kennedy Round GATT negotiations concluded in 1967, to reduce import duties on industrial goods by an average of 38 per cent.

The cuts have been carried out in stages, with 40 per cent of the reduction taking effect in July 1968 and two further stages coming into force at the beginning of 1970 and 1971.

mined to reduce this excess of Rs. 530 (\$89 million) million by March 1972. Together with the improvement of Rs. 206 million in external banking assets mentioned earlier, total bank credit to the non-government sector increased by Rs. 109 million and Rs. 94 million of accumulated cash balances were utilised by the Government. These expansionary pressures were substantially counterbalanced by an increase of Rs. 63 million in private sector savings deposits and Rs. 165 million in other liabilities and accounts of the banking system. Bank credit to the Government declined by Rs. 8 million. Consequently, the money supply in the first half of 1971 increased by Rs. 184 million.

In the second half of this year pressure on external payments is likely to tone down the improvement in external banking assets seen in the first half and the private sector as well as the Government sector may also seek moderately higher support from the banking system. Thus although money supply in 1970 is bound to record a significant increase, unlike in previous years, this expansion would be substantially due to an increase in net external banking assets. Therefore, an estimate of the net domestic credit expansion obtained by deducting the impact of net external banking assets on the money supply, is likely to reveal a negligible expansion on this account in 1971.

### GDR RUBBER PURCHASES

The German Democratic Republic has entered into an agreement with Ceylon to purchase 4,470 metric tons of sheet rubber during 1972.

This follows negotiations which the Commissioner of Commodity Purchase had held with a GDR trade delegation which visited this country.

Earlier, the GDR bought 3,000 metric tons under a bi-lateral agreement, being their first Ceylon sheet rubber purchasing.

## First state run Adv. Agency

The National Lotteries Board (NLB) Advertising Service celebrated its first Anniversary on 1st December 1970 in a modest manner.

The private advertising agency, which had handled the advertising of the National Lotteries Board in the past, had spent Rs. 4,00,000/- for advertising during the year, October 1969/September 1970. The NLB ADVERTISING SERVICE, in preparing the advertising budget for the current year, January-December 1971, has cut down the advertising expenditure to Rs. 3,00,000/- thereby saving for the National Lotteries Board Rs. 1,00,000/- or 25 per cent, on the previous year's advertising vote.

The NLB ADVERTISING SERVICE, has further saved for the National Lotteries Board the 15 per cent. service charges that had been levied previously.

THE NLB ADVERTISING SERVICE, has also saved for the National Lotteries Board a

considerable sum of money that had been incurred on extravagant production charges. For example, production charges on the quarter page advertisement in three languages with the three motor cars and the sweep ticket for the Mahajana Sampatha draws had cost the National Lotteries Board Rs. 750/- every month. The same format, with different cars, had been repeated month after month at a cost of Rs. 750/- Now the NLB ADVERTISING SERVICE is producing the same advertisement at one-third the original cost.

THE NLB ADVERTISING SERVICE, with a well-planned and properly-executed campaign of advertising, was successful in increasing the sales of Mahajana Sampatha tickets, which had always been poor, from a little over three-and-a-half lakhs in January 1971 to seven-and-a-half lakhs last July, achieving hundred per cent. sales.

The Manager of the NLB Advertising Services is Mr. Hema de Silva.