

THE ECONOMIC TIMES

Vol. 2 No. 22

Wednesday 16th February 1972

Price 50 cts

External Trade—Overall Position

SMALLER TRADE GAP

CEYLON'S OVERALL EXTERNAL TRADE POSITION FOR THE FIRST TEN MONTHS OF LAST YEAR (JANUARY-OCTOBER 1971) SHOWED A DEFICIT OF RS. 34.1 MILLION AS AGAINST A DEFICIT OF RS. 200.4 MILLION FOR THE CORRESPONDING PERIOD IN 1970.

In October 1971, the value of total exports was Rs. 178.7 million and that of imports was Rs. 167.3 million, resulting in a merchandise trade surplus of Rs. 11.4 million as against a deficit of Rs. 33.9 million in October 1970. Compared with

September 1971, the values of exports and imports for the current month were higher by Rs. 20.0 million and Rs. 44.2 million, respectively. Table below provides selected data on Ceylon's foreign trade.

		(Rs. Million)		
TABLE		Exports	*Imports	Balance of Trade
August, 1971	...	179.4	215.7	- 36.3
September, 1971	...	157.7	123.1	+ 35.6
October, 1971	...	178.7	167.3	+ 11.4
October, 1970	...	153.1	187.0	- 33.9
Jan.-Oct. 1971	...	1,647.4	1,681.5	- 34.1
Jan.-Oct. 1970	...	1,750.3	1,950.7	-200.4

Source: Ceylon Customs Returns

*Includes re-exports

		Rs. Million			
		October 1970	October 1971	Jan.-Oct. 1970	Jan.-Oct. 1971
Total Imports (Customs data)	...	187.0	167.3	1,950.7	1,681.5
Difference between Customs and Food Commissioner's imports of rice, flour and sugar	...	-16.3	+ 5.0	+26.1	-33.0
Total Imports (Customs data) adjusted for Food Commissioner's	...	203.3	162.3	1,924.6	1,71
Total Exports	...	153.1	178.77	1,540.3	1,647.4
Balance of Trade (adjusted)	...	-50.2	+16.4	-174.3	-67.1

New Liner Service soon

A liner service between the Peoples Republic of China and Ceylon will soon be a reality, according to the Ministry of Shipping and Tourism. A delegation from China is expected shortly to finalise the deal. The terms offered are very favourable.

According to the present proposal the service would consist of four vessels doing the Ceylon-China run in both directions. China will provide two ships and will help Ceylon meet her commitment in providing the other two.

It is understood that China would either offer a line of credit for Ceylon to purchase the two ships or provide the ships themselves on long term

The value of imports (Customs data) when adjusted for Food Commissioner's actual in ports of rice, flour and sugar, show a merchandise trade surplus of Rs. 16.4 million in October, 1971 and a deficit of Rs. 67.1 million in the first ten months of 1971 as indicated below:

10 M. dollar loan from Japan

The Governments of Japan and Ceylon reached an agreement on the supply by Japan to Ceylon of a loan of 3,500 million Yen or an equivalent of 10 million United States Dollars.

The loan is being provided to Ceylon in response to the request made by Ceylon at the Aid-Ceylon Consortium Meeting which was held in Paris in April 1971.

The loan will be extended by the Export-Import Bank of Japan in conjunction with some private banks to the

Ceylon's import bill soars

Ceylon's import bill which had been steadily mounting in recent years, had reached an all time high of Rs. 2,061.133 million for the first nine months of last year, according to latest statistics released by the Ministry of Planning and Employment. Of this figure the largest slice was on food imports which topped Rs. 549.015 million.

Imports made by the C.W.E. which were mainly in the food group amounted to Rs. 175.178 million.

Imports of other food stuffs on the other hand had reached Rs. 25.709 million.

The next biggest allocation of exchange was for imports of State Corporations (manufacturing and non-manufacturing) which amounted to Rs. 409.8 million.

Raw materials for private sector industrialists in the period under review totalled Rs. 366.379 million while imports of drugs by the private sector amounted to Rs. 23.577 million.

Sino-Ceylon barter Agreement

Ceylon will import 200,000 tons of rice from China this year at \$30.5118 per ton, while China will buy 39,000 tons of rubber on the same price basis plus handling charges and premium now prevailing. This is the main theme of the Rubber-rice barter Agreement which was renewed recently.

Last year Ceylon paid £33.75 per metric ton for rice and supplied 44,000 tons of rubber against 200,000 tons of rice.

Another difference in this year's trade protocol is that China has offered to supply the entire quantity of rice from Burma, thus helping Ceylon to save some foreign exchange on freight. The handling charge (6.25 cents per pound and an extra premium of two and a half cents for sheet one rubber) and the basis of price fixing for rubber are unchanged. The price fixing is done on the Singapore average price.

In 1971 the trading account between the two countries was almost balanced.

As in other years the two countries have agreed to trade in commodities apart from rubber and rice was about Rs. 74 million on each side in 1971. But this year (1972) the value of Ceylon's trade might be reduced by another Rs. 14 million in view of certain decisions taken by the Ceylon government to limit imports like chillies and other subsidiary foodstuffs.

In 1969, Ceylon imported Rs. 13 million worth of chillies but in 1972 chilli imports will be about Rs. 11.4 million which is the value of imports in 1971. The other commodities to be imported in 1972 will be the following. Textiles (Rs. 34.2 million) Garlic (Rs. 1 million) Fennel seed and turmeric (Rs. 1 million), Cotton yarn (Rs. 13 million), Peas (Rs. 0.3 million), Window Glass (Rs. 3 million), Dyes, pigments and pharmaceuticals (Rs. 2.5 million) Tea chests (Rs. 1 million), ribbed kraft (Rs. 0.8 million), Newsprint (Rs. 1 million) and other miscellaneous products (Rs. 2.5 million).

Training facilities were provided as follows: Nepal (25), Burma (19), Malaysia (16), Pakistan (10), Indonesia (8), Philippines (6), Thailand (5), Singapore (4) and Vietnam (3).

Ceylon has also provided 3 experts to the region under the Colombo Plan.

C-Plan technical assistance

Colombo Plan, Ceylon has received Technical Assistance (training, experts and equipment) to the value of Rs. 146.6 million, out of a total of Rs. 919.8 million for the region provided by the Colombo Plan, according to the Annual Report of the Colombo Plan Council for Technical Co-operation in South-East Asia for 1970/71.

This technical assistance came from:

	Rupees (thousand)
Australia	1,249.5
Britain	4,350.6
Canada	1,067.4
India	234.4
Japan	2,207.4
Malaysia	3.0
New Zealand	972.2
Pakistan	14.3
Singapore	41.7

295 Ceylonese trainees and students were trained abroad in 1970 under Colombo Plan auspices. The training facilities were provided by:

Australia 46; Britain 147; Canada 12; India 22; Japan 50; New Zealand 8; Pakistan 2; Singapore 8.

Ceylon received 27 Colombo Plan exports in several fields during 1970. They came from: Australia (2), Britain (6), India (1), Japan (14) and New Zealand (4). The majority of experts (8) served in the field of Development Planning and seven and six in the fields of Agriculture, etc. and Education respectively.

Scientific equipment to the value of over Rs. 1,749,8 thousand was supplied to Ceylon in 1970, largely by Japan (Rs. 802.0 thousand) and New Zealand (Rs. 734.2 thousand).

CEYLON AS DONOR

As a donor country within the region, Ceylon has provided 96 training places to students from neighbouring countries since the inception of the Plan.

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CEYLON'S FORTNIGHTLY FINANCIAL REVIEW

MARKET PRICES

COLOMBO

CLOSING PRICES 15-2-72

TEA (Rs. Cts. Per lb.)

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

	B.O.P.s		B.O.P.F.s	
	Rs. Cts	Rs. Cts	Rs. Cts	Rs. Cts
High Grown:	1.85	4.20	2.15	3.80
1 at 4.65	1 at 4.90	1 at 4.00	1 at 3.90	
Medium-Grown:	1.78*	2.15	1.90	2.15
Small Leaf Low-Grown:	1.85	2.05	1.80	1.95
Leafy Low-Grown:	2.00	2.40		
Tea For Price:	1.40	1.70	1.50	1.75
F.B.O.P.s				
Tippy Teas:	2.00	2.25	2.00	7.50
1 at 2.45	1 at 2.46	1 at 9.50	1 at 32.00	
		1 at 48.00	1 at 80.00	

RUBBER

PRICES FOR THE WEEK ENDED 13.2.72.

	(Rs. cts.—per lb. Closing Quotations)	Avg. to date	Avg. to Same Period
		1972	1971
RSS No. 1	74 3/4	72 1/4	82 1/4
RSS No. 2	70 1/4	68 1/4	78 1/4
RSS No. 3	69 1/4	67 1/4	76

COPRA

	Opening Price	Clos. Price
Estate Copra No. 1	186.75	185.75
COCONUT OIL (Rs. per ton)		
February	1200.00	1200.00
March	1200.00	1200.00

DESSICATED COCONUT

	Opening price	Closing Price
February	.54	.54
March	.54	.54

PRICES OF THE WEEK ENDING 13.2.72

Commodity	Buyers	Quotations	Export DUTY
	(Per lb)		
Cardamoms	11.50	—12.90	40%
Cardamom Seeds	12.15	—	on true
Cloves	22.00	—23.00	F.O.B.
Cloves Stems	4.00	—4.50	value
Mace	15.00	—	
Nutmeg (Shelled)	4.00	—4.25	
Nutmeg (Unshelled)	1.75	—2.25	
Pepper (Black)	4.80	—	
Papain (White)	—	—	
Papain (Brown)	16.50	—17.50	
Cinnamom H/1	3.10	—	20% on
Cinnamom H/2	3.00	—	true f.o.b
Cinnamom Quilings No. 1	2.30	—	value

	Per Cwt.	Export Duty
	Buyers Quot.	
Cocoa	158.00	—163.00 40% on
Coffee	Unquoted	true f.o.b
Kapok (Clean)	145.00	value
Kapok (Unclan)	51.00	
Croton Seeds	100.00	—125.00
Essential Oils	Per oz. lb.	
Cinnamom Leaf Oil	16.50 per 25 ozs	
Cinnamom Bark Oil	Per oz. 20.00	
Citronella Oil Estate Quality	Per lb. 7.10	10% on
Citronella Oil Ordinary	Per lb. 6.90	true f.o.b

SUBSIDIARY CROPS WEEKLY PRICE LIST POYA ENDING 13.2.72

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)
	Unquoted
Paddy	—
Other varieties	—
Rice Per Boiled	—
Country Rice No. 1	—
Country Rice No. 2	—
Samba Rice	—
Kora	—
Maize	Per Cwt. 27.00—28.00

TEA REPORT

Auction No. 7 held on 14th and 15th February 1972.

The total quantity offered was 7,327,183 lbs., comprising 3,998,025 lbs. Leaf Grades, 703,931 lbs. Dusts, 67,822 lbs. Reprints, 159,470 lbs. Sundry Lots and 2,465,757 lbs. Ex Estate. Western quality generally showed progressive improvement and there were a number of attractive invoices on offer. Demand was strong for the best but more hesitant for below best teas while Low-Grown sold well.

High-Grown Teas: The few really attractive invoices received very strong support and prices rose sharply. High-Grown Broken and Fannings were mostly 20/40 cents dearer, following quality, but some of the thin liquoring or plainer teas could only hold last prices. Bright liquoring OP's and Pekoes were much dearer.

Medium-Grown Teas: Western teas gained 5/10 cents but Uvas only improved by 2/5 cents. Western Fannings were about steady but Uvas dropped -75 cents.

Low-Grown Teas: Small leaf BOP's were barely steady but the BOP Fannings remained firmer. Leafy B.P's were -10 cents dearer while C.P's were fully firm but Pekoes dropped a few cents.

Tippy Teas: Flowery BOP's were a cent or two dearer. The best small leaf Flowery BOP Fannings advanced 15/20 cents while others remained firm. The most attractive lines on offer were substantially dearer.

Off Grades: Best Western Fannings were irregularly dearer following quality; and other Fannings 3/5 cents dearer. Liquoring BP's and BM's were a full -10 cents dearer, but Low-Grown types dropped -75 cents. All stalky teas were heavily discounted.

Commodity Commentary

Dusts: Bright Western Dust 1's improved by 30/40 cents following quality. The main Dust Buyer was more selective, purchasing a smaller quantity than usual, therefore Mediums and grainy Low-Growns dropped 3/8 cents while all powdery secondary Dusts were 10/15 cents lower.

offerings advancing by 2 to 5 cents per lb. whilst the duller and inferior sorts too were 1 to 3 cents per lb. better. Further improvements were recorded at the subsequent Sale when all latex crepe grades moved higher by 1 to 2 cents per lb.

RUBBER REPORT

Week-ending 13th Feb. 1972.

RSS No. 1 continues to be the more lucrative product with an advantage of about 2 to 5 cents per lb. over Latex Crepe No. 1. There is no improvement to the current stores congestion situation and this coupled with the continued credit restrictions once again resulted in almost all dealers and shippers abstaining from RSS No. 1: opened 1 1/4 cents dearer at 73 1/2 cents per lb. and continued to improve thereafter to touch 75 1/2 cents per lb. during the latter half of the week before declining at the close in line with overseas advices to fetch 74 3/4 cents per lb.

Approximately 645 Tons of LATEX CREPES were offered at the Two Sales held during the week under review, a substantial increase of 218 Tons compared to the previous week's total. At the First Sale, all latex crepe grades met with improved demand and with best latex and FAQ of-

Approximately 152 Tons of SCRAP CREPES were offered, an increase of 41 tons compared to the previous weeks total. At the First Sale, light brown scrap crepes were marked down by 1/2 cent per lb. whilst the dark brown sorts were irregularly dearer. Earlier offerings, however, showed an improvement of 1 to 2 cents per lb. Flat Bark too gained by 1/2 cent per lb. At the following Sale light brown scrap crepes declined further by 1/2 cent per lb. but the dark brown, darker sorts and Flat Bark remained unchanged.

Approximately 28 Tons of SOLE CREPE were offered during the week, an increase of 5 tons compared to the previous week's total. Although demand was about maintained, the market showed a softer tendency. Poorer sorts sold at between 80 to 85 cents per lb. whilst most of the reprints were once again withdrawn due to a lack of bids.

too remained at Rs. 4/- to Rs. 7/- per lb. Seeds were dearer by Re. 1/- per lb. to be quoted at Rs. 12/15 per lb.

Produce Report

Week-Ending 13th Feb. 1972

Cardamoms: 6,061 lbs. of Cardamoms were offered, which as just 2 lbs. more than the quantity offered the previous week. There was slightly better demand, the

market moving up to around -750 cents per lb. for No. 1 quality to be quoted at Rs. 11/50 to Rs. 12/90 per lb. Next best grades however continued to be quoted at Rs. 7/- to Rs. 10/- per lb., whilst Off grades

Pulses	Per Cwt
—Red Gram —Toor Dhal	40.00 — 45.00
—Black Gram (Undu)	61.00
—Bengal Gram	46.00
—Green Gram	53.50
—Bombay Cowpea	40.00

Millets	Per Bushel
—Finger Millet (Kurrakkan)	13.00—
—Sorghum	Unquoted
—Soya Beans	850.00 (per ton)

Spices Condiment	Per lb.
—Mustard	4.25— 4.50

Chillies	Per Cwt.
—Dried Long	Unquoted
—Dried Round	Unquoted
—Off Grade	Unquoted
—Goraka	60.00— 65.00
—Vanilla	Per lb
—Tamarind	Per cwt 90.00— 95.00
—Ground Nuts	Per 80 lb 60.00— 65.00
—Cashew	Per lb.

Cwts. of Cocoa were on offer, indicating a sharp decrease of 352 cwts. The quality on offer was not of a high standard and subsequently there was a slight drop, No. 1 quality being quoted at Rs. 158/- to Rs. 163/- per cwt. Next best grades however remained at Rs. 140/- to Rs. 150/- per cwt., whilst darker and poorer sorts continued at previous levels at Rs. 75/- to Rs. 125/- per cwt.

Pepper: 199 lbs. of Pepper which were on offer fetched Rs. 4/80 per lb.

Coffee: Approximately 31 cwts. of Coffee were on offer with one lot of Arabica fetching Rs. 285/- per cwt., whilst good quality Robusta closing at Rs. 250/- per cwt.

FOREIGN RUBBER MARKET: January 1972

The only notable feature in January 1972 was the regular buying by the Chinese People's Republic, concentrating mostly on RSS 2 & 3 but also taking some RSS 1 & 4. The Malaysian Rubber Fund Board was also consistent in its enquiries for lower grade sheets with a brief entry into RSS 1 as well, which helped largely to maintain Singapore Rubber Market levels. Estimates of a large tonnage to be lifted by the Natural Rubber Shippers Association steamers for the USA and the advent of East European enquiries amounting to a few thousand tons of sheet grades for shipment towards the end of the month also acted as a deterrent to sellers. However, no definite trend developed for future guidance and consequently with more selling being attracted by the

higher levels, values tended to decline.

Trading in lower grade SMR remained fairly brisk but tended to diminish with the gradual step-down in U.S. demand whilst the premium grades were largely neglected.

Rubber was reasonably well held in the London Market at the outset with some selective enquiry coupled with forward interest in the face of sellers reserve, providing support. Dealers were seemingly unprepared to go short at this stage in the hope of some significant revival in the Industry in the New Year. Latterly, however, the market turned softer although the easiness did not represent any great pressure to sell but indicated the withdrawal of buying support.

The New York Rubber Market was largely inactive during the month on lack of consumer interest due to the fact that leading manufacturers had already purchased rubber for immediate needs and were apparently unwilling to make forward commitments in view of the possibility of a resumption of the East Coast Dock Strike, when the Taft-Hartley Cancellation expires around mid-February. It was reported that the East Coast Dockers Union and the Shipping Association had reached an agreement on a master contract for ports along the East Coast, and that the Government Pay Board will grant the wage packages tentatively agreed to by the two parties concerned. However, issues pertaining to local units of the Union remained unsettled. Meanwhile the West Coast Longshoremen who agreed to remain working while negotiations continued until midnight January, 16th day 17th, with no compromise being reached.

PLANTATION INDUSTRY

Ceylon rubber statistics: January - November 1971

RUBBER PRODUCTION
In Ceylon during January/November, 1971 totalled 125,417 Tons compared to 139,951 tons during the corresponding period in the previous year, a substantial decrease of 14,539 tons.

CONSUMPTION OF NATURAL RUBBER during January/November 1971 showed a further improvement at 4,516 tons compared to 3,352 tons during the corresponding period in the previous year, a substantial increase of 1,164 tons.

INDIA RANKS THIRD IN TOBACCO CULTIVATION

With an annual production of nearly 40 crore kg. valued at Rs. 58 crores, India is the third largest producer of tobacco in the world, next only to the United States and China.

nearly Rs. 6.5 crores over the corresponding period of 1970. The rise was largely due to increased exports to the Soviet Union and Japan.

During the same period, the export of tobacco products brought in foreign exchange of nearly Rs. 3 crores. Cigarettes alone accounted for Rs. 2.27 crores. Bidis, Hookah tobacco, Snuff and Zarda were the other products sold abroad.

During the first ten months of 1971, the export of manufactured tobacco earned a foreign exchange of Rs. 37 crores marking an increase of

Andhra Pradesh leads the country in the production of tobacco. Nearly 95 per cent of the Fluecured Virginia tobacco is produced in this State.

Leipzig Spring Fair 1972

At the 1972 Leipzig Spring Fair, building machinery building techniques and building materials, as well as ceramic and glass machinery will be offered by exhibitors from 16 countries.

This time, too, "baukema" - the building materials and ceramic machinery industry of the GDR will figure as the biggest exhibitor in this Fair, showing highly productive machinery and plant for road construction, industrial building and town planning, and for the bricks and clay and fine ceramics industry. "Baukema's" exhibition programme extends from high-capacity individual machines and production lines to complete plant and machine systems. Apart from the tried and tested and further improved products, it is made up of interesting developments which are demonstrated to the expert in Leipzig for the first time.

As far as "baukema" road-building machinery is concerned, the earthwork machinery section, in addition to the UB 631 and UB 641 hydraulic excavators, features the UB 1244 rope-drawn excavator (14 cu. metre) incorporating a tractor-type running gear, which has been fitted with an 18-metre for dragline operation.

BOOST TO HANDICRAFTS AND COTTAGE INDUSTRIES

The bank of Ceylon has decided to extend finance on easy terms in respect of the production of goods which could find a steady export market.

The approved products include "indikola" mats, brassware (both utility and ornamental), wood work, including furniture and other products rubberised, attresses, door mats, brooms etc.

For the economical compacting of all kinds of soil and fills, the "baukema" assortment of machinery comprises a standard series of vibratory rollers with plain, grid wheel and sheepfoot roll bodies. Electric and petrol-fueled tampers, plate vibrators and vibrating soil compactors are available for the solution of various compacting jobs, and road finishers of the type SSF 5 with working widths of 5 and 7 metres are offered for the paving of bituminous bases, binder courses and wearing courses.

This time, too, the "telto" V-S" preparation plant, which is capable of producing 100 metric tons of bituminous mixes per hour, should again be one of the centres of attraction. The plant, which is based on the principle of unitised construction, enables all working processes taking place automatically to be supervised from a central control station.

The "baukema" industry of the GDR will also present a rich array of products for the building and building materials industries, including machines for the taking, transport, shaping and compacting of concrete, among them the MZF 1000 multi-purpose finisher for making concrete pipes and purpose-made bricks for cable ducts, the HBSF 1200 hollow-block making machines, and the JL 400 circular table finisher, for making floor tiles.

Machine, systems and technological lines for the making of bricks and tiles represent another key line. Newly developed and redesigned products in this field include a pressing unit for rigid-plastic shaping jobs in the brick-making industry and a sorting and packaging machine, guaranteeing a considerable increase in productivity in the tile and slab making industry.

Tea prices down at London Auctions

Ceylon teas have fetched depressed prices at the monthly tea auctions held in London in the first nine months of last year compared with the corresponding period of 1970.

Table below shows the movement of prices in new pence per kilo for the period under review:-

	(New pence per kilo)	1970	1971
Jan:		47.93	46.94
Feb:		46.91	45.68
March:		48.56	45.61
April:		49.48	46.22
May:		52.69	50.36
June:		51.40	48.03
July:		49.29	45.92
August:		42.59	43.69
Sept:		40.76	42.65

Export intelligence

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

M/s Dunklings Pty Ltd.
313, Bourke St., Melbourne
VIC 3000
Australia

Precious and semi-precious stones.

M/s Bulley F. & Co.,
380, Elizabeth St. Melbourne
VIC 3066,
Australia.

Hides and skins
J/s Bryce & Duncan Pty Ltd.,
345, Hoodle St.,
Collingwood VIC 3066,
Australia.

Hides and skins
M/s Lank Pty Ltd.
28A, Church Street,
Ryde N.S.W. 2112
Australia

Curry powder and Chillie powder.

J/s Wholesale & Indent Ltd.,
Importers & Agents,
P.O. Box 675,
Auckland, New Zealand.

Canned fruits, coir rugs; Handicrafts.

M/s Economical Mercantile Agencies,
17, Ben Shatwan Street.,
Komeith Street
Libya.

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Soviet scientific experiments in the Indian Ocean

The "Dmitri Mendeleev," a science ship of the Institute of Oceanology of the USSR Academy of Sciences, now on its seventh scientific expedition made a brief stop at the Colombo Port.

Dr. Rostislav Ozmidov, the chief of the expedition, addressing a press conference last week said that they were engaged in a comprehensive survey of the Indian Ocean, studying the system of equatorial currents, the fluctuations of temperature at different levels, the degree of salinity etc. Their studies helped them to determine the influence of the ocean on the climate of the world and was therefore of immense benefit of all humanity.

Their work, said Dr. Ozmidov, was a continuation of the work begun by an expedition sponsored by UNESCO in 1959. Their strategy was to concentrate on small selected sites typical of the characteristics of the Indian Ocean as a whole. They had on board all the necessary equipment and sensitive instruments needed for the job.

VARIOUS LABORATORIES

There was the meteorological laboratory where they measure solar radiation, take various measurements relating to the winds and monitor broadcasts

from all over the world to keep track of changing weather conditions in the ocean to help chart their itinerary.

Then there was the hydrographic laboratory where geologists and marine physicists are engaged in the arduous task of mapping the ocean floor by means of echo sounders which help them measure the depths of the ocean very precisely through very sensitive instruments.

In another laboratory, an electronic salinometer helped the scientists to measure the

density distribution of the seawater and hence the degree of salinity at various places and at various levels of the ocean.

All these laboratories are connected by an inter-communications system and the data processed in the computer room. The computer there can perform from 7000 to 10,000 operations per second and has a long-term memory of 2,000,000 words. It helps to solve mathematical, physical and engineering problems connected with the work of scientists.

INK THAT CHANGES COLOUR

A new type of printing ink that changes colour like a chameleon according to the temperature of the paper it is used on has been jointly developed by two Japanese companies.

The new kind of ink changes in colour from black to red or green or some other colour within a temperature range 21 and 25 degrees C.

The secret lies in the utilization of liquid crystal. The liquid crystal is processed into ink of various colours in the form of microcapsules measuring 10 to 30 microns in width. A liquid crystal can be any of hundreds of kinds

of organic substance having the same physical properties as solid crystals of matter.

Commercial Application.

The first commercial application of the new ink is scheduled shortly. It is to be used in printing the front cover of a women's weekly magazine to be published in Tokyo. A touch of the finger will cause a sudden change in colours of the cover picture.

The two companies are planning to apply the ink to labels on beer bottles and frozen foodstuffs. They also plan to develop a new photosensitive material from it by adding silver halogenide.

SCIENCE AND TECHNOLOGY

Life-saving diet for kidney patients

Patients with kidney failure may in future be kept alive by means of a special diet invented in Britain.

a special nitrogen-free diet until a transplant or 'artificial kidney machine' becomes available.

The function of the kidneys is to get rid of waste products from the blood by passing them into the urine. If, through disease, the kidneys fail to operate, the waste products, which arise from the breakdown of normal food substances, accumulate in the blood, poisoning the patient.

It is not known yet whether it works in man, though it does work in the rat. Research workers at St. Mary's Hospital Medical School in London will try to replace, one by one, the eight amino acids essential to the human body, in the hope that the liver will be able to recreate the amino acids from the 'skeleton kits,' and keep the patient alive.

The most dangerous part of the diet, to a patient with kidney failure, is also one of the most necessary. It is protein. Protein is built from amino acids, which contain nitrogen, and if the kidneys fail, excessive amounts of nitrogen compounds accumulate in the body.

Nitrogen-free diet

Doctors in Britain have been making experiments with an artificial diet in which the nitrogen is removed from amino acids—before the patient eats them. The patient is given, instead of the complete amino acid, a sort of 'skeleton amino acid,' without the nitrogen in the hope that the body—actually, the liver—will be able to add the missing parts.

If this technique works it might be possible to keep kidney-failure patients alive by

If it works it may be possible to keep patients with complete kidney failure alive long enough to arrange a transplant or for treatment on an artificial kidney machine, which may not always be available immediately.

A new plant Ringer

The dokex plant ringer (patent applied for) will soon be introduced on to the market. It is used to ring plants to their supports, and can be used not only for the cultivation of plants, flowers and indoor plants, but also for shrubs; it is suitable for use by nurseries growing plants, flowers, trees and shrubs, and in viticulture etc.

The wire used may be either painted or galvanized horticultural wire. Its production rate varies from 1,000 to 1,500 stems per hour. The ring does not touch the stem and causes no damage or inhibition of growth.

The plant ringer is available with cable or, if electricity is not available, as a battery-operated model.

For further details contact:
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A LIFTING TABLE

A self-lifting table has been constructed in the 'Zawidow' Engineering Factory. Its top, 63 by 130 cm. can be lowered to the floor and lifted to a height of one metre a 500-kilogramme weight on it. A special hydraulically driven holder makes it possible to carry out this operation in one and a half minute.

The lifting table made by the Zawidow factory can be employed on a wide scale both in engineering industry enterprises, chiefly in assembly work and in the workshops of vocational schools where different machines are assembled and disassembled for didactic purposes.

MANAGEMENT

The strategy of failure (II)

The international planning problem becomes more involved when a company not only decides to market products in other countries, but to produce abroad as well. The results have often been disastrous. Thus, the French St. Gobain has made substantial losses in its American glass business from the outset; the American Chrysler's present profit picture is sharply diluted by its Spanish and British investments—and, to a lesser degree, by those in France. Celanese had an unhappy manufacturing experience in Europe and had to write off many millions of dollars which had been invested there.

The corporate planner is in much more difficult terrain when he leaves his home territory. Granted the plans may have been well conceived, and it could have been the execution which failed. Nevertheless, it is safe to say that these powerful companies would not have been guilty of such disasters with investments made in traditional and well-understood countries.

One problem of overseas planning is, of course, political risk. The present confiscation problems facing mining interests in South America and Africa dramatically illustrate the political problem. As a result, mining groups are moving into other industrial sectors as well as spreading their geographical risks. For instance, Cerro Corporation, the large Peruvian mining com-

pany, is now active in housing and land development. Rio Tinto Zinc is not only in more or less every metal mined in most countries with large deposits, but is in aluminium all the way from bauxite to semi-fabricated products. The consequence is that the planner's task on an international scale is made much more involved by the additional imponderables, such as local market acceptance, political pressure and management problems—and this is to name only a few of the complications.

Just as dramatic as the failures in diversification have been the liquidity problems which have resulted from inadequate financial planning. This phenomenon has developed on both sides of the Atlantic and appears to be worsening—particularly among those companies, notably the air frame and aero-engine manufacturers and their airline customers, which face either heavy capital costs or heavy development costs, or both. Lockheed, RollsRoyce and TWA are outstanding examples of this kind of failure. In fact, the major US airlines now have \$1 of debt for every 65 cents of equity. In contrast, in 1955 there was \$2.50 in equity for every dollar of debt—moreover annual capital spending has risen fourfold in the past 10 years. German companies such as Krupp and major shipyards in the UK and on the Continent have faced the same problems—all have suffered, not only from basic

We bring you more excerpts from the series on "How to plan and not to" which is the basic task of management.
(Courtesy Management Today)

business troubles, but from low cash flow and high interest rates. The corporate planner who does not get his sums right and does not anticipate cash requirements accurately is dooming his company to failure.

A retrospective look at these recent mishaps can show where corporate planning has consistently failed—and can suggest some guidelines for better planning in the future.

The first point is that timing is the essence of corporate planning. The fast product in the market takes the high costs and may reap the high rewards...but it also and inevitably faces the high risks.

The last company in finds that prices (and profits) have disappeared. The best answer lies somewhere in between. Land development is an outstanding example of the importance of timing—with the Costa Brava and Costa del Sol as particular instances. Early land developers reaped huge profits, but today apartments and villas are in oversupply. Containers and container ships provide another illustration; there is now a 20% oversupply in some trades and the profit (or rather, loss) situation inevitably reflects this imbalance between supply and demand.

Delay in plans, and the missing of opportunities as a result, is one of the problems of the

large complex, multi-division international group. Plans which must work their way up through the many management tiers and must then be recycled to be reconciled with changing financial or market developments are apt to become stale or obsolete. It is not unusual for an operating unit in an industrial giant to be required to develop its annual plan in the spring when it has no appreciable experience of trends in the current year. By the time that these plans are vetted by higher management levels and recycled, they may no longer be valid. Policies and procedures which accelerate the planning calendar in such multi-product international companies are sorely needed.

Nothing has more grievously upset the apparently sound economics of planning, however, than substantial overruns in terms of capital expenditure and date of completion on major investment projects. Britain has been plagued by this phenomenon in chemicals and oil refineries (and now in the debacle of RollsRoyce). A 29% capital over-run and a project completion delay of one year on a three-year project (not a particularly unusual performance these days) can necessitate a 25% price increase to provide a reasonable return on investment, particularly when, to allow for inflation, present values of money are used in the calculation. If world market conditions do not allow these price increases, yet another loss-making colossus has come on stream. This chronic UK problem of recent years has not been helped in the least by labour unrest in the construction industry.
(TO BE CONTINUED)

Soviet - Ceylon trade on equal basis

Ceylon has a considerable trade exchange with the Soviet Union, started on a wide scale in 1958. It was precisely then that the first Soviet-Ceylonese trade agreement was signed, which subsequently played a role of no small importance in the economic development of Ceylon.

Since 1962, trade contacts between the two states have been maintained on a long-term basis. This imports the elements of planning into them, and makes the trade exchange more stable. The principles of full equality of the sides, mutual respect of sovereignty, just as the mutual economic advantage, are observed absolutely and strictly.

Maintaining trade relations with Ceylon, the Soviet Union is striving to take into consideration the interests of its partner as much as possible. Ceylon can buy industrial produce and raw materials it needs on highly favourable terms, and develop its exports simultaneously. In the course of 1969-1970, Ceylon's favourable balance of trade with the Soviet Union topped 70,000,000 rupees.

In three years alone, starting with 1968, the USSR delivered to Ceylon 7,000 tons of rolled stock, 15,000 tons of sugar, some 10,000,000 metres of fabrics, 150 metal-cutting machine-tools, etc. During this time, the Soviet Union delivered 1,500,000 roubles' worth of complete sets of equipment alone.

On its part, during the same period, Ceylon exported 28,000 tons of rubber, 6,500 tons of tea, 50,000-odd tons of coconut oil, and 1,000,000 roubles worth of garments and footwear, to the Soviet Union.

At present, Soviet-Ceylonese trade is based on the two-year agreement signed at the end of 1970.

The USSR remains a permanent purchaser of traditional Ceylonese exports: rubber, copra, tea, coconut oil. Along with that ways have been envisaged for an increase of deliveries, to the Soviet Union, of certain products of the developing Ceylonese industry—garments, footwear, tinned fruits and fruit juices.

(APN)

A RISE IN JAPAN'S ECONOMY IN LATE 1972

Tokyo

A consensus seems to be that the Japanese economy will reach the bottom of its downward curve in the second quarter (April-June) and begin to pick up in the third quarter (July-September). Economic observers agree that Japan's economic growth rate this year will be in the range of 7 to 8 per cent in real terms. The forecast is based on the assumption that the Government will drastically expand its public expenditure under its fiscal 1972 budget to stimulate the stagnant domestic business.

But economic experts warn that even if the business activity turns upward in the third quarter, it may not be until 1973 that Japanese entrepreneurs begin to enjoy a sense of prosperity in its true meaning. They also predict that many corporate firms will have to report poor business performances in the semi-annual accounting term, which ends in September.

The Economy Planning Agency visualises that exports, will slow down to a significant



MULTI-PURPOSE UTILIZATION OF SUGAR REFINERIES

Peking

Sugar refineries in China's chief sugar producing province of Kwangtung have turned out more than thirty products including paper, pesticides, chemical fertilizer and raw material for the chemical industry from bagasse, waste liquid and gas.

Many big and medium refineries try to adapt their equipment to multi-purpose utilization. Sugar refining equipment was formerly used only in the refining season. Now some of the transformed equipment is used to make crystalline fibrous element and some to make light calcium carbonate or dextrose during non-refining season.

Thousands of small refineries in the province are also producing wine, paper and chemical fertilizer.

REDUCTION OF TAXES AND PRICES

Moscow

The USSR is regularly reducing taxes on wages and the prices of consumer goods. This is an inalienable part of the general programme of the improvement of the people's well-being mapped up for the period between 1971 and 1972.

Last year substantial cuts were made in the prices of TV-sets, washing machines, motor-cycles, scooters, household chemicals and a number of other consumer goods. The population has saved 800 millions of roubles a year from these price reductions. The prices of TV-sets were again reduced quite recently. The well-being of the Soviet people improves as a result of the consistent growth of their monetary incomes. (APN)

GDR'S FIVE YEAR PLAN FOR 1971-'75

"Everything for the welfare of man and the happiness of the people!" That is the basic concern of the Five-Year Plan for national economic development in the GDR from 1971-1975.

The produced national income is to increase by 27 per cent (reaching 108 thousand million marks) from 1970-1975. The industrial goods production will increase by 34 percent 1970 : 162, 140 million marks, 1971: 173 thousand million marks), reaching approximately 220 thousand million marks in 1975. The goods funds will increase by 22 per cent. As a precondition of the fulfilment of these

tasks, an increase in labour productivity by 35 as compared to 1970 is envisaged.

The investments in the national economy, which had amounted to more than 135 thousand million marks from 1966-1970, will be increased by 29 per cent up to 1975. Over 30 per cent of the planned increase are envisaged for the extension of the power industry. Raw lignite, with a planned production of at least 255 million tons in 1975, will remain the main source of energy. Natural gas of inland production will be used to a growing extent; 5.4 thousand million cubic metres are envisaged for 1972. As from 1973 the GDR will be receiving high-grade natural gas from the Soviet Union.

Supply of raw materials

The GDR will participate in projects of the CMEA countries for the supply of raw materials to the national economy. At the same time inland resources are to be investigated and more efficiently used. The GDR has favourable deposits of silicate raw materials for the glass and ceramics industry, the utilization of which is quite advantageous. At an average cost of 170 marks for the production of such raw material, the fine-ceramics industry turns out one ton of household and hotel porcelain of a value of 5,000-6,000 marks. A similar situation prevails in regard to the glass industry. These are products in great demand on the home and foreign market.

The production of rolled steel is planned to increase from 4.8 million tons in 1970 to 6.1 million tons in 1975. The potassium production will increase from 2.4 to 2.9 million tons.

For the chemical industry, the products of which had al-

ready surpassed a volume of 20 thousand million marks in 1970, an annual growth of more than 8 per cent is envisaged as from 1973. In this connection important investment projects will be completed from 1972-1975. These include: Polyurethane is Schwarzhilde, Polyester raw materials in Schwedt, the magnet factory in Dessau, the Olefinkomplex in Böhlen, the first nitrogen line at Piesteritz and the reconstruction of the PVC-plant at Buna.

The mineral oil refinery will increase from 10.6 million tons in 1970 to at least 18 million tons in 1975. The plastics production will increase in comparison to 1970 from 370,000 to 700,000 tons in 1975. The production of synthetic fibres (1970: 47,600 tons) will more than double by 1975.

Foreign trade

The foreign trade relations of the GDR, above all deriving from the complex programme of the CMEA countries, are to be systematically extended. Whereas goods exchanges with the CMEA countries attained approximately 110 thousand million marks from 1966-1970 a volume of more than 165 thousand million marks is to be attained by 1975. This corresponds to a growth by approximately 50 per cent.

Increased goods exchanges are also envisaged with the other socialist countries. Trade relations with the developing countries will be further extended. On the basis of the principle of peaceful coexistence between states with different social systems, there are also numerous possibilities of developing trade with the capitalist industrial countries on a footing of equality and mutual advantage.

Higher living Standard

The goods funds of retail trade are envisaged to grow by an average of 4.1 per cent a year. Compared with 1970, consumer goods to an increased value of 14-15 thousand million marks will be provided by 1975. This corresponds to the total goods turnover of the countries of Magdeburg, Rostock, Cottbus and Gera in 1970.

The per capita consumption of important foods and drinks is to increase as follows from 1970-1975: meat and meat products from 66-72/75 kilograms; drinking milk from 98.5-100 litres; butter from 14.6-15 kilograms; fruit from 43.4-55/60 kilograms; vegetables from 81.5-93.95 kilograms; tropical fruit from 11.4-13.15 kilograms; eggs from 241-247 and roast coffee from 2.2-2.8 kilograms. The equipment per 100 households is to increase: in refrigerators from 56.4-75.80; for washing machines from 53.6 to 65.70 and for television sets from 69.1-75.80.

Particular attention will be dedicated to housing construction. Up to 1975 a total of 500,000 flats are to be newly constructed, or reconstructed and modernized. This will bring perceptible improvements in the housing conditions of 1.5 million people.

The state subsidies for education, health, social welfare, culture, sport and recreation and for social insurance and a stable price level will be increased by 35 per cent up to 1975. The total sum to be spent in this domain will amount to approximately 148 thousand million marks.

(Panorama DDR)

The Economic Times

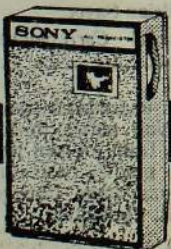
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THE CAPITAL REVOLUTION IN THE UNITED STATES (PART I)

The development of new industrial technologies and the refinement of new managerial skills by business firms within the United States have been subjects of considerable interest to the international business community in recent years. There is even a tendency - and I, for one, would not quarrel with it - to describe these products of research and education as "new" Factors of Production - 20th-century twins which must now be considered on a par with the classic trio of land, labor and capital.

So shrewd an observer as the French journalist-political scientist, J.J. Servan-Schreiber, appears indeed, to regard technology and management practices as the only—but at the same time the all-important—elements of difference between the American and European business communities. They constitute what he believes to be the sole advantages held by American industry in what he calls the competitive conquest of Europe.

It is not my purpose here to take issue with Servan-Schreiber's highly popular thesis of "conquest," but it is really somewhat less than perceptive.

In the first place these American-originated companies and industries which he would want his competitors to believe are the fore-runners of take-over are in truth undergoing an unexpected change in the trans-Atlantic community.

They are tending not only to lose their American identification but also to become new and more efficient competitors against United States exports.

They are being financed increasingly by non-American investors in the international capital market and, consequently, are returning a proportionately rising profit to host countries.

Simultaneously these companies are making substantial tax contributions to local government, creating new jobs and higher benefits for local labor and stimulating local business capable of supplying them with material and services.

In September 1968, at the age of 38, David I. Margolis was elected president of Colt Industries Inc. He had entered the company in 1963 as financial vice-president and treasurer, becoming executive vice-president in 1965. Prior to 1963, Mr. Margolis had been treasurer of International Telephone and Telegraph Corporation, with which he became associated in Raytheon Company. Mr. Margolis was graduated from the College of the City of New York with a bachelor's degree in business administration. He obtained his M.B.A. there in 1952. For the next three years, he continued graduate studies in economics at New York University, while lecturing in economics there and at C.C.N.Y.

Profits travelling back through umbilical cords to the United States are diminishing in arithmetic relation to the increase of international investment, and the products these companies produce are displacing former exports from the United States.

If anything, these challenging companies have emerged as new forms of international enterprise, attracting capital from the worldwide investment community.

Despite his contrary view, Servan-Schreiber must sense their growing international character, too, for he proposes as countermeasures such joint

efforts by countries of the Common Market which would in themselves lead to the establishment of fully internationalized companies.

The second flaw in Servan-Schreiber's reasoning is his failure to recognize why European investors have been attracted to these American-designed corporations or why Europeans have actually increased investment in the American domestic business scene.

Tremendous Changes

The answer to those questions relates to the tremendous changes that have been evolving within the United States during the past decade—and most dramatically during the past five years—in the management of capital, that most dynamic of the three classic factors of production: land, labour and capital.

The changes are evident in the methods of capital accumulation, in the choice of capital placement and, most importantly, in capital costs. The cost changes involve not only the amount of return capital now seeks on investment but also the kind of returns and speed of returns.

All in all, these changes amount literally to a revolution in the capital market—a revolution that has had a profound effect on the conduct of U.S. business.

In full knowledge of the risks of over-simplification, let me put it this way:

Within recent years in the United States, highly significant accumulations of risk capital have been amassed in relatively new but tremendously powerful mutual fund enterprises. These funds are of varied types but they have two characteristics in common. Each is literally a pool of the individual investments through share ownership of thousands upon thousands of relatively small investors. And each was established on the theory that the combined investment package could earn a greater return than the sum total of its individual investments.

Because each, in effect, competes in selling shares to the public, each fund management must compete finally in comparative earnings.

Therefore, when investing fund cash—that is, when buying stock or other equity securities in an operating company for the fund account—the managers are highly selective. For the most part they attempt to limit investment to companies which, for one reason or another, they believe will attain the greatest earning performance and growth within the shortest possible time. Such achievements can be expected to—and do—increase the price of the purchased stock in the public markets, and the investing fund may then sell out its holdings, securing for itself a sizable capital gain.

Other sources of capital—banks, insurance companies, pension funds, etc.—which ge-

nerally have adhered to less demanding, more conservative standards were increasingly forced to recognize the success of this new generation of risk capital entrepreneurs. A the staffing at the decision change began to take place in level in such institutions and we are now witnessing a closing of the investment generation gap which will profoundly influence the policy of these hitherto conservative institutions.

Steadily and seemingly inevitably, an increasingly heavy premium is being placed on above-average performance by publicly held American business firms.

The very presence of investment positions by funds or other performance-minded capital sources in their stock is a continuing reminder to corporate management of the need for "optimization of earnings." Such managements are well aware that the moment there is doubt as to the earnings outlook of their companies the stock will be sold, often with devastating stock market impact.

Because they are sensitive to the growth-time demands of risk capital under current conditions, most managements of publicly held companies are virtually forced to gear their operations to meet these demands.

Will new and improved products contribute to exceptional growth? Will improved management techniques? American business must answer yes, and must devote its efforts to

both "improvements. Consider, if you will, the under-lying effect of capital needs on these two categories of effort—efforts which Servan-Schreiber holds are spontaneous contributions of American business to the world scene.

By



DAVID I. MARGOLIS

Corporate Financial Function

There is still another change that has been stimulated by the capital revolution.

The corporate financial function—once little more than the keeping of books and the handling of monies—has now become one of the major decision-making activities in relation to business direction, goals, asset discipline and progress management.

At the same time, somewhat ironically, capital sources now, by the standards they set for advancing or withholding financing, for buying and selling stock, for affecting the very image of a given corporation, have become in a sense

overseers and judges of business activities to an amazing degree.

Professional management of publicly-held companies has been virtually pressured into accepting the value judgments and arbitrary growth-time measurements set up by the financial community.

Even so-called blue chip corporations—in reality the industrial foundation of America—have been forced to tailor their operations to the demands of the new capital entrepreneurs.

A more recent reaction of the demands for exceptional results has been the phenomenal wave of acquisitions and mergers—too often moves by corporations designed to achieve sudden, sharp increases in earnings results.

The changes in the thrust for results have led to the development of an entirely new jargon. Nothing is so dominant in corporate thinking these days as the "price-earning ratio". That is, the relationship between the corporation's earnings per share of stock and the price at which its stock sells on the market. The higher the ratio, the more successful the corporation is deemed which, of course, is not without fallacy.

On June 9, 1969 the New York Times reported on the unusual presence in the city of virtually the entire managerial force of a substantial Belgian company—the president, the board of directors and more than a score of key executives. They had come

We continue the series. "Business Development" designed to encourage productivity and creativity in industrial organizations. The author here analyses the basic issues involved in the emergence of new forms of international enterprise that increasingly attracts capital from the world-wide investment Community.

to the United States for a week series of intensive seminars at Columbia University on management methods. During one session on "risk analysis in capital investment," the lecturer used the term "go fund."

The visitors were so obviously puzzled that, the Times said, another lecturer began in to explain: "That a fund with sharp investments can go up and down—fast."

I am sure this quick explanation was subsequently amplified. The lecturer was a little cynical. A go fund is an investment fund intended to help managers to yield shares and ever increasing profits. To achieve this dizzying goal the fund managers subvert the companies they are considering for potential investment to most meticulous analysis. The company under study naturally made aware of analysis.

If the fund managers believe the subject company is capable of above-average performance—even over the limited period of six months to a year—

Expertise for countries to grow more food

Part of the world's food production problems can be solved by bending nature's will to that of man; by transferring modern farming techniques to areas of low yield.

In the Lower Indus Plain of West Pakistan, for example current major engineering works for both additional water supplies and drainage plus complementary agricultural and institutional improvements—will greatly increase food production.

Some 13,000,000 acres are involved and the projects ranges over 25 years—but food production is expected to be increased about five times.

In Rumania a scheme to irrigate some 200,000 acres in the Danube basin will supplement inadequate rainfall during summer months, thereby increasing production of maize, grapes and other crops.

One medium through which the expertise of firms which can carry out major works such as these is made available internationally is the four-year old British Agricultural Export Council (BEAC). The Pakistan and Rumanian projects are only two of many similar schemes in which British firms are closely involved.

Britain herself is a densely populated, industrialised country and one of the world's biggest importers of food. Nevertheless, she has developed highly efficient agricultural industry of her own which produces about half her food requirements. She has one of the heaviest tractor densities in

the world and agricultural machinery is an important export earner.

In recent years the increase in farming productivity in Britain has been at twice the rate of industry generally and sections of agriculture and horticulture responsible for this progress clearly have much to offer countries developing their own farming.

BEAC is the officially recognised group for agricultural exports, with Government backing and membership from trading and non-trading organisations within the industry.

FAIRS

The Council's many activities include arranging British agricultural pavilions at overseas fairs, mounting both outward and inward missions and acting as host and guide to visitors from other countries.

It sets up consortia of manufacturers to undertake specific contracts and arranges package deals, concludes Agreements of Cooperation with Governments in other countries and is a central point for those wishing to obtain agricultural advice or services in Britain.

BEAC's governing body is elected by only non-trading members and the Council can ensure that only the best and most impartial advice is given.

CONSULTANTS

The fusion of many skills is needed for modern farming. To meet this BEAC has a Con-

sultants Panel embracing the range of agricultural production.

The services it represents include processing and marketing, engineering, surveying, architecture, economics, management and training.

Says the Council: "The range of services ensures that projects are based on the most modern techniques and are soundly planned and wisely evaluated."

by

Brian Sayer

LPS Special Correspondent

Projects undertaken range from canning plants to fish harvesting, from oil seed production to poultry processing plants, from dams barges to tropical agriculture.

"Invisible" agriculture exports earned Britain £7,360,000 in the last financial year, mainly professional fees collected by consultants in agriculture, irrigation and rural development.

POULTRY

Another example of the specialist activities of BEAC is its poultry Committee, offering overseas buyers a wide selection of breeding and commercial stock plus associated needs, from incubators to waste disposal plant, feed-stuffs to veterinary products.

Rapid expansion in Britain's poultry industry has been achieved by extensive appli-

cation of new technology. The country is now almost self-sufficient in eggs and poultry meat.

Keen competition among poultry breeders has resulted in new strong, disease resistant strains; economic pressures have brought methods which cut costs.

FEEDING STUFFS

With a livestock population three times that of the human population, annual United Kingdom sales of feed are some 10,000,000 tons. Competition stimulates continuing development in feed science and there is a healthy export trade in finished feeds, feed additives and technical advice.

Through the BAEC Feeding Stuffs Group countries seeking to develop their own feeding stuffs milling industries can avoid the heavy cost of biological and laboratory research.

UNEQUALLED

BAEC believes that Britain's agricultural export opportunities are enormous because her techniques, know-how, equipment and livestock are without equal.

Total agricultural exports already exceed £300,000,000 a year.

World population stands at some 3,000,000,000 with forecasts that it will more than double by the end of the century. Yet it has been estimated that agricultural production at present growth rates will increase by only one sixth.

the series on Development encourage productivity in industry. The analyses the basic trends in the new forms of enterprise that attract capital world-wide investment.

States for a two-day intensive seminar. University methods. Duration on "risk analysis investment," the term "go go"

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able investments are made in the company's stock. If the outlook changes, the stock will be sold—and the company knows what unfavourable impact that would have. In or out—the new capital creates unusual pressures.

There are in existence in the United States many different kinds of investment sources and the majority would avoid any expression of policy related to "go go". But few, if any, are immune today from the intoxicating concept of "go go."

The phrase itself was lifted alive and kicking by financial journalists from the teen-age rock'n roll or new-music scene. Girl dancers, gyrating to the beat, were exhorted by on-lookers to "go go". Performance was the goal, and no turbulence was too excessive. The best of the torso-twisting, limb-tossing dancers were dubbed "go go girls." You will have to judge for yourself on the aptness of the application to investment policy, but the fact is that the "go go" policy had been emerging in the risk capital marketplace over a period of years related to the pressures for "optimization of corporate performance."

New Issues Market

One favorite hunting ground for quick growth and exceptional performance is the new issues market, particularly in the issues of newly organized companies dealing in new types of services. Businessmen who've come up with plans to sell fried chicken through chains of convenience cooking shops or ones who have assembled technicians capable of developing new programs for computers seem to have little difficulty in finding risk capital through sales of stock.

In fact, the stocks offered in such enterprises have quite often shown incredible increases in price within weeks and months after the initial public sale.

Fortune magazine, in its June 1969 issue, reported briefly on one entrepreneur and his experience in seeking risk capital. The individual, now aged 30, had spent the first seven years after his graduation from a noted business school in the field of investment banking. He then came up with an idea for the establishment of a chain of publicly owned hospitals. He and a partner formed a corporation known as American Medicorp, Inc., and took for themselves 162,750

Developing countries are becoming increasingly aware of the needs to grow more food, to expand the rural economy and to balance food production. BEAC believes Britain is in a good position to make an increasing contribution to world agriculture.

BAEC, Agriculture House, Knightsbridge, London, SW1

shares of common stock each at a penny a share. A few months later, 345,000 shares of Medicorp common were put on public sale at \$20 per share. By the end of the first day of trading the price of the stock rose to \$28. In June of this year (1969), after a two-for-one split, Medicorp stock was selling at over \$35 per share—or \$70 per share as against the original penny

The public offering provided cash for the company to buy three hospitals a year ago. Other hospitals were picked up along the way. Today, the corporation owns 15 hospitals, has contracted for 10 more and has four more being built by a wholly-owned subsidiary. The company also owns a vocational nursing school and two extended-care centres.

The promise of performance, followed by some achievement and compounded by the promise of even greater performance in the future, has not only enriched the original entrepreneurs but also enriched the risk capitalists who traded in the stock on its way up.

And there is no reason to belittle the value of the concept to the economy of the nation.

The founder has pointed out that hospital management in the past had been in difficult waters because activities were too limited. A big company, he said, can use modern management, can centralize such services as accounting and purchasing and can set up regional laundries and other supply services to provide significant profits without increasing the costs of hospital care.

(To Be Continued)

Problems and prospects for the 1970's (Part II)

One of the salutary features of the present agricultural productivity drive is the awareness and the optimism both among the officials and the producers that there is considerable scope to increase paddy production. The farmer has come to appreciate that to increase production is extremely profitable and at the same time he is conscious that his services have been valued by the public because his efforts have brought a greater measure of prosperity to the country as a whole and has helped to save foreign exchange.

With the present momentum in domestic agriculture and the relatively low yields, even now in comparison to what is attainable with available technology, Ceylon which now imports 33 per cent of her rice requirements could presumably reach self-sufficiency in rice and in a number of subsidiary crops in 1973-75. This does not, however, mean that the solution lies only in increasing yields and that the opening of new areas under paddy cultivation should be ignored. At the present rate of population growth the country will require increasing amount of rice beyond 1975 and by then the economies of obtaining increased production through area expansion may be more advantageous than through higher yields. In view of this steps may have to be taken in advance to extend the area under cultivation by clearing forests, carrying out soil surveys and providing irrigation facilities. But in the immediate future, the success of the programme will depend largely on higher yields and the drive, to secure better yields must be pursued with vigour.

The use of H4 seed which is now sown in approximately 8 per cent of the area under paddy has resulted in a very sharp increase in yields. It has now become a very important technical input used throughout the wet zone. More recently new varieties of seed paddy such as BG 11-11, BG 34-11, BG 34-8 have been increasingly sown and will replace IR 8. These varieties have a potential yield of about 100 to 150 bushels under optimum conditions and require less inputs such as fertilizer and agro-chemicals than IR 8.

There still seem to remain a substantial gap between optimum practices and those that have been actually used. The problem seems to be to find the right type of fertilizer according to different soil conditions. Experiments during the last two to three years have shown that doubling fertilizer application could still help to raise yields up to 90 to 100 bushels per acre. While this potential is still there only about 25 per cent of the farmers use fertilizer. Lack of adequate weeding is yet another factor which has also held back paddy yields

Actual losses from weed growth are enormous and it has been estimated that about 30 per cent of the area under cultivation has not been weeded. Most farmers still seem to rely on the traditional practice of maintaining standing water, in order to suppress weed growth. But this practice breaks down because weeds start growing even before the water can be supplied, thus causing considerable damage in the early stages of growth of the paddy plant. Chemical weedicides are used on a very restricted scale and there is scope for its more extensive use. The use of weedicides could save up to 60 per cent of the time spent on the preparation of land.

Although there is unemployment and under-employment on an extensive scale in the country the problem which is not well understood even today is often the acute shortage of labour during peak periods of the cultivation seasons. This has resulted in delays in bringing in the crop after it has matured and in increasing costs due to high wages that must be paid for labour.

In addition to labour shortages there has also been a scarcity of buffaloes, the traditional means used both to plough the fields and thresh the paddy after harvesting. These shortages have continued even though the acreage under paddy has expanded. In these circumstances, many farmers have had to give up their traditional means of ploughing and threshing and have used mechanised equipment. Until about 1969, the shortage of tractors resulted in tractor hirers raising their costs, so much so that this has tended to lower the standard of proper tillage and the sowing of seed paddy at the proper time taking into consideration appropriate agronomic conditions. Once again, costs of tractor ploughing is likely to go up unless an adequate supply of spares at reasonable prices are provided for a tractor fleet that has more than doubled in the last six years.

Whereas the prospects for affecting a major breakthrough in paddy cultivation immediately to reach self-sufficiency before 1974 are good, the trends for subsidiary crops, milk, fish and beef production are less certain.

Self-sufficiency for subsidiary crops have to be achieved for, Bombay onions and pulses particularly dhal. While Bombay onion cultivation could be expanded, the production of adequate quantities of other pulses particularly dhal, population in the every-day diet, is limited by ecological factors. Near substitutes, could be grown in Ceylon on a large scale while not the variety which the consumer prefers.

Unimpressive progress.

The milk packing industry is based on imported milk powder. Unless the dairy farm-

ing industry increases output by more than threefold it is unlikely that supplies of milk will be available to meet the requirements of the spray drying plant and the condensary. Increased output is closely linked to producing better breeds of cattle and increasing their numbers. Progress on these lines have been remarkably slow and unimpressive. The bulk of the milk products, particularly cheese and butter have to be imported and there is evidence that their consumption is rising steadily with better living standards. The and climatic conditions for a very much expanded animal husbandary industry is there, although this has not been exploited. Conditions here are also suitable for sheep rearing for the production of mutton and wool, but there is very little government or private sector interest in this area.

By

H. N. S. Karunatilake
Actg. Director, Economic
Research Division,
Central Bank of Ceylon

The production of beef is also closely aligned to the prospects for dairy farming. There is now an acute shortage of cattle and it is reported that the present cattle population is rapidly falling because of the very slow rate at which herds increase. On the other hand more and more people are eating meat. Unless a crash programme is instituted to increase the supply of milk and beef cattle there are likely to be severe shortages in the next few years. If present levels of consumption are to be sustained a good part of these products may have to be imported.

Disappointing Aspects

Despite the considerable investment made in the agricultural sector over the last twenty years, increase in the output has not been significant except in the last two to three years. At a time when capital is scarce and foreign exchange resources limited continued investment in this field can only be undertaken at the cost of other more productive activity. The colonisation schemes have made some contribution to the relief of unemployment in thickly populated areas. But many of these schemes in the present form are uneconomic and have continued to be a drain on the country's resources; they have not provided employment on a real self-supporting basis. A considerable part of the expenditure on the settlement of colonists has been mainly on social services; this is socially justifiable but cannot be supported on economic terms because it is not productive. The full capital cost of these

schemes have been borne by government and this has been a tremendous financial burden on the administration because of the claims of other investments on limited government resources. Since there are competitive fields of investment the question of financial returns is of immediate importance.

The productivity of agriculture in colonisation schemes have so far been disappointing, although the physical facilities that have been provided are among the best in the country. This poor performance reflects a wide range of shortcomings particularly in the selection of settlers who have not been interested to be pioneers, in the lack of labour for hire and in the high patterns of outlay which have involved giving settlers almost unlimited subsidies and large scale assistance. The latter has often made the settler lethargic and disinterested.

Despite these efforts a secondary but nevertheless a social objective of development policy viz., the absorption by agriculture of the large proportion of the increase in the labour force has been scarcely met. Agriculture is estimated to have absorbed less than 6 per cent of the total increase in the labour force over the past seven years. This has been largely due to a high capital output ratio. In irrigation and land development projects the estimated capital output ratio has been 12:1 on the average. Further investment in this field is unlikely to give substantial dividends unless the defects of the past have been effectively overcome. The economic aspects of irrigation and land development have to be reviewed to ensure maximum returns from such investments.

An FAO/IBRD team was of the view that some of the smaller irrigation schemes should be completed as quickly as possible since the return per unit of additional investment was sufficiently high to warrant their completion. Inadequate criteria have been applied in selecting some of these projects. The medium-scale irrigation projects are closely linked to improving local areas which are developed and settled. But the distant location of these projects have prevented liaison with other services, so as to increase economic benefits to be derived and additional water made available. Additional improvements should be incorporated in their planning to increase output. The Department of Agrarian Services has to assume greater responsibility for village and minor irrigation works while the Irrigation Department itself should mainly undertake the large-scale projects.

(To Be Continued)

INDUSTRIAL DEVELOPMENT

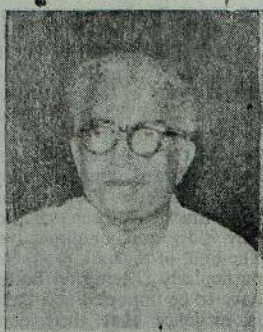
Supplement sponsored by
The Small Industrialists' Association of Ceylon

MINISTER'S MESSAGE

I am glad that The Economic Times, in collaboration with the Small Industrialists' Association of Ceylon, decided to publish a special supplement on industrial development, with particular emphasis on the small scale industrial sector.

The Government's Five Year Plan (1972-1976) has stressed that by virtue of its high employment potential and low utilisation of foreign exchange for machinery, this sector is basic to the country's development programme. Although in the past small industry was neglected, its contribution to employment and to national production was considerable.

In the past several items which could have been produced efficiently in the small-scale sector were permitted to be produced by large-scale units. Such policies have placed serious restrictions on the growth potential of small-scale industry. In certain commodity groups such as textiles, ceramics, wood products and metal products specified product lines will be reserved for



the small-scale sector. Special attention will be given to organising the textiles and light engineering industries which are assigned a leading role in the Industrial Plan.

It is the intention of the Government to give every encouragement to the small-scale sector in the implementation of the proposals envisaged in the Five Year Plan.

T. B. Subasinghe
Hon. Minister of Industries and Scientific Affairs.

A message from the President

It gives me great pleasure to address a message in this Supplement which seeks to protect the Small Industrialist's point of view in the light of our present economic setup. I sincerely hope that this supplement in its infinitesimal capacity, will help to bridge and build the right atmosphere of mutual confidence between the industrialists and Official Agencies which is fundamental for the success of any development strategy.

In the Government's five year plan we find that the onus for the successful implementation of the Plan has been placed on the performance of the Industrialists in general through the sum total of their efforts. We believe that this can be achieved provided embodiment of official initiatives are executed in such manner so that the real degree of integration between the two Sectors will reach the highest possible for the efficient operation of the market-mechanism.

We are today marching forward within a democratic-Socialist pattern of Administration with top priority being stressed on upliftment of the suffering masses. The realisation of any plans for Economic Development depends not only on economic or technical factors but also on the functions of our total culture and complex social system in which the Small Industrialist forms an integral part.

Admittedly, the Small Industrialists have been Pioneers in the field of Industry in this country, but unfortunately, successful Governments have failed to nurture this Sector for furtherance of their progress and expansion. The past years have been indeed very bleak for small Industrialists due to various factors and obstacles which have hindered them in providing more employment to youth in Urban and rural areas—a factor which has posed the question of unrest and helped advocate militant ideologies amongst these youth, which nearly brought disaster to the Nation.

Today, we also hear the despairing wail of Small Industrialists who are compelled to fold up for lack of raw material and machinery and which has only helped increase the number of unemployed. On the other hand it is not an exposure to state that large monopolistic Organisations with their far reaching influential tentacles have received more favoured treatment. These Industrial Organisations controlled by syndicates of rich Moguls unscrupulous Shop-



keepers and so called businessmen whose enterprises had nothing to do with national economic development have been lavishly favoured and pampered but who have been exposed for antinational activities and malpractices.

Most small Industrialists are today battling for survival against strong competition from Organisations of recent origin controlled by non-nationals and citizens by registration—who have by their unscrupulous activities cast a slur and tarred all honest private Entrepreneurs.

It is right and imperative that a Government brings to bear a variety of policy instruments that they can be used circumspcctly to encourage or discourage those elements whose performance is crucial to the fulfilment of the Development Plan.

J. D. L. Abeyawickrama
Small Industrialists' Association of Ceylon.



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Opportunities for Small Industrialists

Lighting the households and buildings in Ceylon is largely with electric lamps, oil pressure lamps or wick lamps. The gas mantle is used in oil pressure lamps.

The gas mantle also known as the incandescent mantle is a type of fragile lace-like tube, which fixed around a burning gas jet becomes incandescent and gives a brilliant light.

After the electric bulbs the next best light is that of gas mantle as the mantle light too gives an even steady bright light unlike the wick lamp which has a moving flame.

Some of the brands in the market are Al (local); Veritas (U.K.); Petromax (Germany); Glory Solar (Hong-Kong); Efar, Fargo (Indian). They are used in oil pressure lamps—e.g. 'Petrol max' lamps.

The oil pressure lamp is used in households and small business places in urban areas including areas where electricity is available. The initial outlay on the cost of connections has put electricity out of reach for these users. The initial cost of an oil pressure lamp ranges between Rs. 65/- to Rs. 150/- depending on the brands. In rural areas this lamp is widely used particularly by those in 'titled' houses (which indicates the relatively richer homes).

According to initial inquiries from the trade, the main areas of demand are:

The north central province and the northern province (particularly the Jaffna peninsula); Galle/Matara region. The eastern province has relatively lesser demand.

In all households and business places without electricity there is wide spread use of kerosine oil wick lamps, and generally those who can afford, use one or more of the oil pressure lamps usually in the verandah or the sitting room where better lighting is needed.

M'facture of Gas Mantles

THE MARKET DEMAND

The demand for gas mantles is related to the demand for oil pressure lamps.

There are no local manufacturers of these oil pressure lamps. Past imports are: oil pressure type—incandescent lamps—

Year	Q'ty. Nos.
1956	... 46,750
1957	... 36,500
1958	... 63,900
1959	... 98,950
1960	... 99,150
1961	... 91,250
1962	... 89,900
1963	... 46,200
1964	... 78,200
1965	... 33,500
1966	... 38,450
1967	... 37,250
1968	... 46,600
1969	... N/A

Total lamps 790,690

1956-1968

The manufacturers and the trade consulted feel that a lamp will last for 10 years, and to over 15 years for some of the better known makes. The average life is taken as 12 1/2 years. They can be re-conditioned and repaired conveniently so that only a small percentage would be discarded. Under restricted imports, most lamps would be having an extended period of use, say about 5 years extra.

During the period of 1956-1968* 79,000 oil pressure lamps were imported. The total number of oil pressure lamps currently in use could be estimated at say 800,000.

The average life of a gas mantle according to the local manufacturer's tests is 417 hours. On this basis about 6 mantles would be required per year, per lamp. Indian specifications lists a minimum of 500 hours. The manufacturers consulted estimate the average number used per year to be about 10 per lamp as mantles tend to breakup due to shocks and vibrations. On this basis we estimate that there is a potential market for about 8,000,000 mantles per year. i.e. about 670,000 dozens.

Oil pressure lamp imports are restricted. Annual volume allowed is around 35,000 at present. Annual gas mantles demand for new lamps is about 30,000 doz. mantles per year. (x 10-12). Assuming that the present lamps would have an

extended life period of an extra five years the future demand could be estimated at:

1970	—	670,000 dozens.
1971	—	700,000 dozens.
1972	—	730,000 dozens.
1973	—	760,000 dozens.
1974	—	790,000 dozens.
1975	—	820,000 dozens.

mantle hose. He has an allocation to produce about 200,000 doz. mantles p.a.

Two additional manufacturers have been approved and are expected in the near future to install machinery to manufacture the mantle hose from imported yarn and

MARKET SUPPLY OF GAS MANTLES-IMPORTS AND LOCAL PRODUCTION

Year	IMPORTS		Total Imports Doz.	Local Production Doz.	Total Supply Doz.
	Art Silk Mantles Doz.	Silk Mantles Doz.			
1960	—	—	340,656	—	340,656
1961	—	—	271,680	—	271,680
1962	—	—	300,072	—	300,072
1963	—	—	342,456	—	342,456
1964	—	—	n/a	—	—
1965	155,988	11,772	167,760	32,743	200,503
1966	350,208	40,074	390,282	29,007	419,289
1967	398,280	51,240	449,520	21,764	471,284
1968	710,712	35,044	745,756	20,822	766,538

* reflects OGL imports 1968/1969.

One manufacturer at present makes gas mantles from imported mantle hose. The production level about 21,000 dozens i.e. 3% of total supply. 97% is imported. The production process is wholly done by hand. He claims that hand stitching, threading and ironing process is more efficient than through machines, and the long lasting quality of the mantle depends on the dexterity of the workers. It is unlikely that he will install machinery to manufacture the

chemicals, and also produce the gas mantle. Both have a total machine capacity for 330,000 dozens—2 shifts per year.

The three manufacturers have a total allocated capacity of 580,000 doz. Due to reasons stated earlier future installed capacity would be for about 330,000 doz. The balance 230,000 dozens would have to be made from imported mantle hose. Even on total allocation there is likely to be a gap between demand and supply as follows:—

	Estimated demand	Allocated capacity	Difference to be bridged
	doz.	doz.	doz.
1971	700,000	580,000	120,000
1972	730,000	580,000	150,000
1973	760,000	580,000	180,000
1974	790,000	580,000	210,000
1975	820,000	580,000	240,000

Contd on Page 10

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Manufacture of gas mantles...

(Contd. from page 9)

INVESTMENT

The gap can be bridged by establishing small scale units with a proposed capacity to make 24,000 doz. of mantles per year from supplied mantle hose and asbestos thread. Apart from this anticipated gap on the basis of growth in demand it is also likely that these units would have to accommodate the supply of about 200,000 doz. of mantles from the allocation made to the existing units.

We suggest the establishment of about 6 small scale units between 1970/71 and about one new plant a year till 1975. The total capital employed would be about Rs. 62,500 on each unit. We may consider establishing immediately two units at Kurunegala and Anuradhapura.

CAPITAL REQUIREMENTS

Capital Outlay

Fixed Capital

	Rs.	Rs.
Land—10 perches c Rs. 300/-	300	3,000
Building	3,000	3,000
Installation of wiring and water supply	1,000	1,000
Equipment	3,000	3,000
Contingencies	588	588
		15,588

Working Capital

	Rs.	Rs.
Raw Materials (3 months)	28,800	28,800
Finished Goods	15,000	15,000
Wages	2,000	2,000
Rates and Taxes	20	20
Electricity	30	30
General Expenses	200	200
Salaries	700	700
E.P.F. 6%	162	162
		46,912

TOTAL CAPITAL

62,500

RAW MATERIALS

Imported Mantle Hose	Asbestos thread
Ramie thread	

PROCESS OF MANUFACTURE

EQUIPMENT REQUIRED

1. Table 10' x 5'
2. Aluminium mould—locally fabricated
3. Storage cupboard/shelves
4. Stitching needles, Electric iron and Iron board.

- The Full Process
- Knit Stocking
- Wash with dilute sodium carbonate solution
- Wash with dilute detergent solution
- Wash with dilute hydrochloric acid
- Wash with de-ionised water
- Spin dry
- Impregnate in 50% solution of Impregnant (Thrium Nitrate Composition) for 3—5 hours
- Spin dry
- Transfer to air dry at 30°C—Store for 1 day
- Denitrate in dilute ammonia solution
- Wash with de-ionised water
- Spin dry
- Transfer to air dry at 30°C
- Cut to length
- Harden Head using aluminium nitrate solution
- Air dry
- Close end with hardened asbestos cord
- Shirr head with hardened asbestos cord
- Iron
- Packet
- Carton
- (CISIR)

The plants proposed would not manufacture the mantle hose. These raw materials would have to be supplied.

We under-note the manufacturing process from the raw materials which are all imported at present.

1. The imported 300 denier multi-textured artificial silk mantle strips with a red band, imprinted for spacing is cut evenly without fraying—hand operation

2. Bottoms are stitched firmly and evenly—hand operation

3. Is turned over on forms (aluminium mould) to get circular shape—hand operation

4. Top is folded and thick asbestos thread is fixed through with uniform spacing—hand operation

5. Ironed into round shape—hand operation

6. Packing singly into envelopes and 12 into box board

Mantle hose/thread is imported and the whole process is hand operated.

EMPLOYMENT

1. Manager
2. Assistant
3. 10 trained employees for cutting stitching, forming, folding, ironing and packing etc.

EVALUATION

1. The return on total capital is 26.4%
2. The payback period is 3 1/2 years on fixed and working capital.
3. Investment per worker is Rs. 5,200/-
4. Breakeven point is Rs. 77,200/- or 10,426 doz.
5. Profit/Volume ratio is .16
6. Profit expressed as a percentage of sales is 9%.

SPECIAL CONSIDERATION

Import quotas would have to be given to the proposed units for importing raw materials. Once manufacture of the mantle hose is started by the large scale units approved, their manufacture of mantles from the mantle hose, from under their factory may have to be regulated to enable these small scale units to be in operation.

NATIONAL BENEFITS

The approved large scale units are located at Ratmalana, Ekala (not yet established) and Hakmana (not yet established). The proposed small scale units would provide employment in regions away from these locations but where there are concentrations of demand.

The C.I.F. cost of an imported gas mantle is about 28/19 cents. The imported raw material C.I.F. cost per gas mantle is 21 cents. There would be a net foreign exchange saving of about 7 cents per unit—Rs. 470,000/- annually.

(AN IDB STUDY)

Alex

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PROFITABILITY STATEMENT

	Rs.	Rs.
24,000 doz. c Rs. 7.50 per doz., to trade		180,000
Variable Costs:		
Raw Materials	115,200	
Wages	24,000	
Electricity	360	
E.P.F. 6% of Wages	1,440	
B.T.T. 5%	9,000	
Waste allowance	1,152	151,152
Contribution		28,848
Fixed Costs:		
Salaries	8,400	
E.P.F. 6%	504	
Rates and Taxes	240	
Depreciation—2 1/2%	200	
—20%	600	800
General Expenses	2,400	12,344
Net Profit		16,504

At the time when Ceylonese had not given much thought to entering the manufacturing side of business, that is to say at the turn of the present century, there was at least one Ceylonese who had the courage to venture into a field sacrosanct to the industrially advancing Western nations. He was the late Mr. D. William Pedris, the Founder of William Pedris & Co., Ltd., The field he chose was one of a highly technical nature - the manufacturing of spectacle lenses.

With very little "know how" and Sinhala personnel who had to be trained from scratch, this enterprising founder imported the first Optical Lens Manufacturing Plant into the Island Hand in hand with the sight

ous pure tortoise shell, the only imported component being the hinges for the sides. These locally made spectacle frames remained in popular demand until the advent of frames made of synthetic material from abroad which being priced at ever-decreasing rates, eventually ousted the pure tortoise shell frame from the market.

Today William Pedris & Co. continue in the processing and manufacturing of spectacle lenses from imported blanks and hold a pre-eminent position for the high quality top grade lenses turned out in its modern optical lens generating plant.

Export inquiries are now being received even from abroad

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1900—1972

testing and dispensing service organised with the flotation of the Company in 1900, William Pedris & Co. began to turn out spectacle lenses to precise data given by ophthalmologists. It was the first manufacturing service of its kind in the Island and despite its highly technical and scientific nature the company earned an Island-wide reputation for the scientifically exact lenses produced from imported blanks. Its production was of such a high standard that at the All Ceylon Exhibition held in July 1912 it won a Gold Medal for the best optical lenses manufactured in its own plant and proceeded to win another Gold Medal in August 1923 at the Agricultural & Industrial Show for the same product.

Whilst the reputation it earned for spectacle lenses produced in its own plant brought the firm to the forefront in the Optical lens and sight testing and dispensing services, in the late 1920's the company ventured into another manufacturing field—turning out spectacles frames made from indigen-

for its top grade finished optical lenses and the company shortly expects to export its lenses earning much - needed foreign exchange for the country.

Soon this company will be entering the field of spectacle frame manufacturing from synthetic materials at its new and modern Frame Manufacturing Plant for which machinery has been already imported and which will soon be going into production.

The company is now under the Directorship of Mr. D. L. F. Pedris, the son of the late Mr. D. William Pedris the Founder. Its General Manager is Mr. D. Lalith F. Pedris, the son of the present Director. It has a staff strength of over 60 employees.

Provided that Government will actively support small industrialists of the calibre of William Pedris & Co., Ltd. by granting enhanced industrial quotas and other assistance there can be no doubt that Ceylon's economic strength can be greatly increased, whilst employment opportunities would multiply.

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Success, whether it is individual or institutional, is not something that emanates from nothing. It is and it has to be the result of sound planning and thorough implementation of the plan so formulated.

An individual leaps into limelight not because of former karmic force but because of his courage, determination, perseverance and quick thinking. They are pillars of success builders of nations, benefactors of the civilizations. Advancement of the society, progress of humanity and expansion of unfettered thought rest on them. They are not ornaments but solid foundations of the civilised society.

The story of Mr. W. P. G. Saris Silva is one of those rare success legends parients emulative and praise worthy worth recording.

In 1935 he obtained a job at Ceylon Theaters Ltd. as bar Keeper. The salary fixed for this important job was Rs. 20/- per month.

When the war broke out in 1938 foreign sailors and soldiers—followed in unending streams. He was the most sought out man.

In this period the shortage of icecream cups, and drinking straws due to ban on imports was felt by our man who was the bar Keeper as the things were in constant demand at his point, he contemplated:

"Why should we not manufacture these items in our own country instead of importing them from abroad blocking much needed foreign exchange" he thought. This brain-wave kindled a flame of the newest industry in Ceylon.

He rented a house at Kesbawa where production commenced. Moulds were made by him. The hand made items flowed in quick succession.

The new industry, hitherto unknown to this country flourished. His profits during the period aforesaid was Rs. 16,000/-. In venerating the most respected Sinhalese King in Ceylon, Parakrama Bahu, the great he registered his business as Parakrama Industrial Works Ltd. This was in 1945.

War ended. Ceylon gained her independence in 1948. He bought a piece of land at Katana for his new factory with the intention of expanding his activities. The plans were carried out; a new factory was built; new productions were made; experiments went on. Saris Silva was busy like a bee.

In 1963 the Parakrama Industrial Works became an approved industry by the Government. Mr. Saris Silva has spent 27 years of his time—best part of his youth—to become a successful businessman. It was, no doubt, a continuous struggle, yet courage, determinations and perseverance that crept into this man and taken him to the goal—economic independence of human life.

During this period he had paid over Rs. 40,000/- Income Tax. His Katana Factory gives employment to 40 girls. He resides in Colombo and maintains an office at No 77, Sri Vagiragnana Mawatha, Colombo 10.

Now at the age 64, he works 16 hours a day without any assistance. He is a one man Organisation — Proprietor, Manager, Accountant, and Sales Representative—a single dynamic human unit, a fact known to all his friends.

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Office- 77, Sri Vagiragnana Mawatha, Colombo-10. Tel. 91666.



Kandy Optical Co., founded in 1927 by Mr. U. E. Wijetunga, went under the management of his son and daughter in law, Mr. U. R. Wijetunga D.C.O., and Mrs. Chitra Wijetunga who both received their training in the United Kingdom, and are members of the International Society of London Course of Optometry.

Kandy Optical Co., is now reputed to be the only Optical Enterprise in the Island manufacturing Spectacle Frames of original aesthetic design with the skilled technical guidance of Mrs. Chitra Wijetunga at the helm.

In this picture Mrs. Chitra Wijetunga is seen instructing a technician in the manufacturing of Spectacle Frames.

Kandy Optical Co., has also earned the added distinction of producing highly specialised optical Propsetics. Frames and Lenses are so designed and produced, after careful study of facial bone structure taking into consideration abnormalities, if any, in the client.

Kandy Optical Co., which has a work force of 15 skilled personnel, is also reputed for its specialised methods of primary processing and design-

ing before going into production of finished spectacle components. Kandy Optical Co. have now become famous for setting the trend in contemporary designs for those of discerning taste.

At present production in the Factory is geared to export-potential, but the materialisation of any positive outcome and scope for expansion has now been drastically reduced by beauracratc obstacles besides the essential lack of credit facilities.

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Industrial Development Supplement

SOME METHODS OF ACCELERATING ECONOMIC DEVELOPMENT

There are three groups of issues governing economic development, namely (a) The theory of Economic Development (b) Criteria for Economic Development and (c) Specific Development Problems and Projects.

In this context there are no generally approved methods of situation analysis. The social context varies from country to country. Economic development is a function of the total culture, but economic growth is only about twenty five years old and there is no all embracing theory. In Ceylon we have a dualistic economy—subsistence and barter. Our aim should be to transfer subsistence economy into market systems.

Economic Development requires not only capital but certain other preconditions like change in behaviour and institutions. A desire to develop will change all structures such as political and administrative structure of society, motivations and behaviour; population, and employment, and trade, internal and external. All these changes are required simultaneously and they can be brought about by total planning or an intermediate system under which individual decisions are allowed to help the government process.

Private Sector

In point of view of Private Enterprise, this sector risks capital and expects a reward. The concept of private enterprise is based on market economy. To succeed, a market economy needs some pre-conditions: (a) social and psychological motivation; (b) a proper framework—a money system and a fiscal system; (c) monetary stability; (d) open market; (e) private property in the means of production; (f) freedom of contract; and finally (g) stable economic policy.

Indicative planning is very essential and beneficial and the infra-structure should be set up by the State and Private Sector Programmes should be included in the plans. Development is a long-term process and State investment should complement private investment. The general frame

work of situation analysis in the field of economic development should be taken up from the point of (1) resources, natural and produced (2) Manpower, (3) Institutions and (4) behaviour, development potential and policy.

By

T. E. HEYZER

Industrialists' Assn, of Ceylon

The Growth of the Public Sector, however, materialised as a result of social tensions and economic inequality which once set-up, whether it runs at a profit or loss, will never be given up. Economic conditions, like large scale investment or long gestation period, might justify the entry of the State in industry.

The criteria for economic development is for the effective role of the Private Sector. Programmes in the private sector should be integrated in the plan; which has upto now not had a fair share in the plans. Government should also act in a way to make private enterprise feel it is identified with the Plans, or government can create conditions to induce private Enterprise to act according to the Plan Programmes. A National Development Bank to finance private enterprise is of vital importance and in which private enterprise can play a significant role. However, various hindrances to private enterprise should be removed for any noteworthy progress. There should be a consistent fiscal policy and better communication between the public and private sector.

Worker Participation

Trade Unionism, which we believe has been the main obstacle to our Economic Development deserves however to be looked at from the opposite angle. The worker does not generally look in point of view of profit but of human welfare. Can we surely say that we have economically developed in any way when we see the human misery all round us. In this context, the worker too should be taken into the plan where he will also receive the rewards of production. It is advisable that trade Union

be associated in the Planning process and have a greater voice in economic matters through representations on Boards of Companies, Corporations and Government Departments.

Back to the subject, the priorities in the aims of development should be (1) Growth in National income (11) Better distribution of income. In this case employment opportunities determine income distribution (3) Employment Opportunities Non-productive employment reduces the savings rate and labour intensive projects often lead to waste of capital (4) Curtailing dependence on foreign Trade.

In the process of Development it is also essential how to evaluate Projects; It is necessary to keep in mind the aims and criteria of the project—which may be an increase in income; increase in employment, saving of foreign exchange, and "feed" effect. To achieve aims it is necessary to determine the short and the long term return on investment. An individual Project has to be in accordance with the macro-economic needs of the nation. The Process for evaluating projects should be, firstly, the basic idea of the project, secondly a pre-investment survey into the various characteristics of the economy, thirdly a feasibility study with much more detailed market analysis, cost, calculation etc., and finally the implementation of the project.

On the selection of projects for development the main criteria is the need to look at it from the National economic level and at the Industrial Enterprise level. A project requires the use of resources for the creation of new capital which will produce further goods. For this purpose, it is necessary to take into account both primary and secondary benefits of projects. Project selection is influenced by national economic policy.

Finance

On the topic of financing projects of development, the problem can be looked at from the aggregative point of view and from the project point of view. From the aggregative point of view it is necessary to raise the volume of savings

both voluntary and compulsory Foreign aid can help to supplement domestic savings. Resources in the Public Sector can be raised through land taxes, consumption taxes, and surpluses of public enterprises. For any Development Project it is necessary to adapt western methods to the problems at hand and the emphasis should be laid on the need for research and development.

It is noticeable that the drawbacks for progress in the Private Sector is due to the high costs of production and the lack of finance.

On the question of possibilities and limitations of private enterprise in Ceylon, it has to be looked at from the sociological point of view and from the economic point of view. In the sociological point of view Government Policy, in the past, had retarded growth. Lack of managerial training and unwillingness to take risks are other factors limiting development. Favourable factors for development are the evolving changes in social attitudes, and the provision of physical infra-structure.

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CEYLON SILKS LIMITED

Ceylon Silks Limited is engaged in the manufacture of Rayon and Synthetic Textiles. It was incorporated as a Public Limited Liability Company in February 1962. Among the Synthetic Industries it is the only Public Company whose shares are quoted in the market. Unlike most other synthetic industries it has neither technical nor financial foreign collaboration.

PRODUCTION

Ceylon Silks Limited manufactures High Quality Synthetic Fabrics under Brand Name "CEY-SILK" which serve as import substitution. Presently they operate two shifts and produce about 1.63 million yards a year.

However in 1969 they were operating three shifts producing 2.2 million yards. If sufficient raw materials could be made available they can now operate three

shifts and besides producing about 2 million yards could provide additional employment to about 200 semi-skilled and un-skilled labour.

CAPITAL STRUCTURE

	Rs.
Authorised Capital	10.00 million
Issued Capital	5.64 "
ASSETS:	
Fixed Assets: as at 31/1/71	8.57 "
Liquid Assets: as at 31/3/71	5.84 "
Capital Employed: as at 31/3/71	14.41 "

COMPARATIVE DATA FOR THE YEAR 1968, 1969, 1970

	1968	1969	1970
Yardage Manufactured (000s omitted)	1658	2222	783
No. Employed	426	532	582
BTT Paid (Rs. 000s omitted)	200	750	1870
Savings in Foreign Exchange (rs. 000s omitted)	3590	4400	1600

THE IMPORTANCE OF OPTOMETRY IN TECHNICAL EDUCATION

For the first time in Ceylon in 1969 a course of study in Optometry commenced at the Vidyodaya University under the helm of Professor P. C. B. Fernando of the Physics Department, an enthusiastic and dedicated worker in practical technical education.

Practical technical education is an absolute essential not only in the advancement and improvement of the profession of Optometry, but in the development of the technical aspects of the optical industry which is greatly lacking in this country. Advanced countries in Europe especially have been able to meet this requirement and thereby enable Export Industries in this field to develop fast.

Being a highly precisionised industry, technical education is of paramount importance if any substantial headway is to be made in the nature of exports. Further, being a country with high literacy and a desire to develop industrial exports, it is imperative that the visual demand and requirements are met adequately and development kept in pace with the rest of the world.

It may surprise many in this country at the helm of administration that a developing country such as India has gained ground in exports of spectacle frames and lenses, although the raw material is imported from primary raw-material producing countries. Their concentration seems to be on the aspects of production of an article meeting both aesthetic and technical requirements and producing it at the cheapest rates.

It seems a great pity that in our country the administration seems to be obsessed in the collection of innumerable statistics which is an extremely

heavy burden in time and resources to the Small Industrialist. I would personally feel that we should get head-heavy towards utilisation and encouragement of maximum productivity than concentrating heavily on the clerical aspect. These burdens on the Small Industrialist should be immediately corrected if any headway is to be made in the implementation of our Five Year Plan.

One of the basic requirements is a stable form of education which has to be a properly balanced technical one in order that we may achieve the targets as laid down in



U. R. Wijetunga, D.S.O. of the Five Year Plan. It is of great importance that the

Approval of Industries:

The ordinary citizen assumes that the picture of the various industrial plans and projects presented by successive Governments will bring about positive results which would place the country on an economically firm footing in the future. But emphatically, the materialisation of any economic advancement through Industrialisation will be remote if our Planners and Executors of Industrial Policy lack perspective in screening many an Industrialist before any projects approved.

Some aspects for consideration

In this connection it is important to ascertain the entrepreneur's integrity, whether he is a true patriot to the country, whether he has the required capital or through what sources he has raised capital and finally whether he personally possesses the actual know-how in respect of the industry he embarks upon. These are the fundamental aspects for consideration if the country's Industrialisation programme is designed to bring about economic growth.

Anti-Patriotic elements

As an Industrialist, I can boldly state that I have watched the Industrial policies of successive Governments and, admittedly, although their Policies have been excellent all the same in practice they have been found wanting and are positively not fool proof. As a result, anti-patriotic elements with lack of capital and know-how surreptitiously connive with Capitalists who have no ties with the Country and start Industrial Projects—the liquidation of Capital debts being manipulated through import malpractices. This is one of the foremost reasons why we are in a worst plight today than we were in the 1950's; Why do we have to continu-

ously place the blame on the anti-national activities of non-nationals! Do we not have to take a closer look at our own stables to ascertain as to how such elements are afforded opportunities to carry on with impunity such activities—Is the corruption in our own midst among our own countrymen at Governmental and Corporate level the key to

this problem, which has brought our Nation to the present crisis.

It is worthwhile also reiterating that the resources from where we obtain Capital for

By J. D. L. Abeyawickrama
President, Small Industrialists' Association of Ceylon

particular Industrial Projects is of vital importance. It is a fact that foreign Investors generally desire to repatriate their capital investment after the first year of operation. In succeeding years we find them eating into our foreign exchange—Our policy makers must guard against such dangers. It is imperative that whatever foreign exchange is expended in the Country's Industrialisation programme we must endeavour to make good a hundred fold.

Are we not aware that many an Industrialist has started an Industry without the necessary know-how and has ultimately been draining foreign exchange from the country on machinery etc., which have been subsequently revealed to be useless junk. These are the Industries which have been now discovered to be 'White Elephants'. At whose doorstep does the blame rest?

course of Study commenced at the Vidyodaya University in this field be encouraged by the Education Administrative Authorities so that this particular sphere which is of practical importance in this country in every aspect, reaches the highest possible degree.

It is essential that credit facilities must also be extended to Small Industrialists which has unfortunately not been concentrated upon in the past in the real practical sense, but which is now of vital importance at this critical stage for the survival of our Nation.

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Sriyani Textiles Forge Ahead

Sriyani Textile Printing Industry - established in 1967, under the fostership of the Department of Rural Development and Cottage Industries, made rapid progress under the able Management of Mr. Godamanne (Snr.) and his Son Mr. T. Godamanne. In 1970 they achieved a record production target of 325,000 yards of textile at a time when imports were curtailed.

In 1971, through representations made to the Ministry, the Industry was brought under the wing of the Department of small Industries.

Sriyani Textile Industry—having a workforce of 42 on their role have technical expertise who work in co-ordination with the sole aim of producing the highest quality material in the market. Contemporary designs, executed by a specialised Department completes the finished product which has now earned much distinction.

In 1969-1970 **Sriyani Textile Printing Industry** under contract with **SALU SALA**, was issued Textiles for printing according to output and quality; but in the latter part of 1970 it was suspended and the quota system adopted which is insufficient for a complete year's production. Textiles are now issued through **Salu Sala** for printing and return for consumer distribution through them.

According to the Government's Five Year Plan emphasis is laid on labour intensive projects such as Handloom and Textile Printing Industries. But surprisingly for the year 1972, contrary to expectations, quotas have been cut drastically by 60%, resulting in a drop of production in spite of the acute shortage of textiles, and automatic redundancy in workforce due to lack of business.

At present, given a quota for import of Dyes and Chemicals based on -/10 cts per yard C.I. F. the quota is fixed on the basis of units of workmen comprising three and the number of Printing Tables. Allocations are given for part import of Bleached Textiles and part locally manufactured and are distributed through **Salu Sala** who now have the sole monopoly. But the position now exists where even bleached materials are not fully available from the local market.

Texo-Print LG is a new Synthetic Photo Emulsion invented by this industry for the production of printing Screens according to the Photo Chemical process.

This photo emulsion is now used by a number of leading textile firms throughout the island as it is cheap upto international standards reflecting very sharp details and is a potential foreign exchange earner. The import of textile chemicals are longer necessary.

SRIYANI TEXTILE & PRINTING INDUSTRY

99, Stace Road, Colombo 14.
Telephone. 32338.

COMPANY MEETING REPORTS

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THE ECONOMIC TIMES

Editorial Department

Wednesday 16th February, 1972

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

DEVELOPMENT AND THE SMALL-SCALE SECTOR

"A CONSCIOUS EFFORT IS NOW BEING MADE TO GIVE A 'REGIONAL APPROACH' TO INDUSTRIAL DEVELOPMENT AND THE UTILISATION OF LOCAL RAW MATERIALS. THE HIGHEST POSSIBLE PRIORITY WILL, THEREFORE, BE GIVEN IN THE COMING YEAR FOR THE DEVELOPMENT AND PROMOTION OF SMALL INDUSTRIES."

Excerpt from the Finance Minister's Budget speech 1971/72.

AS A MATTER OF POLICY THE GOVERNMENT HAS DECIDED TO KEEP SHARP EMPHASIS ON THE SMALL SCALE SECTOR IN THE COUNTRY'S DEVELOPMENT PROCESS. ACCORDINGLY, THE FIVE YEAR PLAN TAKES INTO ACCOUNT THE SPECIAL DIFFICULTIES OF THIS SECTOR, ESPECIALLY WITH REGARD TO FINANCE AND MARKETING. THE STRATEGY OF DEVELOPMENT BEING BASED ON THE OPTIMUM UTILISATION OF LOCAL RAW MATERIALS AND THE CREATION OF EMPLOYMENT OPPORTUNITIES.

THIS STRATEGY IS UNDERSTANDABLE IN THE LIGHT OF THE SERIOUS SHORTAGE OF CAPITAL IN THE FORM OF FOREIGN EXCHANGE FOR THE IMPORTATION OF INDUSTRIAL RAW MATERIAL AND THE DESPERATE DEMAND FOR JOBS. THE PLAN THUS PROPOSES THAT IN GENERAL NO CAPITAL INTENSIVE LARGE SCALE PROJECTS BE APPROVED IF ECONOMIC ALTERNATIVE METHODS OF PRODUCTION CAN BE FOUND IN THE SMALL SCALE SECTOR, WHEREBY THE DRAIN ON FOREIGN EXCHANGE COULD BE CURBED WHILE PROVIDING MORE JOBS.

THE INHERENT DANGER, HOWEVER, IN THIS STRATEGY OF DEVELOPMENT IS THAT PRODUCTIVITY IS HIGH IN LARGE SCALE INDUSTRIES; BUT LOW TECHNOLOGY AND LABOUR INTENSIVE METHODS WILL RESULT IN A REDISTRIBUTION OF INCOME AMONG THE HIGH CONSUMPTION GROUPS RESULTING IN THE CREATION OF NEW DEMAND FOR CONSUMER GOODS. THIS NEW EMPHASIS COULD VERY WELL BRING ABOUT ADVERSE AFFECTS ON THE GROWTH OF THE ECONOMY

AGAIN, THE SOCIAL OBLIGATIONS OF THE FIVE YEAR PLAN—VIZ., TO PROVIDE EMPLOYMENT AND TO BRIDGE THE PRESENT DISPARITIES IN INCOME AND LIVING STANDARDS WILL INCREASE CONSUMPTION IN THE LOWER INCOME GROUPS (WHILE OF COURSE REDUCING CONSPICUOUS CONSUMPTION OF THE PRIVILEGED CLASS). IN THIS SITUATION THE GOVERNMENT WILL BE FACED WITH THE TASK OF MEETING THIS NEW DEMAND IN THE SHORT RUN—QUITE AN ENVIABLE TASK IN THE ECONOMIC CONDITIONS OBTAINING AT PRESENT. THERE IS ALSO THE LIKELIHOOD OF A REDUCTION IN SAVINGS AMONG THE HIGHER INCOME GROUP AND IN THE LOWER INCOME GROUP THERE WOULD BE NO SAVINGS AT ALL. THE GOVERNMENT WILL THEREFORE BE FACED WITH THE ADDITIONAL TASK OF MEETING THE SHORTFALL IN SAVINGS.

A HOST OF OTHER PROBLEMS COULD ALSO CROP UP, SUCH AS THE INCREASE IN THE PRICES OF FOOD ITEMS ON ACCOUNT OF THE NEW CONSUMPTION PATTERN. INFLATIONARY PRESSURES WOULD ALSO INCREASE. THE SUCCESSFUL IMPLEMENTATION OF THE PLAN IS THEREFORE NO EASY TASK. IT IS HOPED THAT THE INVOLVEMENT OF THE PEOPLE IN THE IMPLEMENTATION OF THE DEVELOPMENT PROJECTS WOULD HAVE THE WAY TO RECOVERY, STABILITY AND GROWTH.

Paper and paper board mill gets going

The new integrated pulp, paper and paper board Mill of the Eastern Paper Mills Corporation was commissioned last week by Mr. Aithripala Senanayake, Minister of Irrigation Power and Highways, at Valaichchenai. The Minister of Industries and Scientific Affairs, Mr. T. B. Subasinghe, addressed the Corporation employees and the invitees.

The first Paper Project was started in 1952 by the Government of Ceylon, with a capital of Rs. 22 million. This project was on the verge of being closed down on more than one occasion, on the grounds of lack of raw materials, high production costs and lack of technical know-how. The Mill was designed with a production capacity of only 12.5 tons per day. This mill which came under criticism by the World Bank mission organized by the International Bank for Reconstruction and Development was commissioned in September 1956.

In 1959 Messrs. Sandwell & Co., Ltd., a firm of Consultants from Vancouver, Canada, was engaged to study and report on the problems encountered during the initial period of the Mill operations. These problems were identified and were tackled systematically to improve operational efficiency of the Mill.

From 1960 onwards a scheme of rationalisation and diversification of products took place, and with the assistance of the Consultants modifications to existing Mill were carried out in order to increase the rated capacity of the Mill from 12.5 tons to 30 tons per day. For this purpose the capital of the mill was increased to Rs. 29 million.

A note-worthy feature is that due to operational efficiency production began to increase progressively from 4,182 tons in 1959 to 10,000 tons in 1967.

The feasibility of manufacturing cardboard and other paper board products at the Eastern Paper Mills, Valaichchenai by adding the necessary plant and equipment to the existing machinery and integrating the Board and Paper

Machine operations at the Factory into a single unit was first examined in 1970. Project report was submitted in November 1963 to the then Minister of Industries and Commerce, and Government approval was obtained.

Increased Capacity

The first step in the integration of the present mill with the Paper Board Mill was in the nature of further modifications to the existing Pulp and Paper Mill at Valaichchenai to increase the production capacity from 30 tons per day to 35 tons per day resulting in an increase of 5 tons per day on the existing Mill.

The Board Mill was originally planned for a capacity of 30 tons per day. But as a result of subsequent market analysis, the capacity was increased to 40 tons per day.

The foreign cost of this Equipment and Engineering Services was financed through

Messrs. Kreditanstalt für Wiederaufbau by the Federal Republic of Germany. The loan Agreement was signed in March, 1967

Tenders for the supply of Machinery and Equipment were called in accordance with the Loan Agreement within the Federal Republic of Germany. The tender was awarded after evaluation, to Messrs. J.M. Voith G.m.b.H. The contract for supply of machinery was signed in March 1968. Construction work on this Project by the State Engineering Corporation was inaugurated in July 1968. Machinery has been erected, trial runs have been made and the Plant is now ready for commissioning.

With the Paper Board Mill in full production the Eastern Paper Mills, Valaichchenai, will manufacture 22,500 tons of Paper and Paper Boards per annum.

CREDIT SQUEEZE TO END?

The credit Squeeze imposed on all commercial banks is expected to be lifted by March 15, as the Government has found that there is "considerable anxiety" about the possibility of implementing the five year plan in the face of the ceiling.

The credit ceiling has precluded commercial banks from increasing the limit of their total advances beyond nine per cent over the level of advances as at October 31, 1971.

According to official sources the private industrial sector and State manufacturing corporations were struggling for credit accommodation following the ceiling on bank credit clamped down in mid-December, last year.

Grim prospect

Industrial development activity, both in the public and private sectors was up against the grim prospect of grinding to a halt. Even the co-operative and small industrial sector had been adversely affected.

Credit accommodation to State Corporations, it was pointed out, had been restricted through the provisions of a Cen-

tral Bank directive since 1969. The result of this had been that even the nine per cent increase of the ceiling on credit was not available to the public Corporations.

The concomitant effect of these limitations on credit was that apart from advances for agricultural purposes which were backed by a Government guarantee (up to 75 per cent of their volume) no worthwhile credit disbursements were available for the expansion of industrial or agricultural activity.

It is also claimed that the operative restriction of the credit squeeze imposed on commercial banks had, further more, adversely affected the financing of import and export bills. This had had a depressing effect on the trade sector.

In view of this position, the Government will announce certain exemptions to the credit ceiling and simultaneously lift the credit ceiling.

£2,500,000 for world food programme

Britain has promised the World Food Programme a total of £2,500,000 in commodities and cash for the two-year period 1973/74, subject to Parliamentary approval. This was announced last week by the Overseas Development Administration of the Foreign and Commonwealth Office.

Of the £2.5 million, one-third will be in cash and two-thirds in available United Kingdom commodities.

This pledge compares with pledges totalling £1.23 million which Britain made for the two-year period 1971/72.

Development projects

The World Food Programme is a joint UN/FAO body, established in 1963, to which governments pledge food and money.

More than 75 per cent of these resources are used in support of economic and social development projects in developing countries and the rest for emergency aid at times of natural disaster.

Indo-Ceylon Industrial Ventures

A further step towards Indo-Ceylon economic co-operation will be taken this month with the arrival in Ceylon of several Indian experts to prepare feasibility studies on the proposed joint industrial ventures.

The fields selected for joint projects are graphite, silica, paper, refractory, mica and rubber. All raw materials for these industries are available locally.

The two governments will decide on the site of the factories, production capacity, quantity needed for local consumption and the exportable surplus.

No decision has yet been taken whether Indian partici-

pation will be confined to state organisations or open to the private sector as well.

Indian Market

India has agreed to open its domestic market to all surplus production from the proposed factories by removing the existing tariff barriers.

Economists are of opinion that the Indian market will have an unlimited capacity for these products in view of the country's annual population increase of 15 million.

Meanwhile, India has also agreed to double its copra imports from Ceylon to 15,000 tons, and to lift the ban on the import of aracanuts and chanks.