Registered as a Newspaper in Ceylon

THE ECONOMIC TIMES

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First State owned duty free shop

Ceylon's first State-owned duty free shop to sell gems is to be set up at the Bandaranaike International Airport, Katunayake.

The existing Laksala duty free shop at the airport will be closed down and the new duty free shop will be housed in these premises.

The gems for this shop are to be obtained from the State Gem Corporation and will carry an international guarantee of quality. This is expected to bring in considerable foreign exchange to the State coffers.

In addition to gems, this shop will stock a large variety of other local goods, including handicrafts, curios, ceramic ware and leather goods.

GRAPHITE INDUSTRY MAKES HEADWAY

The State Graphite Corporation has made satisfactory progress during the first few months of its existence. According to provisional estimates the profits recorded are quite substantial.

Rs. 3,343,000 was earned as foreign exchange through the export of graphite, and Rs.1,490,000 was paid to Government in the form of export duties. The total foreign earnings of the mines for the whole of 1970 was Rs. 5,604,000.

The Kolongaha Mines were vested in the Government last October. During the first five months there has been a marked increase in production, a conservative estimate of which would be around 34%.

The Kolongaha mines had in 1970/71 an average output of 67,5 tons per month. Today the output is at an average of 92 tons a month, and is expected to reach the 125 mark quite soon.

Meanwhile, the third mine, Kahatagaha, is likely to be taken over shortly.

The State Graphite Corporation has stationed a team of specialists since mid-February at Kahatagaha. The team includes Engineers, Mine surveyors, Stores and Security personnel. This team has done some very valuable preliminary work, including an under-ground survey map of the Kahatagaha Mine.

New Mine

The Corporation is now studying the feasibility of opening a new mine in the vicinity of Siyambalaweva in the Yatiyantota electorate. There has been a survey conducted by the Geological Survey Department which indicates that there are rich graphite deposits at a depth of around 100 feet. It is probable that this mine would be operated from Bogala.

Expansion Programme

The expansion programme of the State Graphite Corporation, also includes two important graphite-based industries. They are Graphite Crucibles and Colloidal Graphite. A team of Indian experts are currently studying these projects and they are due to report to the Government of India on the feasibility of such industries, and on the market potential both here and in India. These activities come under the Indo-Ceylon economic co-operation programme to which reference has been made in the past.

A broad-based guide to the entire mining industry will be contained in the forthcoming Mines and Minerals Act. The Bill for this Act, which will shortly be presented in Parliament by the Minister of Industries, will vest the country's mineral rights in the State.

TRADE WITH W. ASIA EXPANDS

Ceylon is assured of a bigger volume of trade with West Asian countries, this year.

The necessary arrangements are now being made to provide for this expanded trade under the bi-lateral trade agreements which will come up for renewal shortly.

Under the renewal pacts, Ceylon is expected to sell more tea, rubber, coconut and cocoa in exchange for crude oil, cotton, textiles and manure.

The Ministry hopes that our tea sales alone would rise by at least Rs. 20 million, under the renewed pacts.

Money Supply Increases

In the first eleven months of the period end December 1970/end November 1971, Ceylon's money supply increased by Rs. 168·9 million or 8·6 per cent as compared with an increase of Rs. 43·6 million in the corresponding period of the previous year.

In sharp contrast to an increase of Rs. 26·4 million in October, the money supply declined by Rs. 36·9 million in November. The demand deposit holdings of the public increased by Rs. 24·1 million, while their holdings of currency decreased sharply by Rs. 61·0 million. The demand deposit component in the money supply, therefore, rose from 47·3 per cent in October to 49·2 per cent in November. At end November the money supply stood at Rs. 2,135·5 million representing an increase of Rs. 280·8 million or 10·8 per cent over the level in the corresponding month of last year.

The operations of the private sector, which had produced the major expansionary pressure on money supply in October, were mainly responsible for its decrease in November. The contraction in this sector amounted to Rs. 49·2 million. The net expansion originating in the external sector amounted to Rs. 12·8 million as against a substantial contractionary effect of Rs. 5·4 million in the preceding month.

The semi-government sector exerted an expansionary influence of Rs. 12·7 million as compared with an increase of Rs. 3·7 million in October. The Government's fiscal operations with the banking system also resulted in an expansionary influence of Rs. 2·9 million.

Table I shows the expansionary and contractionary factors operating or money supply in the period under review.

In this Issue

TABLE I

Change in Money Supply — End December, 1970 to end November, 1971

Rs. Million

Expansionary Factors		
(*a*) Increase in external banking assets (net)	234·2	
(*b*) Commercial bank credit to the private sector*	28·4	
(*c*) Commercial bank credit to Government Corporations ...	38·1	
(*d*) Credit to Government from the banking system	42·9	
(*e*) Decrease in time and savings deposits of Government Corporations	7·5	
(*f*) Decrease in Government cash balances	79·3**	430·4**
Contractionary Factors		
(*a*) Increase in time and savings deposits of the private sector*	125·7	
(*b*) Increase in other liabilities and accounts (net of commercial banks	42·5	
(*c* Increase in other liabilities and accounts (net) of Central Bank	88·4	
(*d*) Adjustments	4·9	261·5
Change in Money Supply		+ 1 8, **

** Includes Co-operatives.

* Provisional.

CEYLON'S FORTNIGHTLY FINANCIAL REVIEW

MARKET PRICES

COLOMBO

CLOSING PRICES 29-2-72

TEA (Rs. Cts. Per lb.)

Approximate range of prices (including teas sold Ex,Estates

	B.O.Ps	B.O.P.Fs
	Rs. Cts — *Rs. Cts*	*Rs. Cts* — *Rs. Ct.*
High Grown:	2 20 — 4.70 1 at 5.00 2 at 5.90 1 at 5.30	2.50 — 4.30 1 at 4.50 1 at 4.80
Medium-Grown:	1.97 — 2.35	2.85 — 2.75
Small Leaf Low-Grown:	1.93 — 2.10	1.57 — 2 .85
Leafy Low-Grown:	2.15 — 2.50	
Tea For Price:	1.45 — 1.83	1.57 — 1.85
	F.B.O.Ps	F.B.O.P.Fs.
Tippy Teas:	2.18 — 2.55 1 at 2.75 1 at 2.46	2.00 — 6.80 1 at 7.70 1 at 81.00

RUBBER
PRICES FOR THE WEEK ENDED 27.2.72.

	(Rs. cts.—per lb. Closing Quotations	Avg. to date 1972	Avg. to Same Period 1971
RSS No. 1	73 1/2	72 3/4	81 1/4
RSS No. 2	691/4	68 3/4	77 1/4
RSS No. 3	68	67 1/4	75 1/2

	(*Rs. per candy*) *Opening Price*	*Clos. Price*
COPRA		
Estate Copra No. 1	179.25	187.25
COCONUT OIL (*Rs. per ton*)		
February	1200.00	1,150.00
March	1200.00	1,150.00

DESSICATED COCONUT (*per lb.*)	Opening price	Closing Price
February	.53	.54
March	.53	.54

PRICES OF THE WEEK ENDING 27.2.72

Commodity	Buyers Quotations (*Per lb*)	Export DUTY
Cardamoms	12.00 —13.00	40%
Cardamom Seeds ...	12.50	on true
Cloves	23.00 —23.00	F.O B.
Cloves Stems	4.25 —4.50	value·
Mace	13.00 —	
Nutmet (Shelled)	4.00 — 4.25	
Nutmeg (Unshelled) ...	1.75 — 2.25	
Pepper (Black)	4.75 — 5 00	
Papain (White)	— —	
Papai n (Brown)	13.00 —14.50	
Cinnamom HJ1	3.10 —	20% on
Cinnamom HJ2	3.00 —	true f.o.b
Cinnamom Quilings No. 1	2.50 —	value
—do— No. 2	2.40	
	Per Cwt. Buyers Quot.	**Export Duty**
Cocoa	171.00 —176.00	40% on
Coffee	350.00—375.00	true f.o.b
Kapok (Clean)	145.00	value
Kapok (Unelan) ...	51.00	
Croton Seeds	100.00 —125.00	
Essentual Oils	Per oz.lb.	
Cinnamom Leaf Oil ...	16.50 per 25 ozs	
Cinnamom Bark Oil ...	Per oz. 21.00	
Citronella Oil Estate Quality	Per lb. 7.40	10% on
Citronella Oil Ordinary ...	Per lb 7.20	true f.o.b. value

SUBSIDIARY CROPS .. WEEKLY PRICE LIST POYA ENDING 27.2.72

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) (*Per bushel*)
—Paddy		Unquoted
—Other varieties		"
—Rice Per Boiled		"
—Country Rice No. 1 ...		"
—Country Rice No. 2 ...		"
—Samba Rice		"
—Kora		"
—Maize ...	*Per Cwt.* ...	27.00— 27.50

Pulses		*Per Cwt*
—Red Gram —Toor Dhal) ...		40. 0 — 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)		12.00—13.00
—Sorgum		Unquoted (per ton)
—Soya Beans		850.00 (per cwt)
Spices Condiment		*Per lb.*
—Mustard		5.00— 6.00
Chi lies		*Per Cwt.*
—Dried Long		Unquoted
—Dried Round		Unquoted
—Off Grade		Unquoted
—Goraka		70·00— 76.00
—Vanilla ...	*Per lb* ...	—
—Tamarind	*Per cwt* ...	85.00— 90.00
—Ground Nuts	*Per 80 lb* ...	50.00— 52.00
—Cashew ...	*Per lb.* ...	—

TEA REPORT

Auction No. 9 held on 29th February, 1972.

The total quantity offered was 6,379,278 lbs., comprising 3,440,607 lbs. Leaf Grades, 612, 430 lbs. Dusts, 191,111 lbs. Reprints, 59,607 lbs. Leaf Grades, 612,430 lbs. Dusts, 191,111 lbs. Reprints, 59,607 2,266,634 lbs. Ex Estate. Quality showed an improvement from the Western side, and Mediums and Uvas were also a little brighter. There was a much better demand.

High-Grown Teas: The few fine flavoury brokens on offer, particularly in the latter half of the Sale, met keen competition and often showed a marked appreciati onin price. Lower kinds were generally 10/30 cents dearer. BOPF's showed a similar trend but there was little demand for Leaf Grades which were all lower in price.

Medium-Grown Teas: Good coloury Western brokens advanced 5/15 cents per pound, with plainer kinds often 10/20 cents higher. The best liquoring BOPF's were barely steady but others improved 10 cents per pound. Leaf Grades were about steady.

Low-Grown Teas: There was a strong demand for all grades at dearer rates. BOP's and BOPF's moved up 3/5 and 5/10 cents per pound respectively. Long Leaf BOPa's were about steady except for the best which advanced a few cents per pound OP's were 10 cents dearer, whilst the small quantity of Pekoes on offer improved 15/20 cents per pound.

Tippy Teas: Small leaf Flowery Fannings and FBOP's were 5/15 cents dearer, whilst the best showy type Fannings met less demand declining 25/50 cents per pound.

Off Grades: There was a strong demand for all Off Grades with prices generally moving up 10/20 cents per pound. Best quality Western High-Grown and good Medium Fannings advanced substantially.

Dusts: All types came to a dearer Market, with the best Westerns advancing substantially following quality.

Commodity Commentary

RUBBER REPORT

Week-Ending 27th Feb., 1972

RSS NO. 1 opened 1/4 cent dearer at 75 cents per lb. but thereafter declined under minor fluctuating conditions in line with overseas advices to close at 73 1/2 cents per lb.

Approximatey 678 Tons of LATEX CREPES were offered at the Two Sales held during the week under review, a slight increase of 17 tons compared to the previous week's total.

The recent firmer conditions continued into the First Sale when best latex and FAQ offerings registered a further improvement of 1 cent per lb. Duljer sorts, however, were marked down by 1 cent per lb. but the inferor grades were 1 to 2 cents per lb. better. At the following Sale, best latex crepes remained unchanged but the FAQ offerings declined marginally by 1/2 cent per lb. Duljer sorts were irregularly dearer but the inferior grades were 1 cent per lb. easier.

Approximately 137 Tons of **Scrap Crepes** were offered, a slight increase on 1 Ton compared to the previous week's total. At the First Sale, light and dark brown sorts remained unchanged but the darker offerings were 1/2 to 1 cent per lb. better. Flat Bark, however, declined by 1 cent per lb. At the following Sale, light dark brown and darker scrap crepes remained unchanged. Flat Bark, however, reocovered by 1 cent per lb.

Approsimately 17 Tons of **Sole Crepe** were offered during the week, a substantial decrease of 15 tons compared to the previous week's total. Short covering demand for all FAQ Smooth 3/16" and 1/4" offerings, in the absence of the 1/8" thickness resulted in values moving appreciably higher Poorer sorts too encountered improved demand to fetch prices between 80 cents to Rs. 1/05 per lb.

Froth / Cuttings opened unchanged at 53 and 53 1/2 cents per lb. respectively and remained at these levels through out the week.

Curly and shell Scrap No. 1 apened unchanged at 46 1/2 and 45 cent s per lb. respectively and held steady at these levels throughout the week.

Produce Report

Week-Ending 27th Feb., 1972

Cardamoms: 8,125 lbs of Cardamoms were offered, a slight increase of 533 lbs. compared to the previous week's total. The market continued firm with buying demand being maintained, Nol. 1 quality remaining at Rs. 12/- to Rs· 13/- per lb. There was better demand for the next best grades which was quoted at Rs. 8/75 to Rs. 11/- per lb', whilst Off grades remained unchanged at Rs. 4/50 to Rs. 6/50 per lb. Seeds market remai ed unchanged at Rs. 12/50 per lb with one slightly inferior lot fetching Rs. 11/50 per lb.

Cocoa: Approximately 143 cwts. of Cocoa were on offer, a decrease of 103 cwts. The market was very firm and continued to improve with No. 1 quality being quoted at Rs. 171 to Rs. 176/- per cwt., which was an average improvemet of around Rs. 9/- to Rs. 11/- per cwt. Next best grades were Proportionately dearer at Rs. 145/- to Rs. 160/- per cwt., whilst darker and poorer sorts also improved to close at Rs. 95/- to Rs. 135/- per cwt.

Coffee: Approximately 16 cwts. of both Arabica and Parchment Coffee were on offer with Parchment Coffee fetching Rs· 260- p/er cwt. at which price the quotaton was made. Transactions in Dealers' quali y Coffee were between Rs. 130/- to Rs. 150/- per cwt·

CEYLON AT 'IKOFA' FOOD FAIR

Need for regular supply at competitive prices

"Participation in IKOFA was indeed an unique experience. Primarily, it enabled us to estimate probably for the first time, the response to local products on display in a wealthy market.

Unlike at previous Fairs, by applying the practical aspects of participation i.e. the distribution of samples, dissemination of information in regard to products on display through leaflets and brochures and the opportunity given to visitors to taste products, we were able to create a favourable impression.

The performance of the Ceylon Stall which won two major awards (a Gold Medal and a Certificate of Merit) is indeed ample testimony to the effective manner in which the participation was organised."

So states the Report of the Ceylon National Chamber of Commerce, the Agency responsible for organising Ceylon's participation in the IKOFA Internation Food Fair (1970), held in West Germany.

Excerpts of the Report indicating how Ceylon's non-traditional export products fared are given below:—

"The fair market that we enjoy in the Federal Republic of Germany could be improved if we employ more consistant methods of advertising.

JAMS

There were five varieties of Jams on display at the Stall. They were Pineapple Jam, Woodapple Jam, Mango Jam, Tomato Jam and Golden Melon Jam. Woodapple Jam in particular aroused a great degree of interest. Even for other jams the response was indeed encouraging and should be followed up. Visitors were given an opportunity to taste Jam and the exotic nature of the Woodapple particularly with its peculiar flavour, pleased the visitors.

The West German market is flooded with jams. This was evident to us judging by the number of countries that displayed a fantastic range of jams. They had several delightful flavours and the packing and presentation were vastly superior. Despite this our products did impress visitors. However, the price of our jams are far too high. There was also no literature on jams —another drawback in our efforts to advertise the products at the Fair. The numerous inquiries that resulted have been channelled to participant firms and others engaged in the production of jam in Ceylon.

CANNED FRUIT JUICES

Canned fruit juice production in Ceylon being very limited, we were able to fined only a single party to supply us with samples. There were only two varieties of Canned Fruit Juice on display—Pineapple and Passion Fruit. Pineapple, particularly cans, aroused a fair degree of response from the visitors. In this instance too we distributed samples of it to the visitors, and many of them were also able to taste it.

The business inquiries that originated were mainly from West Germany. Sweedish and Danish firms and individuals. The quantities that were required by these people were however, far in excess of the local production. Like every other product on display at the Stall the packaging left much to be deisired.

CANNED FRUIT SLICES

As regards canned fruit slices, there were pineapple in syrup, pineapple pieces and mango slices.

All these aroused some responce and it is worthwhile pursuing the inquiries received. But here again these products lacked uniformity in quality and the presentation fell far below the required standards. Despite severe competition in this field we should be able to export substantial quantities of fruit with improved packaging and labelling.

The African countries dominate the market in West Germany in canned fruits and juices. Practically in all respects their products were superior to ours, the most striking features being, their fine quality and low price. We have to emphasise the latter point as our prices for fruit products are much too high.

Spices:

We had a wide range of spices attractively packed in polytheno bags and bottles by the leading exporter of this product. The following were the spices on display at the Stall:-

	grades
Cinnamon ...	9
Green Cardamom ...	3
Nutmeg ...	4
Black Pepper ...	
Cloves ...	2

Cinnamon and Cardamoms were two of the spices that drew favourable attention from the visitors. Judging by the keenness displayed by those who wanted the names of reputed exporters of this product the potential for these two varieties are quite good.

With rigid quality control and more competitive prices together with better packaging we ought to capture and increasing share of the rise in demand for spices in the Federal Republic of Germany. Unlike in respect of many other products on display, visitors were particularly attracted by the smell of the spices. Small packets of spices for the average household may be an useful and attractive form of selling this item in the Federal Republic of Germany.

EXPORT INTELLIGENCE

Export Intelligence

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

M/s. Brisbane Chamber of Commerce,
Quantas House,
288, Queen Street,
Brisbane QLD 4000,
Australia.

Hides and Skins

M/s Unimax Marketing Co. Pty Ltd.,
133, Regent Street,
Sydney, N.S.W. 2000,
Australia.

Papadams, Seeni sambol, pickle Chutneys etc.

M/s Affiliated Importers Pty Ltd.
Hardy's Chamber,
5, Hunters Street,
Sydney, N.S.W. 2000,
Australia.

Precious and semi-precious stones

M/s. Sultans Choice Food Pty. Ltd.,
19E, Giblus Street,
Chatswood N.S.W. 2067
Australia.

Curry powder, Chillie powder and other curry stuffs

M/s Thaftee Agency & Import Co., Pty. Ltd.
9, Queen Street,
Melbourne, VIC 3205.
Australia.

Tea and Coffee

M/s. Abdollsh Aleghaband & Co.,
Khaibane, Barth No. 96,
Teheran, Iran.

Rubber tyres and tubes

M/s. Millbrook Shirt Ltd.,
388, King St., West Toronto,
Ontaria.

Shirts of blended fabrics.

INDIA'S CRASH EXPORT PROGRAMME

The Trade Development Authority has finalised a crash programme for export of 13 commodities to the United States. It is planned to stimulate the exports of selected goods worth Rs. 500 million every year for the next three years.

The scheme for the product adaptation is being implemented with the help of the United Nations Industrial Development Organisation and the Leading Department Store of America.

REDISTRIBUTION OF COFFEE QUOTA

The International Coffee Organisation approved re-distribution of quarterly export quotas for 9 producers of mild arabica coffee and two producers of robusta variety. The redistribution is to bring a further 500,000 tonnes of coffee to the international market in the first quarter of the quota year.

The eleven producer countries are India, El Salvador, Liberia, Mexico, Equador, Nicaragua, Peru, Sierra Leone Guatemala, Venezuela and Costa Rica. These countries will be allowed to export 30 per cent of their annual quota in the first quarter 30 per cent in the second, 20 cer cent in the third and 20 per cent in the fourth. Previously their quarterly percentages were fixed at 22, 25, 26 and 27 per cent respectively. As the International Coffee Agreement will expire on September 30, 1973, steps are being taken towards renegotiation of the Agreement. The Executive Board of the International Coffee Organisation is to set up a working group to re-examine the re-negotiation of the Agreement.

The Pegasus Reef: Ceylon's First Five Star Hotel

Colombo's beautiful new Pegasus Reef Hotel is a triumph of Western planning and Eastern culture. Visitors will find that there is nothing stereotyped about this new hotel. It has a quite distinctive personality of its own and will act as a modern show case for the traditional crafts and talents of local artists.

"Designing the interiors for the Pegasus Reef Hotel was one of the most challenging and interesting commissions that my Practice has had to undertake." These are the the words of Patrick Garnett, a principal of the British architectural and design firm, Garnett Cloughley Blackmore & Associates, whose experiece includes holiday centres in Sardinia and Cyprus, work to the Royal Apartments and Houses of Parliament in England, and interior in the new QE 2 Cunard ship. They are are also consultants to the giant TrustHouse Forte group.

International Standards

Thetinterior of the Pegasus Reef has been designed to international standards of comfort and parcticability. Beautiful local timbers has been chosen, as well as Singapore teak, for all furniture and shop fittings. Because of certain local restriction it was necessary for GCB to rely almost entirely on indegenous products. This posed considerable problems as Ceylon has no developed furniture or soft furnishing industries and meant that GCB had to purpose-design every item of their installation, and then relate those designs to the limited resources of a of a few local firms.

The Hotel in which First Housetrust International Ltd are associated with BOAC has 150 bedrooms on three floors, each floor havng a different colour scheme. There are six luxury suites which have had specialists consideration, including the Chairmans' Suite, where local antique furniture has been tastefully incorporated with the best modern-design. Colours chosen for the interiors are all indegenous to Ceyon. The locally made batiks have been used extensively as bed head panel and for general decoration. Beautifully hand beaten brass-work abounds and is used very effectively for the balustrades of the main stair case and in screens. Design branches out into landscaping around the pools and the detail reflect the care which has been taken throughout to relate modern luxury to local tradition.

BOAC continues its expanding investment in the Hotel business and already has a powerful and efficient network to serve its paassengers around the world.

The merger between Trust House Group Limited and Forte Holdings Limited in May 1970 was the biggest single event in the hotel and catering industry in the UK during the past year. These two great companies, each significant in their own right on the world scene possessd incredibly complementary activities-in simplified terms one was a hotel orientated and the other was a catering orientated company and the areas of direct competition were remarkably few.

= Travel & Tourism =

The new company called Trust House Forte Limited is one of the worlds largest hotel and catering groups. The chairman of the £140 million group is Lord Crowther, Sir Charles Forte is the deputy chairman.

The new General Manager of the Pegasus Reef Hotel in Ceylon is Mr. Nicholas Rees Jones.

Colombo on new BOAC Tokyo Service

British Overseas Airways Corporation is to pioneer a new trans-Indian Ocean air route linking Europe, Africa and the Far East. The service will operate through Colombo.

From 1 April VC-10 airliners will operate the first regular air services over a route that will take travellers from London to Hong Kong and Tokyo via Entebbe, Nairobi, the Seychelles and Colombo.

This brings the Seychelles into BOAC's inter-continental throughroute network. Until now flights to the Seychelles from London have terminated in the islands.

Twice weekly VC-10 services from London to Tokyo are planned via the Seychelles while the existing weekly London-Seychelles service will be extended to Mauritius.

The Seychelles, a gruop of more than 80 islands, have a new international airport which is being officially opened next month by The Queen.

BOAC will now be able to offer four choices of routes between Europe and the Orient the new Indian Ocean route, the traditional route through the Mdidle East and India, the polar route via Anchorage and the trans-Siberian express route through Moscow.

One of Britain's two major state-owned airlines, BOAC operates an all-jet fleet of more than 50 aircraft.

* * *

Pool Agreement between Air France and U.T.A.

An important pool agreement was signed by the Chairman of both French airlines AIR FRANCE and U.T.A. (UNION DE TRANSPORTS AERIENS) in Mr. CHAMANT's office, Minister of Transport, in February this year.

The agreement gives the two companies all prospects of positive co-operation in every respect, keeping their own characteristics.

This agreement determines the conditions of a rational and harmonious development of the two networks, especially by proposing to the Public Authorities a coherent sharing of traffic rights likely to be obtainedby the French government in the Pacific area.

It determines also the various fields in which the two airlines have decided to act concordantly and, eventually, to get a joint assistance, namely: the sharing of the electronic reservation system, the implementations of the facilities at ROISSY EN FRANCE new PARIS AIRPORT, as well as the operation of the new generation aircraft.

AIR FRANCE and U.T.A., in signing this agreement will endeavour to establish better development of their companies to combat the ever increasing competition in the world.

They are also willing to put in common their efforts in order to maintain the development of their cost analysis and to allow the French air transport industry to remain competitive. This has been made necessary as they are confronted with the need of making considerable investments at a time when the world-wide air transport is in a period of crisis, characterized by a rapid growth of the cost and a decreasing yield.

More tourist arrivals expected

With the traffic flow returning to normal the Tourist Board expects tourist arrivals to climb to a record 60,000 tourists during the current year.

This will rake in a foreign exchange earning of Rs. 30 million.

However Tourist Board statistics show that during 1971, tourist arrivals and the anticipated earnings plunged due to the April insurrection.

A total of 39,654 tourists visited the island. This was a drop of 14 p·c. compared to the figure of 46,247 recorded for the previous year (1970). The earnings from tourism, however declined only by 6 p.c. —from Rs. 21·5 million in 1970 to Rs. 20.2 million in 1971.

Drop

The drop in traffic recorded during the year 1971 came largely from two countries—USA and India. The traffic from USA declined by nearly 2,000 (35 p.c.) while the traffic from India declined by a little over 4,500 or 43 p.c. The arrivals from Western Europe, Australia and Japan stood almost at the same level as that recorded for the previous year.

The overall drop in tourist traffic and earnings recorded during the year 1971 was due entirely to the internal disturbances caused as a result of the insurgent movement that broke out in early part of April Though the first quarter of the year 1971 recorded a 15 p.c. increase in tourist arrivals the first few months that followed the insurgent movement recorded a sharp decline in tourist arrivals to the island. Thus the month of April recorded a drop in traffic by 53 p·c. In May the drop was as high as 75 p.c. and in June and July it was 55 p.c. and 27 p.c. respectively. Some of the European Summer Charters that were scheduled for May, June and July were cancelled as a result of these troubles in Ceylon. Both independent and charter traffic showed a sharp drop by over 50 p.c. during these few months.

Recovery

The recovery of the tourist industry after the situation in the country returned to normal was faster than what was expected. Some of the European Summer Charters that were cancelled earlier, resumed operation during the months of July and August. The first summer charter from Europe came towards the end of July.

The independent traffic also showed a marked increase As a result, the flow of traffic to the country returned to the normal level by the begginnig of the season in November. In fact the months of November and December 1971, show- a slight increase in traffic compared to the same months of 1970.

* *

TOURISM

JAPANESE TOURISTS SEEK ADVENTURE ABROAD

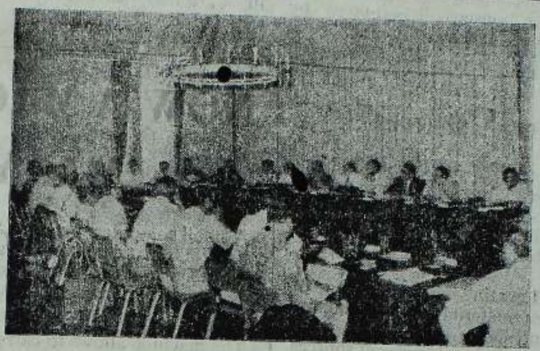
The pattern of travel overseas by the Japanese people is beginning to change as more and more Japanese and especially the younger generation become disenchanted with the stereotyped tours to places of scenic beauty and historical interest. The Japan Travel Bureau and travel agents fully aware of this change are now busily drawing up tour plans to meet the new situation.

"Adventure", tours are highlighting this year's package tours; such as trips to the glaciers of the Himalayahn Mountain, riding covered wagons across the hills and prairie of the American West and living wth the nomads on the vast Mongolian plains.

When overseas travel restrictions were lifted by the Japanese Government, in 1964, more than 128,000 Japanese travelled, abroad. Since the number of Japenese trvelling overseas increased year by year to reach 930,000 during 1971 alone. This figure does not incjude travels to Okinawa. This year, the 1,000 000 mark is expected to be surpassed. About 60 % of Japanese travellers overseas are tourts·

As travel overseas has become commonplace, many Japanese are now seeking tours more matched to their individual taste. Therefore, for young people, the travel agents are arranging short stays with famiies in foreign countries. With the theme "LOOK", the Japan Travel Bureau together with two other travel agents, the Nippon Express Company, and the Tokyu Koku are offering a 16-day plan to the Himalayan Mountain, 5,700 meters above sea level high up in the glaciers, complete with Sherpas and porters. The travelers will sleep in sleeping-bags in tents, or in the homes of the local people. The only item the traveler need to bring with him is a pair of mountaineering boots.

Everything is arranged by the travel agent and the only thing the eager-eyed traveller must do is to select the tour plan he desires. Of course, there will always be some who do not prefer any kind of group tour but the Japan Travel Bureau is confident that over 100,000 Japanese will take advantage of these adventure tours·



The delegation at th · BOAC Eastern Routes Marketing Conference held recently at the Conference Room of Pegasus Reef Hotel

TO MARK INTERNATIONAL BOOK YEAR

Soviet Books Abroad

Books published in the USSR njoy a good demand in all the ountries of the world· Many oviet organizations particiate in the international book xchange, but nevertheless more ian 95 per cent of this work lls to the share of the Vseso iznoye Obyedineniye (Allnion Corporation) "Mezhmarodhaya Kniga."

The Corporation was found-l in 1923. It deals with the port and import of books wspapers and periodicals ..cal literature and other olications. The ',Mezhdurodnaya Kniga" offers the eign reader a great variety Soviet printed matter re-ding it as the Soviet contriion to the progress of world nce and culture and to the hange of spiritual values.

ifteen per cent of Soviet k exports are formed by works of K. Marx, F. En- and V· Lenin, as well at the reports and comments he congresses of the CPSU p'enums of the Central mittee of the CPSU.

editions of works by K. x and F. Engels have been ished in the USSR in sian in 30 volumes each. resent they are preparing said editions in English. editions of collected works I. Lenin have been pub-l in Russian and other ages· Separate works ssics of Marxism. Leni- are published in different ages of the peoples of SSR as well as in English, Spanish and other lan-s of the people of the l.

Every year Soviet publishing houses put out more than 10,000 books on political, social and economic subjects. The range of themes is extremely wide. The reader will find here books on major, problems of philosophy, economy, history' planning and finance, the state and the law, the international communist: workers' and national-liberation movements.

There is a constantly increasing demand abroad for Soviet scientific and technological literature. It is not accidental therefore that such books form more than 30 per cent of the "Mezhdunerodnaya Kniga" exports. Alongside with monographs on problems of plasma, quantum and atomic physics, radioelectronics and computing technique, bionics, space biology, ergonomics and other modern sciences and scientific problems our Corporation offers the foreign reader a number of thematic book series.

Soviet encyclopaedias are rather popular abroad including the third edition of "The Big Soviet Encyclopaedia" in 30 volumes, for which more than 21,000 orders have been already received from foreign organizations and citizens· Among the above editions are "The Encyclopaedia of Folimers" in three volumes, "The Agricultural Encyclopaedia" and "The Veterinary Encyclopaedia" in six volumes each, ,,The Eycyclopaedia of Music', in five volumes, etc.

Foreign readers reveal a special interest to Soviet textbooks for higher educational institutions· More than 4000 editions of the kind are offered to foreign firms annually by the "Mezhdunarodnaya Kniga."

—By—

Boris Makarov

Chairman, Vsesoyuznoye Obyedineneye (All-Union Corporation) " Mezhdu narodnaya Kniga"

Books of fiction and books for children put out by Soviet publishing houses are widely spread all over the world. The names of such classics of word literature as Lev Tolstoy Fyodor Dostoyevsky, Taras Shevchenko, Shota Rustaveli, Sadriddin Aini: Yan Rainis and many others are known almost in every part of our planet. Their best works are published by publishing houses abroad, included in the curricular of educational establishments, studied and read in all the countries of the world.

Soviet multinational literature, which has developed after the victory of the Great October Revolution of 1917 opened a new chapter in the history of worldliterature. The works of Maxim Gorky, Vladimir Mayakovsky, Sergei Yesenin, Mikhail Sholokhov, Konstantin Paustovsky, Konstantin Simonov, Olyes Gonchar, Rasul Gamzatov, Andrei Voznesensky, Chingiz Aitmatov and many other writers and poets have beein a very considerable contributon to the treasury of world literature and are well known to readers in various countries.

The memoirs of Soviet statesmen, generals and public figures invariably evoke an interest of a wide circle of readers. Thus: for instance, "Reminiscences and Reflections" written by Marshal of the Soviet Union George Zhukov and published by the Novosti Press Agency Publishing House has been exported in the original in a circulation of 100,000 copies.

Books put out by the "Mir" and "Progress " publishers present a special interest for readers in many countries of the world. These two publishing houses publish literature in all fields of knowledge in more than 25 languages (about 600 titles annually). It is planned to increase considerably publications of literature in foreign languages in the nearest future what is in full compliance with the interests of foreign readers. In thousand of letters to the publishing houses they express the gratitude for the books published. During the last few years the ,'Mezhdunaradnaya Kniga', exported nearly three million copies of Russion text-books and two million copies of various dictionaries to different countries of the world and this fact very convicingly testifies to the great scope the study of the Russian language has taken abroad, as well as to the striving of foreign readers to read books published in the USSR in the original.

The socialist states are the most important purchasers of Soviet books. About one half of the book exports to the socialist states falls to the share of fiction and children's literature, 31 per cent—to the share of scientific and techno logical literature and text-books manly published in the Russian language.

About 16 per cent of the exports of Soviet books go to the countries of Asia, Africa and Latin America. More than three quarters of the exports to these countries are formed by books published in foreign languages. From the total number of books exported to the developing countries about one fourth is formed by scientific and technological literature and text-books and more than 30 per cent—by fiction and books for children.

Somewhat over 8 per cent of the book exports from the USSR falls to the share of capitalistcountries of the West. About half of these exports are books in Russian, Ukrainian, Armenian, Lithuanian and other languages of the people of the USSR. *France, the USA, Great Britain, Japan and the German Federal Republic are also important importers of Soviet books.*

The publishing of translations of books written by Soviet writers has considerbly increased abroad. Among the partners of "Mezhdunarodnaya Kniga" and of Soviet Publishing houses in this field are appropriate organizations in different countries. The Soviet Union not only exports books, but is also one of the most important importers of books published almost in all the languages of the world.

Latest micro-mini electronic calculator

A new 'shirt pocket' sized electronic calculator one third the size and less than half the price of any other "small" calculator presently on the market is being introduced by the American firm Ragen Precision Industries, Inc. Ragen's calculator is a solid state, full four function, eight digit device (16 digit capacity) with a floating decimal point.

The new "micro" calculator marks the entry of Ragen Precision into the consumer market. Ragen is a leading designer and manufacturer of advanced numerical control equipment, information retrieval systems, sophisticated airborne instrumentation and semiconductor microcircuits.

The totally American-made calculator is small enough (2 3/8"x7/8"x3 1/2") to fit comfortably in a man's shirt pocket or a woman's purse. It will operate for more than a year on throw-away batteries and sell for less than one-half the price of other "small" calculators now on the market.

Picture shows the new "shirt pocket sized" micro electronic calculator wich is idealy suited for office workers, retail business cashiers, salesmen, technicians, engineers, students and even housewives perplexed by "supermarket arithmetic."

Low price, "shirt pocket size," and long life without need for bothersome, expensive recharging make the Ragen calculator an ideal device for retail business cashiers, salesmen, technicians, engineers, office workers, students, etc.

The calculator's unique size and low battery power drain result from the use of complimentary metal oxide semi-conductor (C/MOS) chips to perform arithmetic operations and control display and decode drive.

The semiconductor chips and liquid crystal eight digit display were designed and manufactured by Ragen,s wholly-owned subsidiary, Ragen Semiconductor, Whippany, N.J. The calculator,s printed circuit board, keyboard and housing were designed and manufactured by Ragen Precision.

SCIENCE AND TECHNOLOGY

Power driven winnower

A power-driven winnower has been designed by the Agricultural Engineering Workshop of the State Agricultural Universty at Coimbatore.

Driven by a one h.p. electric motor, the winnower consists of a feeding hopper, a blowing chamber and three outlets to eject chaff, green paddy and cleaned paddy respectively. As the outlets are provided at different directions on the winnower, the cleaned paddy can be collected conveniently in gunny bags without any axmixture.

Two shutters are also provided across the air passage to regulate the flow of air and thus prevents the chaff mixing with the cleaned paddy.

The winnower can process approximately eight tonnes of paddy in an eight-hour day. Only four persons are required for the work—two to feed the grains into the hopper continuously and two to collect the cleaned grains.

MACHINE THAT EATS FOG

Manfred Lehmann, a 38-year old chemist living in Ainring, near Frielassing, Bavaria, has developed what he calls a 'fog-eater.' "It can slash a path 600 to 900 metres high and 500 to 1,500 metres long into even the densest wall of fog," he says.

The miracle machine,produces in principle an area of low pressure bringing down upper layers of air which disperse the fog.

Lehmann uses a harmless mixture of secondary sodium phosphate and other non-dangerous chemicals. He reduces these to a low temperature. He then pumps this liquid mixture into a kind of spray. Lehmann's method is cheapter and less dangerous to the environment than conventional methods using toxic chemicals, laser rays and dry ice, he claims.

New water, mineral sources

Scientists at the Federal Institute for Soil Research in Hanover are unobtrusive back-room boys doing front-row, pioneer work in many parts of the world.

At present they are working along with geophysicists, geochemists, mathematicians, zoo- and other scientists to ew mineral resources, lies and oil fields.

ey consider water possibly to be the most important. Recently, a Hanover team completed two years work in Northern Brazil locating underground water resources which will make large areas habitable.

Locating new deposits of raw materials is also important, however. The Agency hopes to establish new sources that will serve the world's industries in the 1980s. The survey could become the basis for long-term, raw-material planning for many countries of the Third World.

NOW A MACHINE WITH MANY USES

A small computer "AOM-1" called "automatic pollster" has been designed and built in the Novosibirsk science townlet.

The machine allows to carry out pollng in shops about the standards of services rendered: The customers do this by dialling an appropriate digital code to signify either gratitude or criticism of one or another shop assistant.

Having 'analysed" the opinion of fans the "AOM-1" can foretell the most probable winner in one or another sports event. A lot of useful applications for the machine are expected to be found in production. For example, it may rapidly assess managerial ability to control production processes. (APN)

MANAGEMENT

The strategy of failure

This is the final instalment in the series on "How to plan and not to" which covers management's basic task. Here, the author summarises what determines success or failure in corporate planning.

The cost of being wrong should be a part of every plan. Plans are usually (and properly) oriented to maximizing profit opportunities. At the same time, however, the risks must also be evaluated. This can readily be done through 'sensitivity analyses' of such factors as future material costs, rising labour costs, prices,capacity, utilization, inflation, the cost of money, etc.

The impact of these variables can be tested by using computer runs on planning models: and tests of some kind should always be made, for the risks of being wrong can be very high indeed.

Dow Chemical, for example, has recently announced that it is writing off all its $43 million dollar investment in a German textile venture, Phrix-Werke. The loss was attributable to a sharp drop in prices, a 20% increase in labour costs, revaluation of the mark, and devaluation of the French franc. Similarly, TWA,s loss in 1970 of $100 million dollars reflects high interest charges, low capacity utilization and rising costs. Sensitivity analyses by planners wil not in themselves, of course, forestall such investment failures, which are more and more prevalent these days. But they will highlight the risk and bring to the attention of senior management the penalties of failure to estimate properly all the factors in the investment equation.

Finally, the structure, function and staffing of the corporate planning department often determines success or failure. The department should always be set up at the top management level as a staff extension of the chief executive. By definition, planning is the chief executive's primary role. Second, the department's function should be that of initiating in terms of new ventures and new directions for the business. Its function should also be to stimulate, integrate and co-ordinate the plans o fthe existing operaing units (which themselves should be responsible for developing their own plans and strategy); resource alllocation must also come into play—particularly in these days of capital shortage. Third, the department should be staffed by executives who are not only capable of broad economic judgments, but who are also aware of the realities of operating life and can deal with operating unit general managers on a realistic yet imaginative basis.

In sum, the corporate planner is at the hub of the corporation's activity in terms of taking it forward. The pitfalls, however, are considerable—and mistakes or successes will inevitably not be apparent until many years have passed. Since the stakes are getting constantly higher as internationalization proceeds, more professionalism in the planning function is not only desirable; it is vital.

(CONCLUDED)

C. M. E. A. countries in 1971

Moscow

In 1971, the industrial output of the CMEA countries increased by 7.8 per cent. The level of economic development in the socialist conditions evens out, because the countries that were at a relatively lower economic level develop more rapidly.

In 1971, the industrial output of the developed capitalist countries increased only by one per cent. The industrial output of the common market countries increased by 2.6 per cent. The industrial production of the United States dropped somewhat as compared with 1970.

The comprehensive program for further deepening and streamlining of co-operation and development of socialist economic integration was adopted by the socialist countries in 1971 and its implementation was started. The comprehensive program is planned for 15-20 years.

The branches that provide the material foundation for the scientific and technical progress—power generation, machine-building and the chemical industry—are given priority and developed most rapidly in the majority of the socialist countries. In 1971, these industries accounted for nearly 50 per cent of the entire industrial output of the CMEA member-countries (for the value of the output).

With constant attention to the development of heavy industry, the CMEA countries showed the marked trend to levelling out of the rates of growth of the group "A" products (the manufacture of the means of production) and the group "B" products (the manufacture of consumer goods).

National income continues to grow rapidly in the CMEA countries, with real incomes and retail goods turnover increasing. In the USSR, per capita real incomes went up by 4.5 per cent in 1971, in Hungary by approximately six per cent, and in Czechoslovakia by more than five per cent. In Poland the past year was characterized by a high increment in the real wages of industrial and office workers.

The USSR, the GDR, Mongolia, Poland, and other countries once more raised the minimum wages for workers and employees in a number of branches of industry and agriculture, and raised the minimum size of pensions.

Housing construction has developed on an unheard-of scale. In the USSR, more than eleven million people moved to new apartments in 1971. Housing construction plans were successfully carried into life in Bulgaria, the GDR, Poland, Mongolia and other countries. In Czechoslavakia more than 100,000 apartments were built in 1971, and in Hungary 75,000 apartments.

(APN)

CHINA AMONG NEW-COMERS AT 1972 "GREEN WEEK"

Berlin

The international "Green Week" that concluded in Berlin is an annual event at which farm produce and processed products of the farm from many countries are on display.

This year's event presented 1,432 separate exhibitions, 932 of them from abroad. Among the scheduled newcomers to "Green Week" were the People's Republic of China, Panama, South Korea and Hungary.

INDIAN CONSULTANCY SERVICES TO IRAQ

Bombay

A technical collaboration and consultancy agreement for building and equipping a factory for the manufacture of ceiling fans has been concluded by M/s. Crompton Greaves Ltd., 1, Forbes Street, Fort, Bombay-1 with the State Electrical Industries Company of Iraq. The factory which is to be set up near Baghdad will have an annual manufacturing capacity of 90,000 ceiling fans.

The contract was secured by the Indian firm against stiff competition from countries like Japan, U.K. and Netherlands. It is estimated that this consultancy agreement will earn foreign exchange to the tune of Rs. 25 million. This earning will be in the form of export of ceilingfan assemblies, parts and raw materials, plant equipments, jigs and tools etc.

The consultancy agreement which is for a period of five years envisages the supply of manufacturing know-how, training of Iraqi personnel as also assistance in planning the factory and in setting up and commissioning the plant.

CHINA CITY MAKES MANY SIDED USE OF WASTE

Foochow

Southeast China's Fukien province, is producing 119 items from industrial waste, which last year were valued at more than 16 million yuan.

Multi-purpose utilization covers not only chemicals, light industry but heavy industry and commercial and other units, not only big plants but small factories run by districts and neighbourhoods. Many-sided use is made of waste gas fluid and slag, scrap iron and steel and other industrial waste.

Multi-purpose utilization helps industrial and agricultural production. The municipal waste material company has recovered 370 tons of copper, lead, zinc, tin, aluminium and other non ferrous metals, 385 tons of industrial oil, 130 tons of Liquid caustic soda and over one ton of silver nitrate, copper sulphate, nickel sulphate and others.

GROWTH OF USSR'S FOREIGN ECONOMIC TIES

Moscow

In the past few years the Soviet Union has achieved considerable successes in the development of its foreign economic relations. Today it has more than 100 trade partners. The relations with the majority of them are based on inter-government agreements.

The USSR actively participates in international scientific and technical co-operation. It is a major centre for rendering economic and technical assistance to other countries. By 1971 the sum of credits granted by it for these purposes exceeded 18,000 million roubles. The Soviet Union takes an active part in the UN economic bodies, regional economic commissions and the UN Conference on Trade and Development, working to abolish discrimination and vestiges of colonialism in international trade and to restructure international economic relations on just principles. (APN).

Assessing the new U. S. economic policies

A little more than six months after president Nixon startled the world with his "New Economic policies," much of the initial confusion and alarm has dissipated. It now is easier to assess soberly the new directions in which Mr. Nixon was trying to lead the U.S. Economy and the world.

The administration's new economic policies were directed toward three long-range, inter-connected goals.

Reducing trade barriers

Although the temporary import surcharge at first obscured the fact, It has become clear by now that the new economic policies represented a rededication of the Nixon administration to liberal trade. However, it had become clear that even preserving past gains toward freer trade would not be easy.

First, it would be necessary to face up to the fact that protectionist pressures were growing, and to do something to neutralize them. Actions with respect to currency exchange rates, reform of the International Monetary System, wage and price controls, and recovery from recession were designed, among other things, to deal with employment problems that were at the root of labour's defection from the ranks of liberal trade supporters.

Efforts to wrest minor trade concessions from U.S. Trading partners were designed to convince congress and wavering elements in the United States that U.S. negotiators could be trusted to look after U.S. interests in any future major negotiation, and could obtain fair treatment from other trading nations

Second, it would be necessary to get serious talks started as soon as possible on further mutual reductions in trade barriers, including trade practices and arrangements that were particularly worrisome to U.S. Exporters. The agreement by other countries to engage in further trade talks in 1972, and incomprehensive, global trade negotiations beginning in 1973, was one of the major successes of the new economic policies.

By Eugene Brake
(IPS Columnist)

International Monetary Reform

Another major objective of the new Economic policies was the scrapping of the exiting International Monetary System whose operation was increasingly unsatisfactory—and the building of a new one.

The purpose of a well-functioning International payments System is to facilitate mutually beneficial two-way trade and other economic transactions among nations. However, the inflexibility of the Old International Monetary arrangements was distoring trade, imbalances in financial flows between nations were leading to increasing restrictions and controls, and international Monetary crisis were threatening to disrupt world trade.

The malfunctioning of the International Monetary System was contributing to unemployment problems in the United States, hampering U.S. efforts to pull out of a mild recession, and making it difficult for central Banks in other industrial nations to pursue independent monetary policies.

One of the U.S. objectives will be to create a system in which currency exchange rates will more accurately reflect true international price relationships without giving an artificial trade advantage to some countries and an artificial disadvantage to others. Since relative prices and other competitive factors do change, this means that exchange rates will have to adjust more freely than they have in the past.

The United States also would like to have the same control over the exchange rate of the dollar that other countries have over their currencies. Under the system that operated before August 15 of last year, the exchange value of the dollar was in effect determined by other countries. A difficult and at times temper-trying series of International negotiations was required to achieve the December 18 currency realignment that resulted in a devaluation of the dollar.

Effective Domestic Policies.

The inflation that started after 1965 has proved tougher to stop than anyone had expected. The traditional remedy of bringing economic growth to a temporary halt increased unemployment, but the effects on inflation were agonizingly slow in coming. The mild stimulants applied to the economy produced a spectacular rise in imports, But had little effect on unemployment.

The principal new economic policy to deal with these problems on the domestic side was the imposing of a wage and price freeze, followed by wage and price controls. By reducing inflationary expectations of workers, producers, and consumers. Nixon administration strategists hoped to assure that economic stimulation would produce real increases in output and more jobs, not just increases in prices.

Much remains to be done to carry out the goals of the policies initiated by Mr. Nixon on August 15. Thorough reform of the International Monetary System is likely to take months. The Global Trade negotiations will not be completed for years. And no one knows when the present wage and price controls will end, or what will follow them.

PROBLEMS AND PROSPECTS FOR THE 1970'S [Part III]

FOREIGN EXCHANGE AND THE BALANCE OF PAYMENTS

Since the Exchange Reform of May 1968, some interest has been shown in the diversification of exports. In fact, the object of the new exchange measures was largely to provide incentives, particularly for minor commodities and new industrial products, to find markets overseas. Upto now, export performance of these products has been below expectations.

Although the rupee receipts from non-traditional exports have gone up, there has been little or no increase in net foreign exchange earnings. In the period before 1965 new outlets were found for a considerable amount of non-traditional products, particularly industrial products through bilateral trade arrangements. Since the lessening of emphasis on bilateral arrangements outlets for these products have not been available.

The present trends would seem to show that the prospects of securing new export markets for industrial goods are not very bright. It is unlikely that further export incentives could be offered without asubstantial devaluation of the current rate of exchange or without subsidies. Even with an alteration of export prices through exchange rate manipulation, it is unlikely that increasing quantities of non-traditional commodities will find export markets. For the overseas buyer considerations of quality, consumer preferences and purchases from established trade channels are relevant factors. Even if Ceylon is successful in exporting some commodities there must be an assurance that there is a sustained demand for Ceylon products from overseas buyers. Very often publicity is given to a single export consignment and the difficulty is that exporters are not in a position to get successive orders for the same product.

In the years ahead, Ceylonese industrial exports will have to meet strong competition from products of other cou ies, because countries th e set up new indust y to find markets for nanufactures by intens export promotion drives. Moreover the world market for manufactured goods will also be limited because most countries would as far as possible try to meet their own requirements by developing the manufacturing sector.

There is also the cost factor. Since the industrial products are heavily dependent on imported raw materials and as wage rates have progressively tended to increase, costs have tended to go up unless efficiency is raised to peak levels and the scale of production increased sufficiently to enable substantial economies to result. It is best, therefore, for future planners to base their forecasts on the premise that the possibility of increasing exports of industrial products on a large scale would be limited and that these exports cannot be depended upon to provide the bulk of the additional foreign exchange that the country needs. The real foreign exchange savings would have to come through import savings on industrial raw material imports and the production of essential foodstuffs such as rice, subsidiary food-crops, fish and milk products.

New Avenues

Efforts have also been made to increase foreign exchange earnings through new avenues. These consist of exporting new non-industrial products and the development of tourism. The new non-industral products have consisted of items such as fruits, cashew nuts, flowers and various types of sea food. But the difficulty hereis that although the export potential is there, the quatity that is actually produced is insufficient to meet large orders. For this purpose it is necessary that the fruit and flower growing and other industries shoud be better organised and government assistance may be necessary. Specialised institutions to promote the production of these commodities on a large scale by providing them with financial and technical assistance may also have to be set up. There is also considerable promise for production for export of manioc and palm oil which will be an entirely new crop for Ceylon.

Tourism appears to have given sufficient returns in the last two years to enable the government and the private sector to embark on fairly large expansion schemes.

The present policy is to provide more accommodation and better transportation and hotel facilities. During the last two years more accommodation has helped to double the number of tourists who have come here. Future tourist arrivals are likely to depend on the availability of good accommodation. By 1971, two first-class hotels and several others were completed and within the next three years several smaller units plus one very large first-class hotel is likely to be completed. On this basis the total room capacity would increase from about 2,000 at present to about 5,000 in 1974. With increasing interest in travel shown by people in the West, the projected room capacity may not be adequate to cater to the number of tourist arrivals after 1975. Efforts may have to be directed in the near future to increase accommodation not so much in first class hotels in the city, but in the medium priced hotels mostly outside the urban areas and in locations which have greater attractions to the tourist.

Although tourist arrivals have increased foreign exchange earnings have not been commensurate due to leakages into the black market. This has happened despite the premium rate on foreign exchange. Although the present FEEC rate is 55 per cent the free market rate is very much higher and as a result there is a tendency for foreign exchange to still leak out into the black market. The major objective of any exchange reform should be to dampen the outflow of foreign exchange into the black market. Despite ten years of effort in this direction results have been very poor. It is only now that interest has been shown by the authorities by bringing in new legislation to control malpractices in foreign exchange. If a determined effort had been made, it is very likely that the outflow could have been effectively checked.

The whole balance of payments question cannot be examined in isolation from the leakage of foreign exchange into the black market. Various estimates have been made of these losses. They range from Rs 100 million per year to Rs. 400 million. Even if a conservative figure of Rs. 200 million is taken, this is a significant amount as it is almost equal to the net aid received in a single year.

If it is possible to save the foreign exchange that leaks out, the country would be able to considerably ease its balance of payments problems and could be less dependent on foreign aid. This aspect of foreign exchange policy will have to be given much greater weightage in the immediate future, otherwise other measures taken to deal with the balance of payments problem will turn out to be less effective.

Government Finance

Another aspect of balance of payments policy is its link with governmentfinance. From 1956 onwards government has had successively increasing budget deficits. These deficits have been largely due to very heavy outlays on social services. The monetary expansion stemming from government financial policy has helped to sustain government and private expenditure at a very high level. Since the bulk of the outlays are on imports these budgetary deficits have resulted in heavy pressure on the balance of payments. Along with an appropriate balance of payments policy what is equally important is a properly harmonised budgetary policy. Reducing the budget deficits to manageable levels will require considerable reductions in expenditure on social services and the latter will help to divert more financial resources to development. In this context it is not very meaningful to try to deal with the balance of payments in isolation from the budgetary problem. As a pre-requisite

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(The views presented are those of the author and do not reflect the views of the Insitution to which he belongs)

it may be necessary to work towards a more balanced budget in as short a period of time. This is the most potent disinflationary weapoon in the hand of government. At least the total impact of the budget should be non-inflationary until such time as the expansion in domestic demand could be shifted on to the home market as import substitution takes place progressively.

The problem of government finance in the seventies will revolve round expenditure on social services such as education, health, subsidies on food and concealed subsidies provideby certain state-run public enterprises. The fundamental question is, to what extent should these be reduced and what are the likely social and political implications? The people are not likely to welcome any attempt made to reduce expenditure on these items. The mere fact that there is opposition does not mean that these policies should not be undertaken. In economics the most appropriate and successful policies are always likely to be those that are least popular and the times come in developing economies for the less popular steps to be taken. Without these it would be difficult to contain the present balance of payments situation and to release more resources for development.

Consumption Restrictions

The high level of consumption has throughout been one of the factors that has retarded economic growth. Capital formation requires effective restrictions on the level of consumption. This issue has not been fully appreciated in Ceylon. One way of restricting consumption would be to impose cuts on outlays on social services, at least marginally in the initial stages. This would imply more realistic pricing policies in public services such as transportation, power and the supply of water for irrigation. It would also involve substantial reductions in outlays on health, education and all food subsidies. Because

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Employment problem in developing countr

ALTHOUGH EMPLOYMENT IS RECOGNISED AS A KEY ISSUE, THE POLICIES OF MANY COUNTRIES DIRECTLY DISCOURAGE THE CREATION OF MORE JOBS.

It is a measure of the still embryonic state of development economics that the problem of creating sufficient new employment opportunities in developing countries has attracted widespread attention only over the past three or four years. Yet in that short time it has not only been recognized as one of the fundamental problems facing economic planners in almost every developing country, but it has also been incorporated, at an international level, into one of the main goals of this Second Development Decade during which, in the words of the United Nations, "coutries should, whenever possible set national employment targets or at least define some of their employment policy in quantitative terms." Employment already shows signs of superseding industrialisation and the earning of foreign exchange as the crucial yardstick by which successful development is assessed.

Early analyses were largely based on the assumption that the overall rate of economic growth could be raised sufficiently, then employment would automatically rise; alternatively, if growth proved insufficient in itself, a residual effort could be made by labour intensive public works like road building.

Recently, however, the magnitude of the problem has led economists to seek new and more direct answers. Admittedly, this magnitude is not easy to measure. Statistics and even the concepts of employmet and unemployment are notoriously inadequate and ambiguous in less developed countries. But at least some progress has been achieved in quantifying and defining these in recent years and the picture is far more disturbing than had previously been assumed. In the first place, underemployment in many countries is already at about 20-25 per cent of the potential labour force, and if past patterns continue this level is bound to rise, simply because growth in every labour force is now (after a 15 year time lag) beginning to reflect the accelaration in population growth that first began to worry the demographers in the mid-1950s. More *specially, it is already certain that the labour force in all the developing countries (except China) will increase by at least 170 mn during this decade (almost twice as rapidly as in the 1950s and 1960s) whereas jobs are likely to be created for only about half that number on present tends.*

Such figures are disturbing because they show just how far the traditional answer of faster economic growth has become almost irrelevant. Unemployment has in fact become more serous in the very decade during which developing countries have succeeded in improving their economic performance to a point where annual increases in GDP are on average around 5 per cent, with output in industry and the service sectors rising 6 to 8 per cent a year. But however impressive these gains may appear, and they certainly represent a major improvement on historical experience, they have in many cases made little impact on employment. Moreover, recent studies have shown that to absorb new entrants into the labour market, growth in the non agricultural sector would have to average about 10 to 11 per cent a year, which is well nigh impossible for most countries. And even this would leave the existing numbers of unemployed untouched.

What kind of work ?

It is already clear that no single answer is available, largely because the problem itself is not a single one. The International Labour Organisation for example, in a recent report on Ceylon
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unemployment is not meaning-ful in the present context because the loss in demand resulting from stabilisation of current income levels would be largely offset by broadening the income base and the latter would tend to sustain demand.

The question of conserving resources for development is essentially a public finance problem which involves a system of more or less balanced budgets. Consideration would also have to be given to step up the quantum of public savings by an appropriate network of new financial institutions and a further re-adjustment of the structure of interest rates. Countries in Asia which have used high interest rates have shown that considerable success has been achieved in stabilising prices and also increasing savings. There no reason why a similar policty should not be used here, at least for sometime until the level of savings increases appreciably to meet the requirements of investment. On the institutional side there is considerable scope for more banking institutions especially those designed to mobilize domestic savings and also other institutions which could in turn chan nel these savings for development purposes. In this context the need for one or more national development banks specialising in agriculture and industry exists. Specialised institutions are necessary if the savings that are mobilized are to be diverted to productive investments on the basis of a set of national priorities.

(CONCLUDED)

The Capital Revolution in the United States (Part II)

From the very beginnings of the capitalist system, of course, capital has quite properly expected a share in the profits of enterprise. In traditional practice, however, there had been an accepted limit on the size of that share and on the terms under which capital was sought and accepted by industry. It is not too long ago that an investor would pay $100 for a share of stock offering a $ 4 annual dividend. American Medicorp has yet to pay any cash dividends but investors nevertheless rushed in.

Historically, in those periods or instances when capital was in short supply, the holder of capital was able to demand greater share or, indeed, had greater shares pressed upon him by enterprisers. But inevitably these exceptions were corrected or ameliorated by other forces. Most important was the steadily-increasing role of government in funding enterprises considered important to the national welfare.

The substitution of tax revenue in massive quantities for scientific and industrial research, for example, or for the purpose of job-creation in basic industries, inevitably eased the pressures on free capital and automatically enabled industries otherwise not benefited by direct government action to find reasonable money at reasonable rates.

Causes

What then brought about the capital revolution in the United States? What conditions arose that enabled a new generation of financial men to develop new accumulations of capital and to establish new methods of placement, new standards of equity relationships and new money costs with such far-reaching impact?

By
David L. Margolis

I am sure that decades hence economic historians will be able to poinpoint all the causes and consequences of the changes. I do think, however that we need not wait for such summings up to recognize that two major bodies of legislation in the United States paved the way for the capital revolution. Both were born of the crushing experience with depression in the United States following the 1929 stock market crash, and both were designed to stabilize and ventilate the entire process of investment.

The first was the Securities Act of 1933; the second was the Banking Act of 1935.

These landmark laws did, indeed, contribute to the stabilization of the investment points in the economic structure and eliminated a great range of actual and potential abuses.

The Securities Act provided for full and fair disclosure of the character of securities sold to the public in interestate and foreign commerce, and established a new Federal body, the Securties and Exchange Commission, to monitor the Act and to adopt such rules and regulations as would make the Act effective.

Under the terms of the Act, business firms were required to expose more about their operations than had ever before been made public. Weaknesses as well as strengths became public knowledge.

Without becoming too technical, the scope of the Act can be indicated by a general isting of the type of information a business firm must disclose before selling any of its stock or any of its securities. It must set forth an exact description of its business, a description of all its property, a table of its organization, a list of its directors and executive officers and a statement of the compensation of its three highest-paid officers as well as a statement of the total compensaton to all officers. It must also disclose options issued to employees as well as options to outsiders for the purchases of securities. It must disclose the possible interest of each or all members of management in any transactions that the company may have with third parties.

Most importantly, it must present full financial statements that meet standards set up by the Act. It must show balance sheets and profit and loss statements on a consolidated basis and similar statements on unconsolidated subsidiaries and operations.

It must also provide full information on the new securities it is offering, how they are to be distributed, what payment is being made to underwriters and brokers and, finally, it must state exactly how it plans to use the proceeds of the sale of the securities.

Once securities have been sold, the Act requires a company to file periodic reports updating the original information published in all categories.

The Securities and Exchange Commission has not closed the door on its standard of disclosure by any means. On July 14, 1969, it issued a new regulation requiring publicly-held companies with sales of more than $50-million a year to report separately, for the first time, on those of its products or services which contribute at least 10 per cent to total sales and operating revenue, or at least 10 cent to income before taxes and extraordinary items have been deducted. Smaller companies would have a 15 percent test applied to this historic regulation. When developed, the results of this will to be to give stockholders and the public generally the first inside look at the relative contributions by major product lines or services.

The total volume of information together with the updating supplied by monthly and annual reports make the inner workings of a U.S. corporation as visible as a sky-scraper on a clear day. In no other free country in the world is business brought under such total scrutiny by the public. Presumably in communist countries some ministerial body or other has this kind of information available, but it is certainly not available to the Soviet citizen or the competitor in other nations.

(Contd. on page 14)

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ciety of Malaysia "so that the present identification of race with particular forms of economic activity will eventually be eliminated", it is hardly surprising that the Plan comes to the conclusoin that a number of jobs seekers will have to accept employment in fields they may not prefer.

Against this background, it is evident that if such structural imbalances exist and if there are only limited opportunities for fitting people int the kind of jobs theye want any new policy will be effective only if economic incentives are altered. This raises two fur ther considerations. Firstly that the overwhelming propor tion of the labour force in most developing countries is not only engaged in agriculture but it is precisely in this sector that the problems of poverty and unemployment—or more generally underemployment—are most acute. Secondly, that even if the industrial or modern sector is still too small to absorb all surplus labour, at least some improvement is possible.

Mr. McNamara, President of the World Bank, recently suggested that agriculture has been neglected in many developing countries largely because at a later stage in develop ment it inevitably declines in importance. However, this does not justify neglecting it at an earlier stage, which is exactly what tends to happen today through discriminatory trade, exchange rate and pricing policies.

Malasiya's plans

Such considerations apply in Malaysia, where the current development plan aims to raise agricultural employment by 1 3/4 per cent annually over the next 5 years. This will require a larger land development programme than anything undertaken in the past and although a target of under 2 per cent a year in the growth of agricultural employment may appear modest when compared with a projected increase in the total labour force or more than 3 per cent, it represents a marked increase in the demand for labour from that recorded over the past decade.

Even so, it is assumed by the Malaysian authoritie that sufficient new jobs can be created outside agriculture to absorb no less than three-quarters of the new entrants to the labour market between now and 1976. This is clearly an even more ambitious target given that industry and the services still accounts for only half the economy's gross domestic products. But since foreign exchange reserves are strong and domestic savings high it is certainly not beyond achievement, especially if the inflow of foreign capital remains substantial.

However, few developing countries possess such a favourable combination of factors as Malaysia. For most foreign exchange is a serious constraint on the capacity to mport the capital goods on which an industrial base can be built. But if this constraint exists, there is very little justification for an economic pol cy which positively encourages the use of capital at the expense of labour.

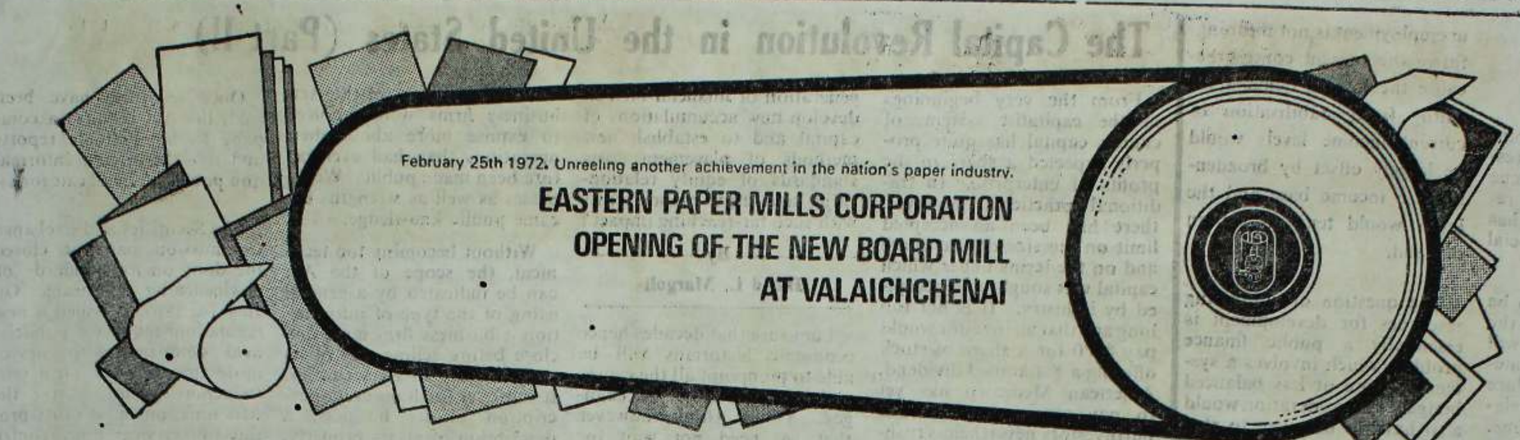
The form which this encouragement takes was also spelt out recently by Mr. McNamara: "Investment in capital goods has been encouraged by tax concessions and subsidised rates of interest, while the use of labour has been discouraged by revenue systems based primarily on payroll taxes, many of which are extraordinarily high." Since it is clear that greater efficiency is achieved when prices accurately reflect a relative scarcity of capital and foreign exchange and a relative abundance of labour, how have such distortions been allowed to emerge? Two reasons suggest themsejves The first is a widespread doubt whether appropriate labour-intensive techniques exist in many branches of manufacturing. Although this is clearly justified in many cases, like chemicals and oil refining, it is certainly not valid in all. Yet there is a distinct, psychological resistance towards industrial developments which does not incorporate the latest technology but which, virtu aly by definition, necessarily combines capital and labour according to the price structures ruling in develloped countries. This is one example were advanced technology is too often equated with economic efficiency is not so much dependent on techniques. but on costs. It is wrong to dismiss certain methods of production as inefficient or obsolete without reference to the "actual" or "shadow" proces imputed to capital and labour.

Bias to capital

A second factor that has helped disort the use of resources is that many developing countries found it possible to afford a bias for capital-intensive development by concentrating their early industrial development on import substitution (usually simple consumer goods of which textiles have invariably proved the most important) encouraged by considerable protection. It is hard to think of another way in which industrialisation could have started, but it represents a policy which cannot be persued indefinitely since once imports of a given product have been replaced, future growth is inevitably limited by that of the domestic market As a result, ever more countries are beginning to find themselves in the uneconomic position of profiving high levels of protection to capital-intensive industries whose prospects are strictly circumscribed. Added to this, a high level of protection often encourages the maintenance of overvalued exchange rates, and since most capital goods are imported, this again subsidises the cost of capitol equuipment at the expenses of local labour Perhaps one of the most important lessons of the past decade for development policy, is the way in which those countries which have successfully directed the whole of their industrialisation effort towards export markets sales to which are largely dependent on a flexible and realistic structure of domestis costs and prices) are precisely those which have achieved extremely high rates of growth and appear likely to maintain these over the next decade.

Much of this apparently theoretical discussion is directly relevant to countries such as Ceylon where, as the ILO has pointed out businessmen are bound to choose techniques of production that save labour to an unnecessary degree in a situation where machinery can be imported at an exchange rate lower than that applied to most commercial transactions; where the cost of money is cheap; where large depreciation allowances and investment grants are available; and where employers' contributions to superannuation funds represent a tax on wages. To quote further from the ILO report: "The scope for greater use of labour is considerable, not only in manufacturing but also in agriculture, construction, transport and services. While the choice between techniques may often appear more limited in maufacturi g than in other sectors and the needs of capturing export markets places and high premium on quality and international competitiveness, even here the use of labour-replacing equipment like automatic power-looms and conveyer belts is questionable."

(Courtesy National & Grindlays Review).



The Five Year Plan and the Pulp and Paper Industry In Ceylon

The Pulp and Paper Mill at Valaichchenai was established in 1956 with a designed production capacity of 3,750 tons of Writings, Printings and Wrappings per annum with an initial capital cost of Rs. 22 million.

During the past several years a number of modifications and improvements were effected to the Pulp and Paper Mill at Valaichchenai to make it a commercially sound venture. With an additional capital outlay of 7 million rupees thereby increasing the capital investment of Rs. 29 million, the rated capacity was increased to 9000 tons of Printings, Writings and low weight paper boards per annum. In addition the Mill is also equipped to manufacture several converted items such as Exercise Books, Ruled Sheets, Paper Sacks and Paper Rolls required for industrial purposes.

The first project to be completed under the expansion programme is the Integrated Pulp, Paper and Paper Board Mill at Valaichchenai with a Project-tied Aid loan from the Federal Republic of Germany. The cost of this Project is Rs. 63,200,000 and the production capacity is 12,000 tons of paper board products which would include Bristol Board, Box Board etc. for which there is growing demand from the industrial Sector.

With the commissioning of the Integrated Mill, the rated capacity for the manufacture of paper and paper board would be 22,500 tons per annum from 1972.

The New Projects proposed and being Implemented

The Eastern Paper Mills Corporation has drawn up a comprehensive programme for the expansion of the Pulp and Paper Industry in Ceylon for implementation during the next five years.

The projected demand for Ceylon by 1975 is 87,000 tons of paper and paper board while the current production capacity in Ceylon with the commimsioning of the New Board Mill is only 22,500 tons. With a view of bridging the gap between the projected demand by 1975 and the existing production capacity, the Corporation has over the past few years made fesibility studies and placed before the Government several proposals for the expansion of the Pulp and Paper Industry.

Project Reports have been prepared for the following major projects:

	Capacity per Annum tons
Second Pulp and Paper Mill at Embilipitiya	15,000 tons
Third Pulp and Paper Mill at Rajangane	39,000 tons
Hard Tissue Paper Mill	3,000 tons
Soft Tissue Paper Mill	3,000 tons
Straw Board Mill	6,000 tons

The Five Year Plan presented in November 1971 by the Ministry of Planning and Employment envisages and investment of approximately Rs. 1.24 million in Public Sector Industrial Projects. Of this figure, about Rs. 760 million will be absorbed by 17 Projects of which, one of the above projects as planned by the Eastern Paper Mills Corporation, namely the Second Pulp and Paper Mill at Embilipitiya, accounts for an investment of Rs. 110.5 million.

Among these 31 projects are included 4 projects namely Third Pulp and Paper Mill at Rajangane, Tissue Paper Mill and the Straw Board Mil and a converting Plant for the manufacture of Coated Paper from the various paper grades produced at these Mills.

With the implementation of these projects included in the Five Year Plan, the Corporation would have created in Ceylon an installed annual capacity of 88,500 tons.

The total fibre requirements to meet this programme is estimated as follows:-

Agricultural Residues—Strae and Bagasse 90,000 tons; Long Fibre Substitute—Sunn Hemp, Kenaf 30,000 tons; Long Fibre Materials—Bamboo, Conifers 32,000 tons; Hardwoods—Eucalyptus and Tropical Hardiwoods 80,000 tons. Thei works out to a total stonnag of 232,000 tons with an estmated value of Rs. 25,500,000.

The development of fibrous materials in the cultivation of these crops will in itself create expansion of production, employment and incomes in the rural sector. This benefit will not only be confined to persons directly engaged in the cultivation of these crops, but will also benefit those engaged in the ancillary services such as collection, handling and transport of these raw materials.

The Industrial Sector, es industries would contribute 10,000 tons of Causic Soda, 1,700 tons od Chlorine and 8,000 tons of Kaolin, among other locally produced items.

Impact on Development

Thus it will be seen that the development of the Pulp and Paper Industry in Ceylon will have its impact both on the agricultural sector as well as the Industrial sector of the economy and that it has a very important role to play in the public sector development programme as envisaged in the Five Year Plan

The Prime Minister's Best Wishes

I am glad to have this opportunity of conveying my good wishes to all those who are working in the Eastern Paper Mills Corporation on this occasion of the opening of a new Integrated Pulp, Paper and Paper Board Mill.

The future prosperity of this country would depend to a very large extent on the efficient working of public sector enterprises. The creation of a surplus of funds for further investment and the creation of more and more employment opportunities for our people, as well as minimising the present drain of foreign exchange out of this country would all depend more on the degree of effort made by every individual who works in a public enterprise. Therefore, whilst congratulating the Corporation on reaching a further milestone in its development, I also take this opportunity of conveying my best wishes to all members of the Corporation.

Sirima R. D. Bandaranaike
Prime Minister

Another important aspect of the development of the Paper Industry in Ceylon is the indirect but noteworthy impact of the small scale industries which use paper and paper board products in various forms as their base raw material for converted items.

The small scale industries that will be greatly benefited are:

Exercise Book Manufacturers;

Manufacturers of Multi-wall bags, envelopes, shopping bags;

Manufacturers of House-hold and Sanitary Products-CigaretteBoxes;

Makers of various types of wrappers and cartons corrugated material for the packaging of local products;

Manufacturers of sesaonal decorations etc.

From the above, one would observe that the development of the Paper Industry and particularly the implementation of the four Paper Mills proposed for the next Five Years is directly linked with the expansion of the small-scale industries in the urban and rural areas. This linkage will not only facilitate the small-scale industries to obtain their local raw material requirements conveniently but result in the expansion and encouragement of the small scale and home industries in the rural areas. This is in conformity with the Five Year Plan proposals for the development of the Industrial Sector and consequently the economy of the country.

Foreign Exchange Saving

The development proposals envisaged will contribute in no small measure to the Plan's objective of foreign exchange savings as will be seen from the following figures:—

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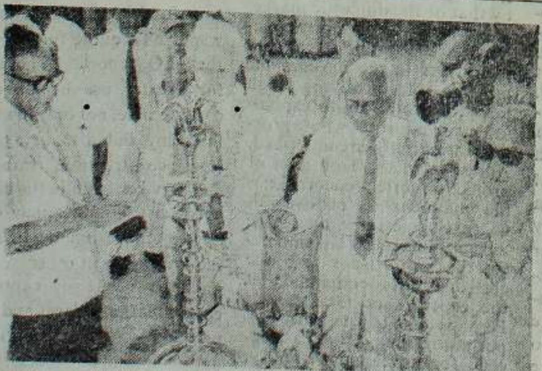

THE INAUGURATION: Mr. Maithripala Senanayake (*extreme left*) Minister of Irrigation, Power and Highways, lighting the oil lamp at the inauguration. On his left (*lighting lamps*) are Mr. Franz Josef Hoffman, Ambassador in Ceylon for the Federal Republic of Germany, Mr. K. C. Thangarajah, Chairman of the Corporation and Mr. T. B. Subasinghe, Minister of Industries and Scientific Affairs.

THE FIVE YEAR PLAN...

(Contd from page 10

Net annual foreign exchange savings from:-

Embilipitiya Mill	Rs. 15.7 mil.
Rajangane Mill	Rs. 29.8 mil.
Tissue Mill	Rs. 6.4 mil.
Strawboard Mill	Rs. 1.7 mil.
Coating Plant	Rs. 3.2 mil.
Total	Rs. 56.8 mil.

These savings are in addition to the foreign exchange savings from the existing Mill at Valachchenai which account for Rs. 20 million annually.

THE CONCEPT OF THE THIRD PULP AND PAPER MILL AT RAJANGANE

Examination of the market requirements in relationship to industrial development envisages under the Five Year Plan, indicates that the Rajangane Mill should be based on the production of the Industrial Types papers father than Cultural Type papers. However the projected Newsprint demand of 24,000 tons per annum 1975 must be considered, despite the lack of coniferous wood resources at this time. Therefore it is proposed to meet part of the demand for Newsprint by producing a type of paper which can be produced relatively cheaply, which will be utilized as a Newsprint substitute.

It is proposed to develop the Rajangane Mill in two stages as follows:-

Stage I: Install two paper Machines with a combined capacity of 39,000 tons per annum, complete with an Integrated Pulp Mill and auxillary service equipment such as Steam Plant, Water Supply equipment, electric power and effeuent disposal.

No. 1 Paper Machine would be designed with a nominal capacity of 30,000 tons per annum of sacks kraft industrial papers such as sack kraft, liner and wrapper but would in stage 1 of the Mill produce 9,000 tons per annum of Newsprint substitute. The No. 2 Paper Machine would be designed with a nominal capacity of 9,000 tons per annum of machine glazed papers such as Litho, Poster, Label, Envelope and Kraft bag.

Stage II: This stage would be undertaken when locally grown coniferous wood is available. At that time a No. 3 Paper achine would be installed with a nominal capacity of 30,000 tons per annum of Newsprint. The original No. 1 Paper Machine would then produce an additional 9,000 tons of Industrial Paper in place of the Newsprint Substitute

Location

After taking into consideration such factors as waste supply, electrical power supply, availability of raw materials, and transport facilities, it is proposed to locate the Mill at Rajangane. About 1,000 acres of crown land has been set aside for the Corporation

Raw Materials

The Paper Mill at Rajangane is based on the use of Rice Straw and Kenaf. Within 40 miles of the Mill site there is a paddy area of 211,200 acres which can produce approximately 113,000 Air-dry tons of Straw per annum. Demand for straw for the proposed Mill will be 33,000 Air-dry tons per annum.

Kenaf can be grown in Ceylon on relatively low quality land unsuitable for paddy cultivation. With a yield of Kenaf of 7.0 Air-dry tons per crop and assuming two crops annually, 42,000 air-dry tons per annum could be produced on about 3,000 acres. Ample land unsuitable for paddy cultivation is available in the area for Kenaf cultivation and no major growing or supply problems are anticipated.

Long fibre pulp as required approximately 15% of the total production will have to be imported

Large quantities of mixed indeginous hardwoods are scheduled to be cut down in connection with the proposed Mahaweli Ganga Diversion Scheme. The use of these Hardwoods, must be considered for use at Rajangane, if they are economically viable. Cooking facilities prresently proposed can utilize the hardwoods but wood handling, chipping and screening equipment would have to be provided.

Caustic Soda pulping using continous digestors is proposed for the mill. The Parathan Chemicals Corporation produces Caustic Soda and on completion of its present-expansion programme, will only meet current demand. Caustic Soda for Rajangane will have to be imported until such time the Paranthan Chemicals Corporation installs a new larger plant.

The Capital cost of the project is estimated at Rs. 208 million excluding the working capital of Rs. 20 million but including the FEECs of Rs. 62.30 million on the foreign exchange component of Rs. 111.30 million.

The project as proposed is an economically viable project and will result in major savings of foreign exchange.

The mill will provide direct employment for about 2000 people in the managerial, technical and operative grades, as well as indirect employment in the service industries such as transport. The utilization of rice straw will provide approximatejy Rs. 2,000,000 extra income to the paddy cultivators in the Rajangane In addition the production of Kenaf will generate a gross income of approximately Rs. 3,000,000 on lard presently unutilized for cash crops.

THE CONCEPT OF THE TISSUE PAPER MILL

By 1975, the demand for "Hard" Tissue which comprise such graces as Cigarette, Bible, Manifold, Airmail, Onion Skin and various high quality wrapping papers is projected at 3,000 tons per annum,

The manufacture of "Hard" Tissues requires special pulps which can only be made in integrated pulpingfacilities and special paper making skills which are presently only available at the Valaichchenai Mills.

A feasibility study carried out in June 1970, showed that the production facilities required to produce a nominal 3,000 finished tons per annum of Hard Tisseus could be integrated into the existing Mill. The estimated capital investment is Rs. 43,800,000 of which, the foreign exchange component would be Rs. 22,100,000. Working capital of Rs. 3,800,000 local construction cost of of Rs. 5,500,000 plus foreign exchange entitlment certificate (FEECS) of Rs. 12,400,000.

The manufacture of "Hard" Tissues was based on the use of Sunn Hemp Bast fibres together with lesser amounts of Rice Straw. Land is avialable in plenty in the regions paddy fields to grow the estimated Sunn Hemp required.

The growing of Sunn Hemp will provide a natural enrichment of Nitrogen to the paddy fields and thus replace part of of the artificial fertilizer requirements. In order to obtain the best fibres from Sunn Hemp Stalks, a labour intensive treatment is required whish consists of soaking the stalks in water for 5 to 8 days to dissolve the connective tissues, followed by manual beating to separate the long bast fibres from the inner core.

The report shows that the existing straw mill will support this expansion. Additional electric power is available from the new electric power line from Habarana which was installed for the Board Mill. Space has also been provided in the new Transformer House for the extra transformer required. The existing administrative and Mill maintenance facilities will support the contemplated expansoin. Therefore the capital cost of the project is minimised.

The Study concluded that the propsed expansion at Valaichchenai would be economically viable. The return on investment after depreciation, excluding working capital but including FEECs would be 16.5%. The return excluding working capital and FEECs would be 23.9%.

The operation would generate a net annual foreign exchange saving, after allowing 5% interest charges on the foreign exchange loan of Rs. 6,500,0000. The foreign capital-cost would be recovered in 3 1/3 years.

THE CONCEPT OF THE SOFT TISSUE MILL-

The projected demand in 1975 indicated about 10 tons disposable Tissue per day (3,000 tons per annum) would be required in the form of converted products such as Towels, Hardkerchiefs, Feminine Napkins, Toilet Rolls, Baby Diapers, Hospital Waddings, etc. At present the private sector industrialists who are in the converting business import rolls of buky tissues at very heavy cost.

This Tissue Machine will be located close to the main market area -ie. Colombo, to save the cost of transpoting the light bulk finished products. At the initial stages it is proposed to use imported pulp and in due course use processed pulp from the Valaichchenai and Embilipitiya and Rajangane Mills.

THE CONCEPT OF THE PAPER BOARD COATING PLANT

There is a current demand in Ceylon for about 4,000 tons of Art Paper and Coated Paper Boards. This is essentially a converting process using base paper and employing coating materials such as Koalin in suitable binders. Various types of coated paper produced on a single machine ar Art Paper, Charted Map Paper, Lithograph Paper, Oil Paper, Wax Paper, Silicon Coated Paper, Gum Coated Paper Moisture Barrier Paper, Flint Paper, The Valaichchenai and Embilipittiya Mills would supply the base paper required for this Industry.

Paper & Paper Board Requirements: Supply, Demand & Deficit

The Island's requirements of Paper and Paper Boards. the actual imports by the Corporation, Approved Industries and Direct Users and local production in terms of tonnage are as follows:—

	1965	1966	1967	1968	1969	1970	1971
Imports by EPMC	4220	9052	7635	5748	7600	2871	6362
Imports by EPMC (Newsprint in Reels)	—	—	—	—	—	2485	9760
Imports by others incl. Government	**19130**	**33013**	**27865**	**21352**	**29000**	**25644**	**11225**
Total imports	23350	42065	35500	27100	36600	31000	27347
LOCAL PRODUCTION	**7424**	**9921**	**10100**	**8874**	**9324**	**9751**	**9774**
Total Consumed	30774	51986	45600	35974	45924	40751	37121
Estimated Demand	39500	42500	46500	50200	54000	58000	63100
Shortfall/Excess	—8726	+9486	— 900	—14226	—8076	—17249	—25979

There had been a shortfall every year in the quantities of Paper and Paper Boards made available as against the estimated demand. However there had been excess imports in 1966 as a result of two years requirements of the Government Printer being imported in anticipation of shipment difficulties through the Suez Canal.

The gap between demand and supply has been increasing from year to year especially during the years 1968, 1969, 1970 and 1971 due to the steady increase in demand an d imports not being increased correspondingly because of the reduction in the amount of Foreign Exchange made available for the import of Paper and Paper Boards on one hand and the increase in world market prices for paper and paper boards on the other, as will be seen from Table A.

As compared to 1971 the imports during 1968, 1969 and 1970 had been fairly large as the importers of some of the popular items of the paper such as Flint Paper, Ribbed Kraft Paper, Tissue Paper, Grease proof Paper, Oil Paper etc. which are used by the packaging industries availed themselves liberally of the Open General license scheme which was rescinded after the present Government assumed office on May 27, 1970.

The Foreign Exchange allocation granted to the Corporation was carefully utilized for the imports of items under quota at the cheapest possible prices of acceptable qualities on world-wide tenders.

The stocks of items available with the Corporation during the period of the Open General Licence Scheme were disposed of without increasing their selling prices as opposed to the open General License imports by private traders being sold at very high prices. Hence the introduction of the Price Control Order for Paper and Paper Board.

The total estimated requirements in 1972 is 63,100 tons as against the local supply of about 20,500 tons. In 1973 the demand is likely to be about 68,000 tons as against the local production capacity of 22,500 tons.

Currently about 40% of the Valaichchenai Mill production is absorbed by the public sector including the Government Press and 40% is used for conversion into Exercise Books, Monitors Exercise Books Ruled Paper, Paper Rolls for Calculating Machines, Teleprinters and Bus Tickets. The balance 20% meets the consumers requirements of Typewriting Paper, Duplicating Paper, Envelope Paper etc.

TABLE A

	1965	1966	1967	1968	1969	1970	1971
EPMC Imports Tons	4220	9052	7635	5748	7600	5356	16122
Value Million Rs.	5·0	11·5	10·5	7·5	9·2	8·0	18·5
Imports Others (Tons)	19130	33013	27865	21352	29000	25644	11225
Value	25·0	45·0	39·0	22·0	46·0	39·0	21·5
TOTAL Tons	23350	42065	35500	27100	36600	31000	27347
Value	30·0	56·5	49·5	40·5	55·2	47·0	40·0

In 1971 the Corporation tried to satisfy the demand of 16,400 tons of certain grades with a machine production of 9,569 tons as would be seen from the following table;

Grades Manufactured	Tonnage	Demand
Typewriting	198	300
Duplicating Paper	814	1000
Banks & Bonds	1319	3200
White Printing	2782	
Cream Wove	2953	9500
Cover Paper	367	500
Kraft Paper/Wrapping	409	500
Manilla Paper for Envelopes	422	900
Cream Laid Paper	305	500
	9569	16400

The intricate system of dseitributing the available paper and paper Board adopted by the Corporation to meet the consumers' essential requirements is the best that can be done to reconcile consumer demand with the scarcity of Foreign Exchange availability.

It may not be healthy to continue in this fashion as this could only be done at the expense of industrial progress of the country and by a loss of goodwill to the Corporation which is part of the Government, being a public sector organisation.

However, if the Foreign Exchange situation improves, the Corporation will be in a position to persuade the Government to grant a larger allocation to meet the growing demands for cultural, industrial and household requirements of Paper and Paper Board.

FOREIGN EXCHANGE SAVINGS

The Finished Production on No. 1 Machine for twelve months is 9,660 tons. The C.I.F. value of this production, if imported, would amount to Rs. 17,388,CC0. The foreign exchange expenditure on raw materials, chemicals, spares, etc., on this production will amount to Rs. 6,631,970. The foreign exchange saving on Machine No. 1 production amounts to Rs. 10,756,030. The finished production on Machine No. 2, namely the Board Mill, for ten months is expected to b 9,500 tons. The C.I.F. value of this production, if imported, would amount to Rs. 14,250.CC0. The foreign exchange expenditure on raw materials, chemicals, spares etc., would amount to Rs. 4,804,913. The foreign exchange saving would be Rs. 9,445,087. The total foreign exchange saving on No. 1 and No. 2 Machines productions would amount to Rs. 20,201,117.

Contribution to Government Revenue

The Corporation expects to contribute to the Government Revenue by way of Duty and Dues, FEECs, Turnover Tax, Income Tax and contribution to the Consolidated Fund, a sum of Rs. 30,251,130.

Production

The finished production of No. 1 machine is expected to be 9,660 tons made up as follows:-

Grades	Tons
Writings	3,404
Printings	3,220
Duplicatings	920
Banks & Bonds	1,840
Typewritings	276
	9,660

Out of 9,660 tons 800 tons is expected to be used in the manufacture of Exercise Books, Ruled Sheets, Narrow Reels, etc., and 8,860 tons will be available for sale. The average cost of paper produced on No. 1 machine is expected to be Rs. 2,680.58 per ton.

The finished production on No. 2 machine for the ten months from March 1972 is expected to be 9,500 tons comprising of heavy grades and paper boards made up as follows:-

Paper Board Grades	Tons
Bristol Board	713
Cigarette Box Board	855
Box Board	3,135
Liner Board	380
Chip Board	808
Straw Board	808
Case Cover	309
Post Cards	70
	7,078

Heavy Grades	Tons
Exercise Book Covers	285
Corrugating Medium	190
Envelope Manija	237
Kraft Wrappers	285
Cup Stock	38
M. G. Posters	380
Printing Heavy	1,CO7
	2,422

Out of this production 55 tons will be used as covers fos Exercise Books and the balance 9,445 tons will be available for sale. The average cost of production per ton on the paper boards amounts to Rs. 2,073.60 and the average cost of production per ton on paper heavy grades is Rs. 2,415.08.

LOCAL RAW MATERIALS AND CHEMICALS

Straw

A noteworthy feature during the year 1972 is the increased consumption of local raw materials and chemicals. For the production of 20,5C0 tons of Paper and Paper Board, 14,556 tons of local fibrous raw materials will be used. This is approximately 70% of the total furnish. 33,908 Tons of paddy straw at a cost of Rs. 1,655,400 is required for the production of 8,740 tons of Bleached Straw Pulp and 1,843 tons of High-yield Pulp will be collected from in and around a radius of 50 miles from Mills. This will bring about Rs. 1,7C0,CC0 to the farmers for their straw which has no other economic value.

Waste Paper

Waste Paper normally destroyed is being purchased by the Corporation for prices ranging from Rs. 50/- to Rs. 350/- per ton depending on the quality. During the year 4,730 tons of waste paper at a cost of Rs. 1,655,5C0 is expected to be consumed. It is proposed to gradually increase this to 10,CC0 tons per annum

Chemicals

Local chemicals to be used during the year will be as follows:-

Materials	Tons	Value-Rs
Clay	1,625	650,CC0
Chlorine	761	2,047,C50
Carbide Lime	781	152,295
Caustic Soda	349	446,720

Services

Local services includes opower purchased from C.E.B. amounting to Rs. 2,139,626 and Furnace Fuel from Petroleum Corporation amounting to Rs. 2,225,898.

EMPLOYMENT

The Board Mill (No. 2 machine) has found direct employment to nearly 4C0 permanent employees and 2C0 casual employees required for the collection of straw and waste paper.

The details regarding employment are set out as follows:-

		Rs.
Directorate	6	60,C00
Managerial & Senior Staff	128	1,282,1C0
Clerical & Allied	329	2,018,504
Technical & Allied	118	828,95
Manual & Operative	1236	3,980,998
Casual	350	692,165
Total	2167	8,857,725

PRICING

The selling price of local paper is based on the basic price of paper at the rate of Rs. 1.65 per lb., approved by the Ministry of Industries and Scientific Affairs, which came into effect from 16th November 1971.

The price of Exercise Books which was maintained at the control prices viz: 18 cts. for 40 pages and 34 cts. for 80 pages have since been raised to 25 cts. and 45 cts per book respectively.

IMPORTED PAPER

During the year the Corporation intends to import 9,350 tons of paper of various grades at a cost of Rs. 23'852,5C0 other than Newsprint in reels which are especially imported for the Publisher Groups.

The Corporation expects to sell 8,728 tons at a value of Rs. 26,194,140. The net profit on imported paper is expected at Rs. 2,046,428.

CAPITAL BUDGET

A sum of Rs. 5,817,CC0 is expected to be spent on capital improvements to the present Mill and the Board Mill to improve quality, operating efficiency and to diversify the product range.

THE ECONOMIC TIMES

Editorial Department
Thursday 2nd March, 1972

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

TOURISM AND FORIEIGN EXCHANGE

The tourist industry is expected to play an increasing role in the economic development of the country by bringing in valuable foreign exchange so vitally needed at this stage to tide over the recurring balance of payments difficulties.

As a matter of policy the Government has decided to give the private sector a definite role in the promotion of tourism, and various incentives have been offered for private sector investment, particularly in hotel accomadation, transportation and other projects.

With the implementation of the Tourist Development Plan for 1971—76, it is expected that the country would be equipped to cope with the increasing tourist traffic by way of hotel accomadation, transportation and other ancillary facilities, includng additional holiday resorts situated in places of historical interest and several other tourist attractions.

THE BOOMING AFFLUENCE OF THE WESTERN COUNTRIES LIKE WEST GERMANY, SWITZERLAND ETC., NOW ENABLE MILLIONS OF PEOPLE TO SPEND A HOLIDAY ABROAD. THE JAPANESE TOO ARE BECOMING INCREASINGLY TRAVEL CONSCIOUS AND MANY EXTENSIVE OVERSEAS TOURS ARE BEING ORGANISED INTHAT COUNTRY. THERE IS EVIDENCE THAT THE YOUNGER GENERATION IN JAPAN HAS BEEN BITTEN BY THE "TRAVEL BUG". AND CEYLON FOR HER PART MUST ENDEAVOUR TO ATTRACT THIS VAST TOURIST POETENTIAL AS TOURISM TOO IS BECOMING MORE AND MORE COMPETITIVE TODAY.

Unfortunately, the country's tourist image abroad suffered a severe setback as a result of the insurgent activities that started last April and a sharp decline in tourist arrivals was experienced. The resulting loss in foreign exchange earnings was indeed considerable. But now that conditions are almost back to normal there are indications that a record number of tourists might arrive in 1972. This of course, augurs well, but both the Ceylon Tourist Board and the Prvate sector must make a determined and concerted bid to woo the tourists back if the country is to make any substantial inroads in this sphere.

AN ALARMING ASPECT HOWEVER, IS THAT ALTHOUGH TOURIST ARRIVALS HAVE INCREASED IN RECENT YEARS THE FROREIGN EXCHANGE EARNINGS HAVE NOT BEEN COMMENSURATE DUE TO LEAKAGES INTO THE BLACK MARRET. THIS HAS HAPPENED DESPITE THE PREMIUM RATE OF FOREIGN EXCHANGE. AS THE FREE MARKET RATE IS MORE ATTRACTIVE THAN THE PRESENT FEECS RATE OF 55 PER CENT THERE IS A NATURAL TENDENCY FOR FOREIGN EXCHANGE TO LEAK OUT INTO THE BALCK MARKET. EVERY EFFORT SHOULD BE MADE TO DAMPEN THE OUTFLOW OF FOREIGN EXCHANGE IN THIS MANNER.

The authorities must therefore take necessary steps to control the existing malpractices in foreign exchange. It is estimated that as much as 40 per cent of tourist earnings leak into the black market while the total leakage is estimated to range between Rs. 100 milion to Rs. 400 million per year. It is hoped that meaningful steps would be taken to introduce necessary legislation to rid the country of these anti-social and anti-national elements that are ruining the economic health of the nation.

World Bank Aid for Five Year plan?

The question of World Bank assistance for the Government's Five-Year Development Plan and measures to reduce the country's debt burden will be the main items to be discussed at the forthcoming Aid-Ceylon Consortium meeting to be held in Paris in the last week of April.

SPECIAL REPORT

It is understood that a special report prepared by a team of economic experts from the World Bank who visited Ceylon late last year, is now ready and would be made available to the consortium.

The report deals with the economic crisis confronting the Government with reference to the Five-Year Development Plan. The decision of the consortium as regards the quantum of aid to be allocated to Ceylon, this year, will be guided by this report.

It is also understood that the problem of debt relief for Ceylon would be a subject of discussion for consortium action, this year.

It is likely that Ceylon would urge the consortium to reschedule a certain percentage of the deb service due to me/mbers this year.

At present, the World Bank, as Chairman of the consortium, is understood to be studying the problem to find a long term solution. It is believed that the study would be completed before the consortium meets.

HUNGARIAN TRADE DELEGATION

Dr. Gyula Szeker, Minister of Heavy Industries of the Hungarian People's Republic, Accompanied by Dr. Peter Kos, Ambassador Extraordinary & Plenipotentiary of the Hungarian People's Republic comprising of Dr. Gyorgy Dobos, Chairman of the Hungarian Aluminium Trust, Md. Gyula Horvath, Deputy Chairman of the Hungarian Pharmaceutical Trust, Mr. Janos Taplocai, Director of the Ministry of Heavy Industries, Mr Jeno Sule, Director of the Ministry of Foreign Trade and Mr. L. Gyorffy, Consul of the Hungarian Embassy in India, who will be the official interpreter to the Hon. Minister, are scheduled to arrive in Ceylon.

Mr. T. B. Subasinghe, Hon. Minister of Industries & Scientific Affairs will receive them at the Airport accompanied by Mr. C. Monerawela, Chief of Protocol and Mr. K. Marjay, Trade Representative of the Hungarian People's Republic and Mrs. Marjay

During his stay in Ceylon, His Excellency Dr. Szecker will sign the Technical and Scientific Co-operation Agreement between the Governments of Ceylon and Hungary. While in Ceylon they will discuss the possible extention of Trade between Ceylon and Hungary with several Ministers and Heads of Departments, as well as the utilisation of the 4 Million Pounds Sterling given by the Hungarian Government.

Capital Revolution . . .

Cqtd from Page 9

A French analyst, I would guess, is in a better position to know about the inner workings of General Motors and Ford than he is, say, about the inner workings of Renault or Citroen. This is a point which might well be borne in mind.

At this point I want to emphasize that the tremendous growth of the capital market in the United States is in no small measure based upon the general confidence the public holds in the kind of corporate information which has been made available by the Securities and Exchange Commission.

The Banking Act of 1935 was directly addressed to clarifying the role of capital accumulators and capital sources. Under its terms the field of bankings was separated, generally speaking into two categories: commercial banking and investment banking.

The commercial banks—that is, banks accepting deposits which theylend at interest—were barred from continung their practice of underwriting securities along with—and often in conflict with—their commercial banking activities. The investment banking function which had been abused by some commercial bankers was thus brought into prominence as a specialized trade subject to the open competition of the free marketplace.

In the years before World War II and for well more than a decade after the war's end, both the Securities Act and the Banking Act served their primary objectives well in restoring the confidence in the marketplace which had been shattered by the giant crash.

With the onset of the '60s, certain new effects began to appear that few, if any, had anticipated.

The high visibility of the inner workings of big business began to affect corporations both internally and externally.

Enough information was available to chart performance of individual corporations over an extended period of time. Such charts were increasingly recognized as indicators of what a corporation might be able to do under varying future conditions, particularly when contrasted with the performance charts of competitive companies. New professionals emerged upon the scene—CFA's, or chartered financial tanalysts. These men, most of them young, most of them rained in accounting and in business, undertook to match competitor against competitor, to study the markets in which these competing companies were active, to pore over vast range of related statistics on consumer intentions, on labor plans, on government spending, in fact, on any information which they believed might be pertinent, and to begin forecasting earnings results on ever-lengthening bases.

Almost immediately this type of forecastng set off vibrations in the stock markets. People buy stock based on expectation, not on past achievement. It enough forecasters agree upon a company's potenta for improving its earnings, buyers are ready to pay more for the stock of that particular company. Bernard Baruch, who made fortunes in the stock market and became one of America's business statesmen, once said all economic movements are motivated by crowd psychology.

New Dimension

In the heart of the capital revolution, the old standard of a stock's price-earnings ratio—that is, the relationship between what the company earned and what somebody was winllig to pay for its stock because of those earnings—took on a new dimension. More and more people began to interpret the earnings part of that ratio as potential or future earnings rather than its most recent earnings. If a company's stock was selling at S30 per share because it had earnings of S2 per share in its last fiscal year— that is, if it had a price-earning ratio of 15 to 1—a believabje forecast that the company might earn S3 in the year ahead might send the stock up to S45 per share in fairly quick order. Projection of even greater earnings over a long period might further elevate the price of the stock.

As markets became heated by the glow of the long forecasts, stock prices—once considered to be the result of the measurement of performance—tended to become in themselves a measurement of a company's future. Imperfect communicationk in perfect understanding and super-perfect optimism contrbuted to the pervading influence of stock prices on companies themselves.

The professoinal managers of enterprises inevitably had to react to the new emphasis on performance and potential. As I commented earlier, the financial function within the corporation had to undertake internal analysis at the same level of intenskity that marked the external analysis in the marketplace. Exact measurements of progress had to be established, definitive goals had to be set, exact financial discipline had to be maintained if the company was to maintain a posture of progress. A few outstanding companies had experimented with this disciplined introspection many years earlier, but by and large, most companies fell nto lien as a result of the external pressures.

It is, therefore, in the publicly-held companies within the United States that you will find the greatest pressure for efforts to improve management techniques. It is also withinl the publicly-held companies in the United States—or in companies that intend to go public—that you will find the greatest risk-taking in new product development, in innovation and in research.

I suggest that both these drives—toward better management, toward more risk-taking—which characterize U.S. business are rooted in the differences in our capital markets.

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