

THE ECONOMIC TIMES

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Price 50 cts.

Real wages decline steadily

Comparing January 1971 with January 1972, the average indices of real wage rates for employees in Central Government and teachers in Government Schools declined by 5.9 per cent, whilst for workers in Agriculture, Industry and Commerce the indices declined by 3.2 per cent and 3.0 per cent respectively, according to Central Bank Statistics.

The indices of wage rates in rupee terms for January 1972 were the same as the respective indices for January 1971, in the case of employees Central Government and teachers in Government Schools, whereas the wages rates for workers engaged in Agriculture, Industry and Commerce, however, increased by 2.9 per cent and 3.1 per cent respectively.

MAJOR EXPORT CROPS EARN LESS

Ceylon's traditional export products (tea and rubber) recorded a marked decline both in volume and value for the first eleven months of 1971 as compared with the corresponding period for the previous year. The three major coconut products, however, fared comparatively well.

The volume of tea exported in the first eleven months of 1971 amounted to 416.7 million pounds and was 10.5 million pounds less than that exported in the same period of 1970.

The effect on export value of a decrease in the volume of exports was to a large extent offset by a rise of 6 cents per pound (to Rs. 2.48 per pound) in the average f.o.b. price of tea. The net result was that export earnings from tea decreased by Rs. 0.8 million to Rs. 1,033.1 million in the period January to November 1971, as compared with the same period in 1970.

Table I below provides data on the quantities of tea produced and exported from Ceylon, together with the values and average f.o.b. prices realised in the period January to November 1971 with comparative data for the same period in 1970.

Table II provides data on the Colombo Market prices of Sheet and Crepe Rubber.

TABLE II	No. 1 R.S.S.	Rs. per pound
		Latex Crepe No. IX
September '71	0.78	1.48
October '71	0.76	0.98
November '71	0.76	0.94
November '70	0.88	1.17
Jan.-Nov. '71	0.81	1.17
Jan.-Nov. '70	0.91	1.11

Source: The Colombo Brokers' Association Weekly Rubber Market Reports.

Table III below provides data on the quantities of rubber produced and exported from Ceylon, together with the values and average f.o.b. prices realised in the period January to November 1971, with comparative data for the same period of 1970.

The volume of rubber exported in the first eleven months of 1971 at 267.8 million

pounds showed a decrease of 49.0 million pounds as compared with the same period of 1970. A decrease in the volume of exports, accompanied by a fall of 17 cents per pound (to Rs. 1.08 per pound) in the average f.o.b. price of rubber resulted in a fall of Rs. 0.93 million (to Rs. 289.2 million) in export earnings from rub-

ber in the period January to November, 1971 as compared with the same period of 1970.

Export receipts from the three major coconut products in the period January to November 1971 amounted to Rs. 247.5 million and were Rs. 28.3 million higher than that of the corresponding period of 1970.

The increase in export earnings was due solely to an expansion of 11.9 per cent in their export volume (in terms of their net equivalent) while their average export price (Central Bank Trade Indices 1967-100) remained unchanged at the precedings year's level.

TABLE I
Period

Period	Tea Production (Mn. lbs.)		Tea Exports		Average f.o.b. price Rs. per lb.	
	1970	1971	Volume (Mn. lbs)	Value (Rs. Mn)	1970	1971
January	32.8	31.3	36.6	87.3	2.39	2.20
February	34.6	32.6	27.0	64.4	2.39	2.35
March	47.6	49.2	35.0	85.9	2.45	2.36
April	47.4	46.2	45.1	109.8	2.43	2.53
May	52.8	54.3	44.3	110.2	2.49	2.41
June	40.2	38.6	47.9	115.0	2.40	2.55
July	32.3	29.1	52.7	124.4	2.36	2.52
August	28.7	37.4	48.7	116.2	2.39	2.54
September	33.0	38.8	31.7	84.2	2.65	2.61
October	39.2	40.6	29.0	66.8	2.31	2.60
November	39.5	43.0	29.2	69.8	2.38	2.52
January-November	428.0	441.0	427.2	1033.9	2.42	2.46

Sources: Tea Control Department, Ceylon Customs Returns.

TABLE III
Period

Period	Rubber Production (Mn. lbs)		Rubber Exports		Average f.o.b. price (Rs. per lb.)	
	1970	1971	Volume (Mn. lbs)	Value (Rs. Mn.)	1970	1971
January	31.8	3.57	26.1	37.4	1.44	1.22
February	27.2	22.1	21.5	16.6	1.33	1.11
March	31.8	17.3	14.0	18.3	1.31	1.05
April	22.0	30.6	52.7	71.9	1.36	1.13
May	23.9	25.6	35.1	46.6	1.33	1.09
June	30.7	22.9	31.4	37.2	1.18	1.05
July	35.6	25.0	27.5	31.7	1.15	1.27
August	24.9	22.6	55.9	67.2	1.20	0.99
September	28.7	20.7	15.7	18.4	1.18	1.04
October	23.5	37.9	34.4	39.3	1.14	1.05
November	33.4	20.9	12.5	14.0	1.12	1.02
January-November	313.5	280.9	317.8	398.5	1.25	1.08

Sources: Rubber Control Department, Ceylon Customs Returns.

Revenue from Customs duty down

Government revenue from Customs duty for the period October 1971 to January 1972 amounted to Rs. 172 million as compared with Rs. 180 million collected in the corresponding period of the previous financial year.

The receipts from the sale of FEECs at Rs. 224 (This includes book entries on account of Government imports, such as sugar, and FEECs on cash loans to Govt.) million showed a sharp increase of Rs. 135 million over the figure for the corresponding period of the previous financial year. The revenue from Income tax, estate duty etc., was Rs. 181 million as against Rs. 154 million collected in the period October 1970 to January 1971.

The higher receipts were mainly due to increased collection of income tax in the current period. The revenue from the tobacco tax increased by Rs. 24 million while the revenue from the turnover tax showed an increase of Rs. 8 million when compared with the corresponding period of the previous financial year.

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PRICE INDEX GOES HIGHER

The Colombo Consumers Price Index for the month of January 1972 was 148.2 recording an increase of 0.4 per cent over that of the preceding month.

The Index for January 1972 was 6.3 per cent higher than its Index figure of 139.4 for January 1971. This was the result of the following increases in the subsidies: 8.8 per cent in food; 9.0 per cent in clothing; 2.2 per cent in fuel and light; and 8.8 per cent in miscellaneous items the index for rent remained unchanged.

U. S. Aid for Bangladesh

The Agency for International Development (A.I.D.) has asked Congress for one hundred million dollars during the coming fiscal year in support of U.N. relief efforts in Bangladesh.

Maurice J. Williams, Deputy Administrator of A.I.D., called the amount proposed a 'fair share' for the United States, in accordance with the Congressional recommendation that U.S. contributions should not exceed 40 per cent of the total from all sources.

Bangladesh authorities, he noted, estimate a total cost of three billion (3,000 million) dollars to get the country back to where it was before 1971.

He praised the United Nations for taking the lead in calling for world contributions, and reviewed donations and commitments already made by the United States, including:

- 375,000 metric tons of wheat and rice valued at \$36 million, and 25,000 metric tons of edible oil valued at \$11 million, to the United States;

- A grant of \$3 million to the Catholic Relief Service for housing materials;

- \$6,000,000 to C.A.R.E. for a 62-village housing demonstration project;

- An initial cash grant of \$10,000 to help meet U.N. administrative costs in its Bangladesh operations.

MARKET PRICES

COLOMBO

CLOSING PRICES 14-3-72

TEA (Rs. Cts. Per lb.)

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

	B.O.P.s		B.O.P.F.s	
	Rs. Cts	Rs. Cts	Rs. Cts	Rs. Cts
High Grown:	2.30	5.40	2.50	4.20
1 at 5.70	1 at 5.85	1 at 4.30	1 at 4.50	
1 at 5.90	1 at 6.00			
Medium-Grown:	1.95	2.35	2.05	2.30
Small Leaf Low-Grown:	2.00	2.14	2.05	2.15
Leafy Low-Grown:	2.00	2.35		
Tea For Price:	1.35	1.90	1.55	1.95

	F.B.O.P.s		F.B.O.P.F.s	
	Rs. Cts	Rs. Cts	Rs. Cts	Rs. Cts
Tippy Teas:	2.05	2.30	2.00	6.20
2 at 2.41	1 at 6.40	1 at 30.00		
	1 at 6.60	1 at 40.00		

RUBBER PRICES FOR THE WEEK ENDED 12.3.72.

	(Rs. cts.—per lb.)	Avg. to Same	
	Closing Quotations	Avg. to date	Period
		1972	1971
RSS No. 1	74	73	80 1/2
RSS No. 2	68 3/4	68 3/4	75 1/2
RSS No. 3	67 1/2	67 1/2	74 3/4

COPRA

	(Rs. per candy)	
	Opening Price	Clos. Price
Estate Copra No. 1	188.00	189.50
COCONUT OIL (Rs. per ton)		
March	1,175.00	1,175.00
April	1,175.00	1,175.00

DESSICATED COCONUT

	(per lb.)	
	Opening price	Closing Price
March	.54	.60
April	.54	.60

PRICES OF THE WEEK ENDING 27.2.72

Commodity	Buyers Quotations (Per lb)	Export DUTY
Cardamoms	12.00	—13.00 40%
Cardamom Seeds	11.50	on true
Cloves	23.00	—24.00 F.O.B.
Cloves Stems	4.00	—4.25 value.
Mace	11.00	—12
Nutmeg (Shelled)	4.00	—4.25
Nutmeg (Unshelled)	1.75	—2.00
Pepper (Black)	14.90	—
Papain (White)	—	—
Papain (Brown)	11.00	—12.50
Cinnamom H/1	3.10	— 20% on
Cinnamom H/2	3.00	true f.o.b.
Cinnamom Quilings No. 1	2.50	— value
—do— No. 2	2.40	—

	Per Cwt.	Export Duty
	Buyers Quot.	
Cocoa	181.00—186.00	40% on
Coffee	350.00—375.00	true f.o.b.
Kapok (Clean)	145.00	value
Kapok (Unclan)	50.00	—
Croton Seeds	100.00	—
Essential Oils	Per oz. lb.	—
Cinnamom Leaf Oil	16.25 per 25 oza	—
Cinnamom Bark Oil	Per oz. 21.00	—
Citronella Oil Estate Quality	Per lb. 7.50	10% on
Citronella Oil Ordinary	Per lb. 7.30	true f.o.b.

SUBSIDIARY CROPS WEEKLY PRICE LIST POYA ENDING 12.3.72

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)	Unquoted
—Paddy	—	—
—Other varieties	—	—
—Rice Per Boiled	—	—
—Country Rice No. 1	—	—
—Country Rice No. 2	—	—
—Samba Rice	—	—
—Kora	—	—
—Maize	Per Cwt.	25.00—25.50

TEA REPORT

Auction No. 11 held on 13th and 14th March, 1972.

The total quantity offered was 6,711,855 lbs., comprising 3,487,393 lbs. Leaf Grades, 675,663 lbs. Dusts, 103,896 lbs. Reprints, 68,710 lbs. Sundry Lots and 2,480,089 lbs. Ex Estate. Quality from the Dimbula/Dickoya area was excellent although the continued drought has caused the production of a slightly larger quantity of light thin liquoring teas.

High-Grown Teas: There was a most irregular demand with only a few of the best quality brokens selling at higher rates. Teas Below Best were often 25/50 cents lower although those at the bottom of the price range remained firm. There was much less demand for all BOPF's which declined 20/40 cents per pound. Leaf Grades were also easier.

Medium-Grown Teas: Best Medium Brokens declined 10/15 cents with lesser kinds 5/10. BOPF's particularly the bright, coloury sorts, were 5/10 cents easier although there was a strong and firm demand up to the Rs. 2/05 level. OP's were fully firm with Pekoes a little easier.

Low-Grown Teas: Except for the leafy BOPF's suitable for the Persian Gulf which were 5/10 cents easier, all other grades were dearer with Small Leaf BOP's advancing 2/5 cents and BOPF's 5/10. OP's were firm with Pekoes barely steady.

Tippy Teas: FBOP's and Small Leaf Flowery Fannings were 5/10 cents easier. The attractive leafy invoices on offer showed little change on last rates.

Off Grades: There was only fair demand and except for Low Grown which were fully

Commodity Commentary

firm to 5/10 cents per pound dearer. All other Off Grades were barely steady. A few select Westerns moved up markedly following quality.

Dusts: Low Grown and grainy Mediums remained firm except for a few select Westerns which were dearer, all others and liquoring secondary sorts were easier.

RUBBER REPORT

Week-Ending 12th March, 1972

RSS NO: 1 opened 1/1 cent easier at 74 cents per lb. but recovered thereafter to touch 75 1/4 cents per lb. during mid week before being marked down once again in line with overseas advices to fetch 74 cents per lb. at the close.

Approximately 532 Tons of **LATEX CREPES** were offered at the Two Sales held during the week under review, a substantial decrease of 260 tons compared to the previous week total. At the first Sale, best latex crepes declined by 1 1/2 cents per lb. whilst the FAQ offerings too were 1/2 to 1 1/2 cents per lb. lower. At the following Sale, however, best latex and FAQ offerings recovered by 1/2 to 1 cent per lb. Duller and inferior grades too improved by 1 to 2 cents per lb.

Approximately 84 Tons of **Scrap Crepes** were offered, a substantial decrease of 56 tons compared to the previous week total. At the First Sale, light brown scrap crepes declined by 1/2 cent per lb. The dark brown, darker sorts and Flat Bark too were 1 to 2 cents per lb. lower. At the following Sale, however, light brown scrap crepes recovered by 1/2 cent per lb. whilst the dark brown and darker sorts were also 1 to 2 cents per lb. better. Flat Bark, however, was irregular.

Approximately 19 Tons of **Sole Crepe** were offered during the week, an increase of 5 tons compared to the previous weeks total. All FAQ Offerings once again encountered fair buying interest but at slightly below last rates. However, the poorer sorts were difficult of sale and whilst most invoices realised prices between 75 cents to 94 cents per lb. a few lines remained unsold due to lack of bids.

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

Curly and Shell Scrap No: 1 opened slightly easier at 46 and 44 cents per lb. respectively and remained at these levels throughout the week.

were quoted at Rs. 11/- per lb. a drop of -/80 cents per lb.

Cocoa: 114 cwt. of Cocoa were offered, a decrease of 222 cwt. The market was strong with No. 1 quality being quoted at Rs. 180/- to Rs. 186/- per cwt., an improvement of Rs. 5/- per cwt. on the lower limits. Next best grades were easier and were quoted at Rs. 140/- to Rs. 160/- per cwt., whilst darker and poorer sorts too were proportionately easier at Rs. 95/- to Rs. 135/- per cwt.

Pepper: 10,222 lbs. of Pepper were on offer and most lots were withdrawn due to lack of suitable bids. One small lot was however sold at Rs. 4/90 per lb.

Coffee: Approximately 37 cwt. of Coffee were on offer with the quotation closing at Rs. 250/- per cwt. for Robusta.

Dry Ginger: 113 lbs. of Dry Ginger which were on offer were withdrawn due to lack of suitable bids.

Clove Stems: 2925 lbs. of Clove Stems were on offer and withdrawn for the lack of suitable bids.

Produce Report

Week-ending 12th March, 1972

Cardamoms: 4,307 lbs. of Cardamoms were offered a substantial decrease of 3,531 lbs. compared to the previous week's total. The market continued firm with No 1 quality

remaining at Rs. 12/- to Rs. 13/- per lb. Next best grades too remained unchanged at Rs. 8/75 to Rs. 11/- per lb. whilst off grades fluctuated between Rs. 3/- to Rs. 7/50 per lb. Seeds were easier and

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

Millets	Per Bushel
—Finger Millet (Kurakkan)	12.50—13.00
—Sorghum	Unquoted
—Soya Beans	250.00 (per ton)

Spices Condiment	Per lb.
—Mustard	3.50

Chillies	Per Cwt.
—Dried Long	Unquoted
—Dried Round	Unquoted
—Off Grade	Unquoted
—Goraka	70.00—75.00
—Vanilla	Per lb.
—Tamarind	Per cwt
—Ground Nuts	Per 80 lb
Cashew	Per lb.

TEA RECORDS HIGHEST QUOTATION

Despite the absence of the Russian Buyer, Dimbula Dickoya teas broke previous records and the quotation last week, was the highest so far, according to a leading tea brokering firm. It is understood that the Buyer for the U.S.S.R. had a difference of opinion about his buying representatives at the Colombo Auctions and decided that if he was to be told through whom he should channel his buying, the U.S.S.R. would prefer not to enter the Auctions here.

High-Grown and Medium BOP's would have probably benefited over the last few Sales by 50 cents or so a pound if not for this situation. However, the exceptionally severe drought has limited crop and with the very small Sales, demand has been stronger than usual.

A report from Cochin indicates that the estimated 17 million pounds of exportable tea from Bangladesh may be taken up by Eastern block countries by barter. Ceylon should welcome this as these Sylhet teas would otherwise compete directly with our plainer Mediums in our traditional markets.

Export Intelligence

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

M/s Webb Distributing (Aust) Pty. Ltd.,
88, Franklin Street,
Melbourne VIC 3000
Handicrafts and Curios

M/s W. S. Sleightolm,
35, Hardware Street,
Melbourne VIC. 3000
Handicrafts and Curios

M/s Nut Foods Ltd.
CNR, Ballar Road, & Lacey
Street.,
Braybrook VIC 3019.

Edible Nuts
Mica Products (Pty) Ltd.,
Christian Road,
Birmingham Avenue,
Villawood N.S.W. 2163
Peerless Mica Co., (Aust) Pty
Limited:
1247, Malvern Road,
Malvern VIC 3144.

Mica
Reynolds Leather Co. Pty Ltd.,
60, High Street,
Preston VIC 3072
Hides and Skins

Kreuzer Leather & Sole Cut-
ting Pty Ltd.,
408, Part Street,
Abbotsford VIC 3067.

Hides and Skins
Comet Aquarium Supplies,
908, North Road,
Bentleigh, VIC 3204
Tropical Fish

Tropical Aquarium Supplies,
382, Hight Street,
Northcote VIC 3070.
Tropical Fish

Business opportunities

The following German firms seek business connections in Ceylon. The goods offered for export are shown below:-

Josef Sprenzel
8011 Brunthal
Hachingerweg 5
West Germany
Steelburners

Rena Ruomaschinenfabrik
GmbH (M) & Co.,
8024 Deisenhofen bei
Muenchen
West Germany.
Addressing Machines

Aluminum-Walzwerke Singe
GmbH
7700 Singen
P.O. Box 160
West Germany
Semi-Finished Aluminium Pro-
ducts

Jean Guesken
406 Viersen-Dueliken
P.O. Box 269
West Germany
Weaving and Wrapping Machines
for the Textile Industry.

Saurer-Allma GmbH
8960 Kempton
P.O. Box 2580

West Germany
Doubling / Twisting Machines
for Textile Industry

Carl Felk K.G.
2 Hamburg 36
Neuer Wajl 32
West Germany
Chemicals

Haendler & Natermann AG
3510 Hann. Mueden
P.O. Box 219
West Germany
Aluminium Foilm

Karl M. Reich
Maschinenfabrik
744 Nuertingen
Postfach 267
West Germany
Woodworking Machinery
"Holz-Her"

Heyn, Broeckelmann & Co.,
2000 Hamburg 1
Spaldingstr. 160 D
West Germany
Fire-Resisting Lacquers and
Paint

Schuler-Verlag
7 Stuttgart N
Lenzhalde 28
West Germany
Art-Reproductions

PLANTATION INDUSTRY

Decline in rubber exports last year

Rubber production in Ceylon during 1971, totalled 139,174 tons compared to 156,644 tons, in 1970, a substantial decrease of 17,470 tons.

Actual exports of rubber during 1971 was 135,642 tons compared to 151,618 tons in

1970, a substantial decrease of 15,976 tons.

Consumption of natural rubber during 1971 showed a further improvement, at 5,005 tons compared to 3,720 tons in 1970, a substantial increase of 1,285 tons.

Soyabean cultivation Programme

The Ministry of Agriculture will shortly initiate the extensive cultivation of soya beans. Over 400 acres have been earmarked for the purpose in Uda Walawe, Elahera and Maha Illuppalam for this purpose.

The Government, Ministry sources say, is keen to initiate a big program for its cultivation because it has found out that about 10,000 acres of Soya beans will have to be cultivated to meet the demand of protein component of animal feed now produced by the Oils and Fats Corporation.

The beans, the Agriculture Ministry claims, can be com-

mercially converted to high protein beverage resembling milk having and identical nutrient value.

It is also claimed that Soya milk can be converted into condensed milk or to full fat spray dried milk.

The flour is extensively used in developing countries for various purposes including the making of bread and biscuits. Soya also can be made to resemble and taste like any type of meat and ten per cent of the 5000-million meat market in the United States has a Soya origin.

Unique method for storing rice

Agricultural experts have developed a unique method of storing rice over long periods by submerging it in a lake. Results of a three-year, long rice storage under water produces the same results as refrigeration storage and further cuts costs drastically.

The "storage in water" experiment was carried out at Lake Biwa in Sihiga Prefecture, central Japan, the largest lake in Japan, by agricultural scientists in Kyoto University and

the Research Institute for production and Development Science.

The experiment was begun in 1969 to cope with the large rice surpluses and consequent rising storage costs, which were posing a heavy economic burden to the Government.

The costs of storage of the surplus rice amounted to more than Yen 58,000 million (about Rs. 1,115.4 million) a year.

The experiment team, headed by Hisateru Mitsuda, professor of the Agricultural Department of Kyoto University, stored rice and unhulled rice produced in 1968 about 30 meters below the surface of Lake Biwa. The temperature in the lake ranges from nine to 13 degrees C. throughout the year.

The rice was stored in packages of nylon and polyethylene. Air and carbon dioxide were blown into the package. The rice was kept under water for about three years until mid-November last year.

As a result of various tests on the long-stored rice, experiment in water proved as effective and more economical than storage in an ordinary warehouse under normal temperatures.

SCIENCE AND TECHNOLOGY

Role of coal in the future

Has Coal a future? Leading Soviet specialists say that coal is the only combustible mineral which will retain its economic importance for many years to come.

On this topic an article in the Soviet Magazine "Sputnik" states that: "Oil and gas are being pumped out of subterranean depths in growing quantities. Coal reserves, however, greatly exceed the present known reserves of oil and gas."

"In 1965 the world output of combustible minerals reached 5.5 thousand million tons (a gain of a thousand million tons on the 1961 figure). Of this total coal accounts for 47 per cent, oil for 36 per cent and gas for 17 per cent. What are the prospects? Estimates show that toward 1980 the share of coal will be 63 per cent (oil 31 per cent and gas 6 per cent). In the 1990s and probably after the year 2000 coal will predominate and this trend will continue."

Important Role

"Coal will always play an important role in the economy. But its function will definitely change. Academician N. N. Semyonov Nobel Prize Winner, believes that eventually

coal will be used entirely, or almost entirely, as a raw material."

"Coal is a valuable raw material, which is highly important today, and will be still more important tomorrow. There are chemical by products which are obtained only from coal. They are used to make synthetic resins for the manufacture of plastic goods, pharmaceuticals, man-made fibre, perfumes, fertilisers, toxic chemicals and other things."

"Between 1971 and 1975 annual oil output in the Soviet Union will rise sharply—from 350 to 480-500 million tons, and gas output from 200 to 300-320 thousand million cubic metres. Coal output will also register a steep rise to reach 685-695 million tons in 1975 (a gain of 61 to 71 million tons over the 1970 figure). In what way this coal will be used?"

"Soviet scientists have found a solution which presages a veritable revolution in the utilisation of solid combustible minerals. The techniques they developed involve a comprehensive reprocessing of coal which makes it both a fuel and a raw material simultaneously" (APN)

Mechanical handling equipment

Much new equipment in the field of mechanical handling plant has recently been put on the market by British manufacturers.

Bolt-on elevating forks, so that varying lengths and widths can be fitted easily to suit application changes, are featured in a new British pedestrian-operated pallet truck.

Particularly useful for transferring loads to warehouses or vehicles, it has a pressure-sensitive control column head which, when depressed, causes the truck to stop and move backwards slightly so that the driver is protected against being trapped. A 'dead-man's' handle is also incorporated.

The truck is available in three capacities: 2,240-lb, 3,000 lb and 4,500-lb with a choice of infinitely variable shunt speed control.

The drive motor is housed in the hub of the drive wheel and is easily accessible. Twin lift jacks raise the fork unit and the system is designed to keep the forks level throughout the lift. Power is from a 24-volt battery.

A new low loader trailer, which permits oneman operation when fork-lift trucks, dumpers and similar machinery are being loaded, has been developed by a British manufacturer.

Its rear loading height is only 10 in, the gradient of the split hinged ramps being less than 1 in 8. The ramps are easily handled by one man and the rear loading width is 5ft 6 inches.

Independent suspension is fitted, with lubrication-free bushed and semi-elliptic leaf springs. Cam brakes are incorporated.

The deck is 26ft long and 8ft 2in wide and both two and four-wheeled models are available. The four-wheel version has a payload of 14 tons and the two-wheel payload of 10 tons.

Pakistan Republic Day - 23rd March 1972 :- A Special Supplement

OUTLOOK FOR WEST PAKISTAN ECONOMY

Early in February, barely six weeks after the Indian Army's occupation of East Pakistan, Dr. Mahboobul Haq certainly the most important Pakistani economist prophesied during a television interview that he saw tremendous future for West Pakistan economy. Dr. Haq who is serving in a senior position in Washington with the World Bank was on a short visit to Pakistan and in spite of the deep sense of national grief and pessimism which was inevitable after the fall of Dacca, he could still see light on the economic horizon of Pakistan there must be some very strong reasons for his optimism.

As one heard him on television he sounded too good to be believed at a time when labour was on and the economic backlash of the Indo-Pakistan War was still unknown and therefore an omen and a mystery. But by the end of February and with the beginning of March the dust started settling and an outline of the political and economic shape of things started emerging. One is now tempted to view the future of Pakistan's economy almost as favorably as it appeared to Dr. Mahboobul Haq. Of course his future has to remain colored to West Pakistan since in the

new scheme of things whether be the future relationship between East and West Pakistan it has to be based on two independent economies.

Balance of Payments

The balance of payments position which was reflected in a deterioration in foreign trade and payments has also been weak but the decline of 23 per cent in exports from East Pakistan was offset substantially by a remarkable growth of 24 per cent in West Pakistan. Commodity imports alone rose by 18 per cent. And yet in the first half of the year the deficit was Rs. 710.62 million compared to Rs. 30.39 million in the whole of previous year. In the latter part of the year, however, the exports from West Pakistan and restrictive import policy improved the position and the deficit for the whole year stood at Rs. 400 million.

Economic Viability

It is in this background that the question about the economic viability of West Pakistan is being examined generally and the commonly acceptable domestic indicators for judging the health of the economy including domestic resources, balance of payments, industrial

West Pakistan is an economically viable unit. It has an agricultural and an industrial base that is capable of meeting the economic requirements of this area.

capacity and agricultural potential are being referred to by those who still have nerves to plan for the future.

Agriculture

As regards agriculture West Pakistan has already achieved

By

IBNUL HASAN

near self sufficiency in food-grains. With the land reforms announced by President Bhutto a new pattern of agricultural activity is bound to emerge. The population density in West Pakistan being exceptionally favourable it is reasonable to expect food surplus in the not too distant a future.

Wheat and Cotton

The rate of growth in agriculture production accelerated sharply in 1969 - 70 with substantial expansion in the out-

put of both food and non-food crops. The index of agricultural production rose by 6.8 per cent almost twice the rate of 3.5 per cent recorded in the preceding year. The output of food crops went up by 7.7 per cent in 1969 - 70 compared with 3.6 per cent in preceding year.

The production targets in the case of wheat in the West Pakistan were more than fulfilled. Among the individual crops the best results have been achieved in the case of wheat. Prior to 1966 - 67 wheat production averaged 3.6 mil-

Pakistan was 7,102 lac yards in 1968 - 69.

Other industries in this sector are chemicals, engineering goods, petroleum, sugar, edible oil, cement and food. West Pakistan is self-sufficient in respect of a variety of manufactured goods including textiles, sugar, vegetable ghee, processed food, cigarettes, soap, footwear and rubber goods, paper packaging boards, glass, ceramics, cement, agricultural implements, pumps, diesel engines, cycles, transformers, electric motors, electric wires and cables, plastic goods and petroleum products. Apart from meeting the requirements of



Mechanized farming in the W. W. F. P. region of West Pakistan

lion tons between 1955 - 60 and 4.1 million tons in between 1960 - 65. Average production in the last three years of the Third Plan period following the successful planting of Mexi-Pak Wheat amounted to 67 million tons representing an increase of over 63— compared with the average of 1960-65.

Due to an excellent performance in wheat production the average annual rate of growth in food production between 1960 - 68, has been highest in South East Asia at 7.1 per cent compared with 6.8 per cent India, 6.2 per cent in Ceylon and 1.6 per cent in Indonesia.

Cotton production rose by 42 per cent between 1964 - 65 and 1969 - 70 as a result of increased acreage and higher per acre yield. The total production cotton of which is chiefly grown in West Pakistan was estimated at 2,600,000 bales and was exceeded only by India at 4,43,000 bales. The yield however was highest in Asia at 282 pound per acre as compared with 109 pounds per acre in India.

Industrial Growth

West Pakistan has a viable industrial base. Starting from scratch, today, the four provinces in the Western Wing, like the one in the East Wing, have undergone almost a Industrial Revolution. Sprawling factories, smoke-belching chimneys and a large labour force right from Khyber to Karachi speak of the increasing industrial production.

Cotton textiles industry heads the list in the large scale manufacturing sector. Production of cotton cloth in West

West Pakistan the industrial sector has also built up a substantial export credit.

As for the resource position of West Pakistan the figures of 1969-70, which was the latest normal year for Pakistan, reveal that West Pakistan revenue receipts were Rs. 2150.87 million and expenditure was Rs. 2160.98 million, leaving a deficit of Rs. 10.11 million. The central budget of 1969-70 had a revenue collection of Rs. 6480 million. Of this amount the collection in East Pakistan was Rs. 1400 million and the collection from West Pakistan was Rs. 5080 million.

As against this the total expenditure in East Pakistan if roughly taken at 30 per cent would amount to Rs. 155 million, leaving an expenditure in West Pakistan of Rs. 3620 million which would leave Rs. 1460 million surplus in the central budget for West Pakistan.

During the same year the capital budget of the central government shows a collection through internal resource of Rs. 4650 million and external resource of such as debt raised abroad (project loans etc.) amount to Rs. 2440 million make up a fore of 7100 million. Against the above resource, expenditure on development inclusive of cash grants of Rs. 2730 million to provinces and loans of Rs. 1420 million to semi-autonomous bodies amount to a total of Rs. 7090 million. It would be good assumption for a capital budget on the basis of West Pakistan's resources that there should be

Contd on Page 6.

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LAND REFORMS IN PAKISTAN

The sweeping land reforms announced recently by President Zulfikar Ali Bhutto are the most radical of all measures ever adopted in Pakistan to ameliorate the cultivator's lot. They involve the acceptance of a revolutionary concept which has at last put an end to all controversy over the State's right to order private wealth and ownership of the means of production in the interest of the people.

In the President's own words, the new reforms, will effectively break up the inequitous concentrations of landed wealth, reduce income disparities, increase production, reduce unemployment, streamline the administration of land revenue and agricultural taxation and truly lay down the foundations of a relationship of honour and mutual benefit between the landowner and tenant.

To begin with, the reforms have drastically reduced the ceiling on individual holdings of land. The ceiling which earlier stood at 500 acres for irrigated land and 1,000 acres for unirrigated land has been brought down to 150 acres and 300 acres, respectively. In specific terms, the ceiling has been slashed in one stroke by as much as 70 per cent.

All land above this prescribed limit will be acquired without compensation and

transferred to the tillers free of cost. It is estimated that about 3 million acres of land will thus be resumed without compensation and handed over to the tillers throughout West Pakistan.

Main Highlights

Another feature of the reforms is that large holdings permitted under various subterfuges like stud farms, orchards, grazing land and 'shikargahs' are also to be resumed. Other highlights of the reforms are:-

+ Holdings will be fixed on the basis of the individual and not family.

+ Land in excess of 100 acres acquired by any government servant will be confiscated.

+ State lands will be reserved exclusively for landless tenants or owners of below subsistence holdings. There are at present nearly two million peasants owing no land at all and about another 3.6 million with less than subsistence holdings.

+ Arbitrary and capricious ejectments to stop forthwith and in future, ejectments will be possible only if tenants fail to meet requirements of cultivation.

+ Water rate and all agricultural taxes will be paid by landowners. Landowners will also be responsible for providing and paying for seed and the cost of remaining inputs will be shared equally between landowner and tenant.

+ Incentives of price support, input subsidies, credit and marketing facilities to be provided to small farmers.

+ Gigantic rural works programmes including agro-based industries and cottage industries to be pushed through to combat unemployment.

+ All transfers of land effected after 20.12.71 by persons owning more than the new prescribed limits to be void.

+ An allocation of Rs. 10,000 million for the remainder of the Fourth Five Year Plan period for agricultural development.

In his broadcast to the nation on March 1st giving details of the new reforms the President said-

The ramifications of the system we have changed are massive; but there are no perfect solutions. Every society has to evolve its own remedies measures within the framework of its heritage, conditions and limitations. There

is a wide and shameful dishotomy in our socio-economic structure, and no where else are its manifestations more glaring than in the countryside. The overwhelming majority of our peasantry have since time immemorial been suspended in

the vicious web of abject poverty and servitude. Perhaps nowhere else has the innate dignity of the working man been abused so blatantly as here. We shall not allow this abominable status quo to continue.

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MANAGEMENT

How to plan survival

Causes of corporate failure naturally vary. But the catastrophic and unheralded nature of many collapses in recent years reveals a total inadequacy in business planning and review techniques, particularly in contingency planning and cash control. The nature of a business continuously alters because of changes in the market and other modifications to its environment, both external and internal. Efficient monitoring can evaluate and anticipate the effect of these changes, and the result may be to expand the business or phase it down, or out, in a controlled manner, with losses kept to a minimum. Some managers argue that, because the actual events in a business always differ from those planned, there is little point in planning the future in detail. But this attitude ignores the benefits which arise from thinking the business through in depth, both in short and long term.

Lack of planning leads to management by crisis, in which the organization struggles with immediate difficulties, and managers tend to protect their own interests rather than defer to the overall interests of the business. In the short term, disciplined planning in advance of budget setting will highlight areas of weakness in the day-to-day running of the business and enable improvements to be budgeted for. It will also facilitate ob-

jective-setting for management, and enable strategies to be formulated, involving personal and direct participation by managers. That subsequent events may differ to some extent from those planned in no way affects the validity or value of the initial planning.

This highlights possibly the greatest benefit from planning, which is the identification of critical aspects of a business, where failure could lead to disaster. Contingency plans can be prepared well in advance covering a whole series of possible events so that rapid action can be taken if necessary. In the long term, it will be necessary at some time for a firm to diversify its products, since its original products will become obsolete, or be overtaken by those of competitors, or the market will become

saturated. In consequence, a firm must look to the future to identify growth areas, and to see what skills and resources will have to be acquired. Inevitably this means some form of long-range planning as a basis on which the broad strategy and tactics of the business can be formulated. Provided that the planning is sound in essence, errors in detail are immaterial at this stage.

Economic outlook for W. Pakistan

(Contd. from Page 4)

a surplus of at least 1460 million in the central budget for West Pakistan. This amount would be available for development purposes.

Taking a year of 1969 - 70, imports to West Pakistan from foreign countries amounted to Rs. 3200 million resulting in a deficit of Rs. 1590 million. Deducting the favourable trade balance of Rs. 748 million with East Pakistan the net deficit in balance of trade comes to Rs. 840.2 million. Initially this will no doubt be a constraint, but as soon as the alternate markets for exports which used to go to East Pakistan are found and they are bound to be found things will improve many times over.

Thus the optimistic outlook for the West Pakistan economy is based on three factors - the agricultural sector's performance, export sector's performance and private sector's initiative. Given the much needed imports and credit support, making available a fully utilised industrial capacity and launching a public works programme

to back up the three sectors, the growth rate in West Pakistan is bound to rise. With the likely resumption of aid and particularly the commodity aid West Pakistan should be able to fully utilise individual capacity with increase in income, employment and exports.

On the all Pakistan basis 20 per cent of the labour force was accounted as unemployed but in West Pakistan only about 8% are estimated to be employed. In about 2 to 3 years when the entire production system starts working normally it would be possible to absorb the unemployed quite easily.

Now the Fourth Five Year Plan is no longer relevant. An emergency Plan will have to be worked out. This emergency plan may have to be geared to few selected production targets. In any case it must aim at maximum food production and maximum industrial production by ensuring all the agricultural and industrial inputs. A massive public works programme both in rural and areas will have to be launched.

The first question which any manager of a business should ask is 'How well is my present business doing, as judged by my competitors in similar businesses, and how can I improve it?' This should be quickly followed by two related questions: 'Do I really understand what my business is and is it the best one for the skills and resources of the firm?' and 'what are the future objectives of the firm, and how am I going to achieve them?' The answer to the first question can be provided by detailed short-term planning, frequently referred to as operational planning. Long-term

business as it presently exists. It must be assumed that the product range is unlikely to alter substantially, although certain products may be phased out and others introduced. Radical change, either in the products or the nature of the business, is improbable within the framework of the short-term plan. However, significant changes can be made to the viability of the operations within the time-scale of the of the plan.

The second article in this series on planning deals with the nuts and bolts of the detailed business plan which is designed to ensure the survival of the corporation. The mistake which blind managers critical of all planning make is to suppose that its supreme test is that of accuracy. The real test is the company's unblinded vision of its business and ability to cope with any eventuality, by methods such as those described here.

By
DENNIS COOPER-JONES.
(Courtesy Management Today)

or strategic planning, embracing the establishment of formal business objectives, will provide answers to the other two questions.

Short-term planning takes in the establishment of formal objectives and strategies for the next year, or at most, two years of a business and it is

Reference to the performance of similar firms in the same industry can give average figures for the significant financial ratios—profit/assets employed, profit/sales and sales/assets, and also the liquidity ratios. Consideration of these together with trading results in current and past years, will enable management to establish realistic targets for the planning years. The plan forms a natural basis for the forthcoming year's budget, which spells out in detail the resources needed and expenses to be incurred in achieving planned performance.

The importance of using ratios on a continuing basis for planning and controlling

a business cannot be over-emphasized. However, it is essential to use comparable data when applying similar ratios from previous time periods or from other companies, since any differences in accounting practices may affect the validity of the results. Financial ratios can be broadly classified as either tests of liquidity or tests of profitability or operating efficiencies. Some of the ratios make use of balance sheet information only; others make use of income statement information only; still others use both sources.

(TO BE CONTINUED)

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U. S. Suggests new forum for monetary negotiations

Washington:

The United States is initiating a search for a new forum to negotiate a new and reformed international monetary system, according to treasury secretary Connally.

The United States favours a forum in which the developing nations as well as the industrial nations will be heard, and one in which trade and other factors linked to international monetary affairs can be discussed. The group of ten, which negotiated the Smithsonian agreement on exchange rate realignment, would not fit these requirements.

Secretary Connally announced that he had asked under secretary Paul Volcker to begin conferring with officials of other countries 'to explore possible solutions to this and other problems'.

He added that the United States would not put forward an "American Plan" for that reform "Until we have fully wrestled with the complexities of this most complex subject and have had a chance to compare U. S. thinking on these issues with the thinking of others. But he believes, 'there is a

truly unique opportunity for all nations to begin building a durable trade and payments based on equity and realism'.

The U. S. commitment to a liberal trade and payments system is "unchanged and unchangeable", he said, but the United States also intends to move vigorously for "arrangements accommodating today's new realities".

CHINA-NEPAL ECONOMIC CO-OPERATION

Kathmandu:

Letters on economic co-operation were exchanged last week between the government of the People's Republic of China and the government of the Kingdom of Nepal.

Under the documents, two Chinese survey teams will be dispatched to conduct surveys for the construction of a trolley bus project along the Kathmandu-Bhaktapur highway and for the expansion of the Kathmandu brick and tile factory or the building of a new one in Nepal. The documents also stipulate that the letters exchanged on March 3, 1971 between the two governments with regard to the repairing

of the Arniko highway will remain valid until March 31, 1973.

Wang Tse, Chinese Ambassador to Nepal and R. B. Pradhan, Finance secretary of Nepal signed the letters on behalf of their respective governments.

USSR'S INDUSTRIAL OUTPUT EXPANDS

Moscow:

Industrial output in the USSR increased by 7.3 p.c. in February, this year, as against the corresponding period last year. In Dnyelorrussia, Lithuania, Latvia, Moldavia, Estonia, Armenia, Kirghizia and Kazakhstan this increment was higher than the country's average—8-13 per cent. Labour productivity in the period went up by 7.5 per cent. This is revealed in the recent data published by the central statistical Board of the USSR.

Plans have been overfulfilled for coal, and iron ore output, for the production of electricity, steel pipes, plastics and synthetic resins, tyres, a number of products of the machine-building industry paper, slate, window glass, linen and silk



fabrics, many food products, and recreational and household goods.

In the two months of the current year the output was higher than in the corresponding period last year—passenger cars - by 48 per cent, digital programme-controlled machine-tools - by 32 per cent, instruments, means of automation and computing equipment - by 18 per cent, porcelain table-ware - by 17 per cent, refrigerators - by 10 per cent.

SOVIET-HUNGARIAN TRADE AGREEMENT

Budapest:

The Moscow company handling the imports of public transport vehicles and buses and the Hungarian IKARUS Car-Body and Vehicle Factory have recently signed an agreement. According to the contract, IKARUS will supply 3610

buses for the Soviet Union in 1972.

Of the 3610 vehicles, 1,000 will consist of articulated buses for urban and other local transport, a further 1,000 buses for long-distance traffic, while 910 will be general-purpose buses and 700 de luxe coaches for long-distance traffic. At present there are more than 10,000 IKARUS buses in service in the Soviet Union.

HIGHEST CARAVAN DENSITY IN EEC

The Hague

According to an article in "Caravan France" Holland has relatively the largest number of caravans in Western Europe, with 50 per 1000 private cars. Great Britain is second with 45 caravans to every 1000 cars. Next come Belgium with 25, France with 23, the German Federal Republic with 12, Switzerland with 12 and Italy with 2 caravans per thousand cars.

New stage of co-operation between U. S. S. R. & developing countries

The development of trade and economic co-operation between the Soviet Union and the young states that have embarked on the road of independent development, is a most significant event in present-day international economic relations. Its backbone and motive force as the community of interests between the newly-free nations and the socialist countries in

the struggle for peace and economic and social progress.

The Directives of the 24th CPSU Congress of the Communist Party of the Soviet Union for the Five-Year Economic Development Plan of the USSR for 1971-1975 read, in part: "Development of stable external economic, scientific and technological, ties with developing Asian African and Latin American countries shall be continued on terms of mutual benefit and in the interest of strengthening their economic independence."

This single phrase is full of deep meaning reflecting the consistent realization of the Leninist principles of all-out support to the national liberation movement.

Having obtained political freedom the countries of Asia, Africa and Latin America got an opportunity of starting the construction of an independent national economy. In is quite obvious, though, that to translate this into reality, it is necessary to traverse a long path of struggle for economic freedom and for establishing equitable economic relations with other states.

In this struggle, the developing countries have enjoyed and continue to enjoy the substantial and quite concrete support of the Soviet Union and the other socialist countries.

In the trade with the Soviet Union even the smallest and the least developed countries receive a possibility of appear-

ing as equal partners. The USSR does not seek any special privileges, preferences, or unilateral concessions for itself. Moreover, adhering to its own interest, the Soviet state, at the same time, is building its trade with the developing countries in such a way that it promotes, as much as possible, the solution of urgent tasks of their national rebirth.

By F. TRINICH

During the 8th Five-Year Plan of 1966-1970, Soviet trade with the developing state made up over 11,000 million roubles. The share of the developing countries in the Soviet foreign trade turnover reached 13.5 per cent in 1970. Today, the Soviet trade partners include some 70 newly-free countries of three continents. Incidentally, trade relations with the overwhelming majority of them are based on inter-government treaties and agreements.

Technical Co-operation

Along with trade contacts, such forms of co-operation as economic and technical assistance in the development of industry, agriculture, power engineering, transport, and other branches of national economy as well as help in the training of specialists from among the local population for newly-liberated states, have been also substantially developed.

By the beginning of 1971, in conformity with inter-government agreements which the Soviet Union concluded with 40 developing countries, it had been rendering assistance in the construction of 700-odd industrial and other projects of substantial importance for the overcoming of economic backwardness. For these projects, on account of big credits granted on favourable terms and exceeding 5,000 million roubles, the Soviet Union delivers the corresponding complete sets of equipment and materials.

Goods of industrial purposes necessary to speed up the rates of extended reproduction, constitute the basis of the Soviet exports to Asia, Africa and Latin America. Thus, the sale of machinery and equipment, including equipment for sets of plants, increased almost 30 times, from 15 million roubles to 565 million roubles, between 1955 and 1969. Today, over 37 per cent of the Soviet export to the countries mentioned above, falls to the share of these goods. There is no need to comment on these figures.

Soviet deliveries of such commodities, important for economic development, as ferrous and non-ferrous metals, oil and oil products, timber and chemicals, are increasing every year. The Soviet export nomenclature is constantly expanding.

Thereby, the developing countries, industry, which is not strong enough as yet, is given decisive support, since

in the markets of the West it encounters stiff competition and limitations.

It is very important to note that Soviet relations with many states are already growing into really commercial contacts. In the Report on the Directives of the 24th CPSU Congress for the Five-Year Economic Development Plan of the USSR for 1971-1975, A. Kosygin, Chairman of the USSR Council of Ministers, pointed out that Soviet trade and economic co-operation with many developing countries were entering a new stage where it might already be spoken of firmly established mutually advantageous economic ties. "Our co-operation with them, based on principles of equality and respect for mutual interests," A. Kosygin stressed, "is acquiring the nature of a stable division of labour, counterposed in the sphere of international economic relations to the system of imperialist exploitation."

There is no doubt that in the current five-year period this process will be further developed given mutual desire of partners. The expansion of Soviet trade and economic co-operation with developing countries of Asia, Africa and Latin America will be conducive to the social and economic progress of these states, and will exert the most beneficial influence on the development of friendship among nations and consolidation of world peace.

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BRITAIN'S ENTRY INTO THE E.E.C. AND ITS IMPLICATIONS

This Paper attempts to analyse the possible implications for our trade of Britain's membership of the EEC. Although attention will be focussed mainly on the adverse effects on Ceylon's trade of Britain's entry into the EEC—the benefits that may accrue to Britain by her entry and to her Asian Commonwealth partners could be considerable. This latter aspect will not be covered in this paper because it is far too conjectural an exercise to undertake at present.

Background

The European Economic Community (hereafter referred to as the Community) comprising the Benelux Countries (Belgium, Netherlands, and Luxembourg), Italy, France and Germany was set up by the Treaty of Rome in March, 1957. No other sovereign state has obtained full membership of the community up to date although Greece (since November, 1962) and Turkey (since December, 1964), have been associated with the Community and eventually intend gaining full membership. Outside Europe there are eighteen independent African associated states which were once colonies of the EEC members. They are collectively referred to as the Associated Overseas Territories (hereinafter referred to as the AOTs) and their relations with the Community are regulated by the Yaounda Convention of July, 1963 which does not however, provide for the attainment of full membership by them because such a relationship is considered to be the sole prerogative of the European Communities.

Another Agreement known as the Arusha Agreement which came into effect in January, 1971 has brought Kenya, Tanzania and Uganda into Association with the EEC.

Aims

The principal objectives of the EEC as set out in Article 2 of the Treaty of Rome are as follows:

"It shall be the aim of the community by establishing a common market and progressively approximating economic policies of member states, to promote throughout the community a harmonious development of economic activities, a continuous and balanced expansion and increased stability and accelerated raising of the standard of living and closer relations between its member states."

These aims are to be achieved by the creation of a Customs Union with a common external tariff and by the abolition of internal tariff duties and quotas; the establishment of a common agricultural policy; the free movement of persons, services and capital; and a harmonised transport system.

In addition measures are to be taken to establish and maintain fair competition and to co-ordinate economic and social policies. These include legislation against monopolies, restrictive trading practices (with various escape clauses), anti-dumping regulations, the adoption of common policies of foreign trade agree-

ments, the abolition of some State subsidies, and harmonisation of taxation policy. While there is no commitment to adopt common social policies collaboration in this field is envisaged.

Under the scheme of association set out in the Yaounda Convention and the Arusha Agreement, products of the overseas territories and other associated countries were to be allowed into the markets of the 'six' free of custom duties and import restriction subject to some exceptions. Conversely the AOTs and other associated countries were to make reciprocal abolition of certain duties on imports from the 'six' and other associated territories. They were to be allowed freedom to impose and apply quantitative restrictions on imports "to the extent justified by the requirements of their economic development and more especially of their industrialisation or by the exigency of their financial situation or other balance of payments."

Ceylon, Britain and E.E.C.

It is against these objectives and principles governing the relations within the Community and between it and the associate States that the implications for Ceylon of Britain's accession to the Community should be identified and evaluated.

Britain's entry into the Community will result in her having to abandon the traditional system of Commonwealth preferences accorded to exports from Commonwealth members and adopting a common external tariff as fixed by the Community. This could have an unfavourable effect on Ceylon's exports to Britain depending on the level of the common external tariff finally adopted; the terms and conditions of Britain's entry into the Community and the Community's agricultural policy particularly in respect of oils and fats.

Ceylon's exports to U.K. and the Community consists mainly of tea, rubber and coconut products (coconut oil and desiccated coconut) and to a lesser extent of cocoa, beans, spices, coir fibre, cinchona, and citronella, natural graphite, papain, kapok, unmanufactured tobacco and precious and semi-precious stones. Exports to Britain currently account for about 23 per cent of Ceylon's total exports. Of this 19 per cent is absorbed by tea, while coconut products and rubber, account for 17 per cent and 0.5 per cent respectively. Several minor exports constitute the balance.

Tea

Britain accounts for about 34 per cent in value terms of Ceylon's total tea exports to all destinations. The two pence preference for tea in bulk that is enjoyed in the U.K. market by all Commonwealth members as well as the 9 per cent legal duty in the community is under suspension till 30th June, 1971, after which date it will be reviewed. Hence tea in bulk enters both U.K. and the Community markets free of import duty at present. It is possible that after the

* Since extended

June review, duty free entry may be accorded to tea in both Britain and the Community on a most favoured nation basis. On the other hand, in pursuance of the objective of a common external tariff Britain may have to adopt the 9% legal duty which is currently under suspension, or some reduced rate of duty fixed by the Community. No offer has been made by either the Community or Britain under the Generalised Scheme of Preferences. (GSP)

Non-Commonwealth suppliers will benefit most if tea is given duty free entry on a permanent basis, once Britain joins the Community. Imports into Britain from these countries would then be two pence cheaper. It is difficult to assess the degree of potential competition that Ceylon would face in such an event as supplies from these sources have been relatively small. However, one can reasonably expect teas from the East African States to provide growing competition in the future. Ceylon and India together supply approximately 65 per cent of the U.K. market. Hence, duty free entry of tea is not likely to reduce appreciably the competitive power of established suppliers.

Free entry especially in the Netherlands and to a lesser extent in Germany would favour increased exports to these countries. Ceylon can reasonably hope to obtain a fair share of this expanding market provided high internal duties and fiscal charges already in existence which tend to inhibit increased tea consumption are moderated or completely removed. It is, therefore, essential that action be taken to press for a moderation if not elimination of these charges when negotiations with the Community take place.

The position will alter to the detriment of Ceylon's exports to the U.K. and the Community should the common external tariff of 9 per cent be imposed on a permanent basis. Ceylon teas will then face severe competition

from the tea producing East African States of Kenya, Uganda, and Tanzania who while marketing quality teas produced under modern manufacturing techniques will also receive preferential treatment under the Arusha Agreement. East African teas would then be 9 d. cheaper than Ceylon teas and this could lead to a fall in demand for quality Ceylon teas and stiffen competition. There is, however, a possibility of the greater part of this duty being passed on to the Ceylon producer in the form of low prices. To the extent that this happens Ceylon teas may fetch lower prices though a shrinkage in demand may be moderated. Thus, the consequence for Ceylon teas of Britain having to adopt a 9 per cent legal duty could be crucial.

Packeted teas attract a duty of 5 per cent (legal duty 1%) in the Community at present. Britain's entry will result in Ceylon's packeted teas having to bear a similar tax. Although exports of such teas are negligible at present, imposition of this duty could

prove an impediment to the expansion and price stabilisation of tea through exporting packeted teas and discouraging the export of bulk teas from Ceylon.

Ceylon's instant tea exports to the U.K. are small and attract no duty at present. The Community has placed a 12% duty on instant tea exports with an offer to reduce it to 6% under the GSP. Preferential suppliers on the other hand will have to pay only 2% duty. If Britain joins the Community she would have to accept the common tariff of 12% or 6% if the GSP comes into operation. The levy of a duty will dampen interest in the production of instant tea for export, which has a high market potential particularly in the U.K. and West Germany. The preference given to associate members will make the product from these countries cheaper and perhaps act as a further inhibiting factor to the expansion of instant tea production in Ceylon.

Rubber

The major part of Ceylon's rubber exports go to the People's Republic of China (about 53%) under Rubber-Rice Pact, while the residue is divided between the Eastern European countries and the rest of the world. Duty free entry is accorded to rubber by both the U.K. and the Community. The British entry into the Community will not pose any special problems from the tariff angle. However, increases in synthetic rubber production could pose a growing threat to the natural rubber producers in the future.

Coconut Products

Desiccated coconut and to a lesser extent coconut oil form the main exports to U.K. and the Community under this heading. Exports of desiccated coconut in value terms to Britain and the Community in 1970 amounted to Rs. 34 million and Rs. 25 million respectively; while exports of coconut oil over the same period amounted to Rs. 3 million and Rs. 12 million respectively.

The British market has almost been a special preserve for Ceylon's desiccated coconut which enters duty free, while its major competitor Philippines faces a duty of 10 per cent. Hence the preferential advantage that Ceylon's desiccated coconut presently enjoys is a valuable one and its loss when Britain joins the Community and has to adopt its present common tariff of 4% would make it easier for the Philippines to encroach on the British market. If Britain's offer to remove this preference under the GSP is accepted Ceylon would have lost a valuable advantage in the U.K. market without obtaining an equivalent or even a compensatory benefit in the Community.

The Community at present obtains a major part of its desiccated coconut supplies from Ceylon and the Philippines, as there is no manufacture of this product in the Associated Overseas Territories for export. The Community can apply a lower common tariff to desiccated coconut

because there are no interests it needs to safeguard. Whether the common external tariff of 4 per cent is applied on the British offer for a duty under the GSP is accepted, it will be detrimental to Ceylon in that Philippines will have access to the U.K. market on equal terms with Ceylon. It would therefore, be necessary for Ceylon to press for a duty free quota in the U.K. for desiccated coconut in order to preserve her market.

The Community forms the second largest consuming area in the world for oils and fats. It imports oils and fats on a large scale but in view of the existence of a wide range of substitute oil, and oil seeds it is difficult to assess the position of coconut oil in it. More than half the Community's requirements of vegetable oils and oil seeds comes from the Associated Overseas Territories while roughly 10-15% coconut oil is also imported from the same region. While the production of coconut oil is small in the A.O.Ts, they are however large producers of other oils and oil seeds notably groundnut and groundnut oils, palm oil, palm kernel and palm kernel oil. With the increase in the interchange-

Education's contribution

Education is a major source of American economic growth. American education also decisively conditions the way that American business is organized and operated. These two statements are closely related. Education raises national income by lifting the abilities of employed persons to contribute to production. And three out of four employed Americans either work for, or own and manage, private business firms.

Americans do not, of course, regard preparation for career as the only purpose of their educational system. Education is expected to contribute to citizen participation in a self-governing society, to the enjoyment and quality of life, to understanding of the wonderful and complex world in which we live, and to appreciation of literature and the arts. I shall emphasize economic consequences of education only because this is my subject.

Similarly, although I shall tell you that expansion of education has been a very important cause of American economic growth in the 20th century, this implies neither that other growth sources are unimportant nor that education is always and everywhere an important growth source. Let me explain the relationship.

The level of a country's national income, per person employed, depends on its resources and its productivity. The biggest economic resource of any country is the people who do its work. Their skills, experience, adaptability, attitudes, effort, and health have a great effect on output per person.

Other major resources are the amounts of capital and land that are available to work with labour. Productivity, or

ability of processes, ration and will enjoy over their coconut. Community increasing future.

NIHAI Senior Central

The Community imports an important coconut oil 24.8% of oil in 1 million in. On the other a relatively Ceylon's coconut exports to 3 million in.

Commonwealth enters Britain also enjoys preference of suppliers like Indonesia. not feature Community GSP. Hence by Britain or

output input, d of know produce size of r ciency we are alloc uses, on the right on mobil deal with tances, an of institu to secure ing enterpr

Income

The position now is that refers to from one and the growth of dominant example, u capital ba changes in date to an not be a b even though capital is a minant of at both growth of ask what have change

Because ground great and adaptat cation is alv determinant come. But always a growth. Th source of gro tury America onal labour for at a rather The average played today than twice a school as has as recently a spent more-t as long a perio average. Ame

ability of oil oils through new processes such as hydro-generation and because the A.O.T.s will enjoy a 5-15% preference over third countries. Ceylon's coconut oil exports to the Community seem likely to be increasingly threatened in the future.

By
NIHAL WIRATUNGA
Senior Economist,
Central Bank of Ceylon.

The Community has formed an important market for Ceylon coconut oil exports absorbing 24.8% of its total exports of oil in 1967/69 and Rs. 21 million in value terms in 1970. On the other hand, Britain is a relatively small market for Ceylon's coconut oil, absorbing exports to the value of Rs. 1 million in 1970.

Commonwealth coconut oil enters Britain duty-free and also enjoys a handsome preference of 15% over third suppliers like the Philippines and Indonesia. Coconut oil does not feature in the U.K. or Community offers under the SP. Hence, the acceptance of Britain of the Community's

common tariff on coconut oil would in the first instance result in the loss of the Commonwealth preference of 15% on oil and 10% on oil seed. This would mean that non-Commonwealth suppliers like Indonesia and Philippines would compete on equal terms with Ceylon in the U.K. market. The AITs will benefit most because their oil will enter the U.K. market duty free. Thus, Britain's accession to the Community will not only result in Ceylon losing her preferred position in the U.K. market, but this preference will now be reversed in favour of the AOTs. In addition, to the AOTs the European crushers of oil pike Netherlands would be able to export their supplies to U.K. duty free. The demand for coconut oil in Britain from non community suppliers would correspondingly decline. However, markets for third suppliers might be converted to one for oil seeds which are free of duty. This would provide a stimulus to the British crushing industry at the expense perhaps of the crushing industries in countries like Ceylon.

The position of coconut oil in the community has been

further complicated by the proposed introduction of a special levy referred to as the "inland levy", on oil and oil seed whether imported or produced within the Community. This levy is to be imposed on vegetable and marine oils used primarily for foods. Ceylon coconut oil exports are used mainly for non-edible uses and depend on the classification accorded the proposed tax if imposed will have an impact on coconut oil exports to the enlarged Community.

The continuation of preference in the British market for Ceylon would safeguard her present position but would inevitably raise some vexed problems as there are conflicting interest to be reconciled. Apart from the fact that the AOTs have substantial interests the European crushers would also press for portection. On the other hand, free entry for coconut oil into the Community and U.K. market would place Ceylon in a very favourable position and the Continental crushers outweigh the loss of preference in the U.K. market. Ceylon could then reasonably expect to expand her exports to the Community.

Cocoa Beans
The principal suppliers of cocoa beans to the United

Kingdom are Ghana and Nigeria. Preference of 25% that their cocoa exports to Britain enjoyed was removed during the Kennedy round of tariff negotiations. The Community's common tariff stands at 5.4 per cent at present, and no offer has been made by it under the GSP. It is conceivable that both Nigeria and Ghana would either enjoy free entry into the enlarged Community or have duty-free quotas if they become associate members of the Community. While Ceylon's cocoa exports to the United Kingdom are negligible, our exports to the Community currently stand at about 10 per cent of our total cocoa exports. In view of the present efforts to diversify our exports and the decision to increase the acreage under cocoa, the need to protect our current markets assume a greater importance. Hence, it would be prudent for Ceylon to request that her exports of cocoa to the Community be accorded duty-free treatment.

Coir Fibre

Coir bristle fibre and coir mattress fibre are both considered under this heading. Britain accords duty-free treatment to coir fibre from Com-

monwealth countries while there is a duty of 10 per cent on imports from non-Commonwealth sources. The Community on the other hand, has placed a common external tariff of zero for coir fibre at present. While the Community has offered to bind the existing free entry, Britain has offered to extend duty-free treatment to developing countries, under the GSP.

Both Britain and the Community are valuable markets for coir fibre: collectively they absorbed about 50 per cent of our bristle fibre and 65 per cent of our mattress fibre in value terms in the period 1967-1969. Britain and the Community took 55 per cent and 64 per cent our bristle and mattress fibre respectively, in volume terms in 1970. If the British offer under the GSP is finally confirmed it will be detrimental to our interests. If on the other hand, this offer is withdrawn, we should press for a duty-free quota arrangement to guarantee the existing market for fibre in the U.K.

The U.K. tariff classifies graphite (Plumbago) according to its carbon content. Category "A" refers to crystalline graphite in flakes with grades of graphite. While category "B" is duty free from Commonwealth sources, it bears a 10 per cent duty from non-Commonwealth countries. One third of Ceylon's production has a carbon content of less than 85 per cent, and would thus fall into category "B". Madagascar competes graphite to Britain were 16.4 per cent and 12.1 per cent in volume and value terms respectively in 1970.

Britain has offered to remove the preference on category "B" graphite under GSP. As this offer was made at the instance of British importers, it is very unlikely that it will be withdrawn. The Community has offered to bind the existing free entry. British entry into the Community will be detrimental to Ceylon's graphite trade to the extent that she will lose a preferential advantage, in the British market and will now have to face competition in the enlarged Community on an equal basis with other suppliers of graphite.

(TO BE CONTINUED)

contribution to America's economic growth (1)

output per unit of resource input, depends on the state of knowledge as to how to produce at low cost, on the size of markets, on the efficiency with which resources are allocated among various uses, on success in putting the right man in the right job, on mobility and flexibility to deal with changing circumstances, and on the effectiveness of institutional arrangements to secure efficiency in producing enterprises.

Income determinants

The point I wish to stress now is that economic growth refers to changes in income from one date to another and the to contribute to growth an income determinant must change. For example, unless the amount of capital backing each worker changes importantly from one date to another, capital cannot be a big source of growth even though the amount of capital is an important determinant of the level of income both dates. To analyze growth of income, one must look at what income determinants have changed.

Because educational background greatly affects the skills and adaptability of labor, education is always an important determinant of the level of income. But education is not always a major source of growth. Thereason it is a big source of growth in 20th century America is that the educational background of the American labor force has been rising at a rather astonishing rate. The average American emigrated today has spent more than twice as many days in school as his counterpart recently as 1930. He has more than three times as long a period in school as the average American worker of

1900. The change is enormous, and it is not surprising that it has had a big effect.

These figures refer, appropriately, to the education of the labor force, not to the education that young people in school are receiving. It is the skills of people who are at work at any time that affect the national income at that time. The education of the labor force rises as older people leaving the labor force are replaced by young people with more education. The educational background of most workers who retire from employment at any date was determined four or five decades earlier. To account for the rise in the education of labor force from, say, 1929 to 1969, we should have to review the changes that took place in the education of young people over a period of nearly a century: from the 1870's and 1880's, when older members of the 1929 labor force were being educated, right through the 1960's, when the younger members of the present labor force completed their schooling.

The characteristic decentralization of American education has been accompanied, inevitably, by diversity in the amount and quality of education offered in different areas of the country, and by differences among schools and colleges both in standards and in curricula.

Now, let me remind you of Horatio Alger, the highly successful American author of stories for boys in the late 19th century: A warm-hearted man, Alger made friends with urchins residing at the Newsboys' Lodging House in New York City. He drew on his observation of these boys for material for a long

series of novels. Beginning with *Ragged Dick*, published in 1867, these books told a

By



EDWARD F. DENISON

Edward F. Denison is a senior fellow of the Division of Economic Studies at the Brookings Institution, Washington, D.C. HE has held his present position since 1962, except for a year at the University of California where he served as Ford Rotating Research Professor of Economics. Educated at Oberlin College (A.B. 1936) and Brown University (Ph. D. 1914), he has taught courses in economics at Brown and at American University. For 15 years, beginning in 1914, Dr. Denison was with the Office of Business Economics of the U.S. Department of Commerce. He dealt with problems of national income. In working with other American, British and Canadian economists, he developed a new system of national accounts. The result of the joint effort was published in the 1947 "National Income Supplement" to the Survey of Current Business. The national accounting system thus developed provided the basis for systems subsequently adopted by the United Nations and other countries. From 1956 to 1962 he was associate director of research of the Committee for Economic Development.

single story: the rise from boyhood poverty to wealth and honor as a man, achieved by an individual's own hard work and virtue. Alger also wrote biographies of American statesmen who rose from humble beginnings to greatness. Alger indoctrinated and inspired an entire generation of boys. Modern, more sophisticated generations smile at mention of what is known as the Horatio Alger story. But belief that an individual can get ahead through his own efforts has been widespread in the United States, and the facts have supported this belief well enough to sustain it. This belief has favourably affected the attitudes and performance of the typical American at work, and this has contributed directly to high productivity and income. However, my present interest is in the effects on education of this faith that one could get ahead by his own efforts.

Vast numbers of Americans believed not only that the child should and could rise above the station of his parents, but also that his most effective route was to obtain more education than his parents. This belief was shared by parents with little education and those with much. It was held by the native-born and by immigrants who came to America seeking opportunity to improve their economic position and that of their children. And it was correct.

Until the last two decades, three-fourths or more of all young people left school as soon as the law allowed. The general parental attitude limited public pressure on governments to expand opportunities even for those who wish

ed to continue education voluntarily. We see the effects of this past European situation in a great concentration of any age group in the labor force at exactly the educational level corresponding to the legal school-leaving age when it was educated. Because the school-leaving age was occasionally raised, young people in the labor force had one or two more years of education than the oldest age groups. But even so, in the 1950's the bulk of the entire labor force in European countries was concentrated in a narrow band, such as six to eight years of schooling. Over time the concentration point moved up a little reflecting past changes in the school-leaving age.

Recently, voluntary continuation of education has become common in most European countries. The situation I have described is changing, but it will be a long time before the imprint of the past on the labor force of these countries disappears.

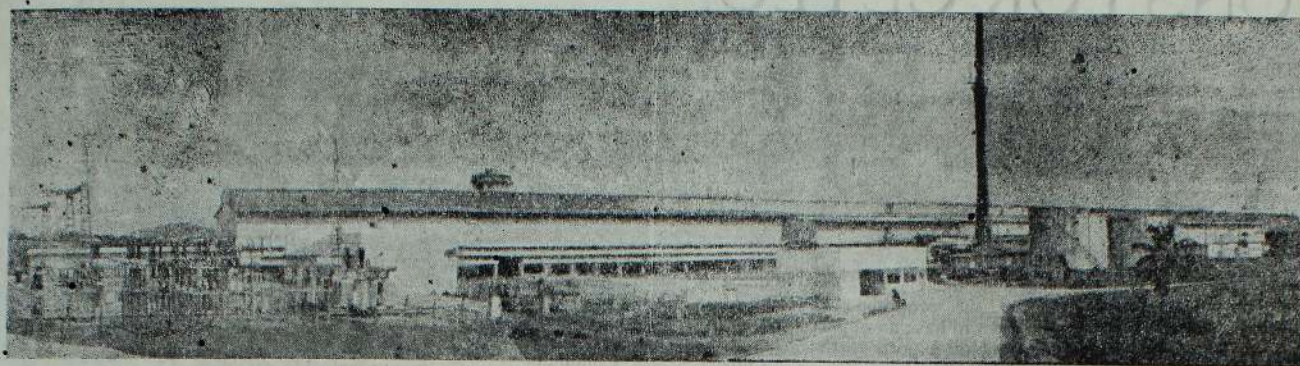
The educational distribution of the American labor force, in contrast, has never been highly concentrated. The legal school-leaving age has not been very important in determining the level of education. One reason is that school laws varied greatly from place to place, as well as over time, and in addition enforcement was often lax. An unfortunate result is that the United States has had more people with very little education than the North-west European countries. As recently as 1948, some nine percent of our male labor force had four years of education or less, and even now four percent do. These are mostly older people, of course.

But the main, and fortunate, consequence the American attitude was that most students remained in school after departure was allowed. They

stayed because their parents wanted them to stay and encouraged them to do so. Because the attitude was general, parents insisted that their local and state governments expand schools and universities to accommodate all who wished to attend, and improve them. Because school control was local, it was unnecessary to wait for a national consensus and national financing that would permit a simultaneous change throughout the country. The richer localities and those whose voters were most enthusiastic about education moved ahead independently. Other districts then tried to catch up with the leaders who by this time, were again moving forward.

As a result of this process the average level of education was constantly rising in the United States. In addition, there was at no time a single concentration point for school departure. Insofar as there were concentrations at all, they were at the completion of some type of school—especially, after eight, 12, or 16 years of education—rather than at levels corresponding to legal attendance requirements. Many students also left without completing a particular school. Hence the distribution of the American labor force is highly dispersed. It should also be noted that completion of secondary education has been a goal in itself, not just a route to college. Indeed 12 years of education is the most common single amount in every age group up to 65. Of each 100 persons in our entire labor force, 12 are college graduates and 12 have completed one to three years of college; 37 are high school graduates with 12 years of education; 29 have eight to 11 years; and 10 have seven years or less.

(Contd. on Page 13)



CEYLON'S FIRST STEEL MILL — Fifth Anniversary Supplement

The fifth anniversary of the commissioning of the biggest state enterprise in Ceylon the Iron and Steel Works, falls on the 20th March this year.

This enterprise which was set up with Soviet assistance is a striking example of the implementation of Lenin's policy in foreign economic relations, an example of friendship and co-operation between the USSR and developing countries.

The foreign economic policy of the USSR is directed towards furthering the economic progress of developing countries. It helps them to do away with their dependence on foreign capital, develop national productive forces and raise their standard of living.

Characteristic feature

The characteristic feature of Soviet economic and technical assistance to the developing countries is that it is directed towards establishing and strengthening the public

A Review
By



V. A. KALININ

Counsellor for Economic Affairs of the USSR Embassy in Ceylon

sector in their economies. Existence of the public sector makes it possible to mobilize resources as a nation and utilize them for the purpose of development and strengthening of the national economy.

700 projects are being built in developing countries with Soviet assistance. 350 of them have been put into operation

More than 70% of the amounts agreed to between the USSR and the developing countries are to be invested in the development of industries and half of this amount is to be utilized on the construction of heavy industry enterprises.

The construction in Ceylon of the Iron and Steel Works and its commissioning in March 1967 marked the establishment in the country of a strategic industry.

The operation of the Iron and Steel Works enables Ceylon to meet to a considerable degree her requirements in rolled products, wire and wire products, thus saving much-needed foreign exchange.

Ceylonese organisations are of a high opinion about the construction works and the Soviet equipment installed in

the Iron and Steel Works. They think much of the efforts of Soviet specialists who helped during the construction and commissioning of the factory.

During 1971 the Ministry of Industries and Scientific Affairs as well as the Management of the Steel Plant paid much attention to the operation of this enterprise. This and the satisfactory performance of Ceylonese engineers, technicians and workers assisted by Soviet specialists has enabled maintenance of adequate levels of production.

In 1971 the Ceylon Steel Corporation increased its production by more than 10% as against 1970. This resulted in the Corporation earning higher profits.

The Iron and Steel Works has tremendous production potentialities.

(Contd on Page 13)



Madame Nishanov wife of the Russian Ambassador in Ceylon being received at the Oruwala Steel Plant on the occasion of the 5th Anniversary of its commission

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ORUWALA'S GIANT STEEL PLANT: Five years of progress

With plans for the Commissioning of the Second Stage of Ceylon's Steel Project now in the final stages, the Steel Corporation has now commenced construction work on its steel foundry. This is one of the many subsidiary industries which the Corporation hopes to undertake along with the proposed Second Stage.

The Setting up of the Steel Foundry is included in the Five Year Plan of the Government. This project is scheduled for completion in twelve months.

The total cost of the project is estimated at Rs. 5.2 million. This foundry will initially produce 1,000 tons of steel castings annually and progressively increase its capacity to 3,000 tons per annum. This would be the only steel foundry in Ceylon and will cater both to the private and public sectors.

Located on a sprawling 300-acre site at Oruwaa, the Corporation's Steel Mill completes five years of operations on March 20, this year.

In the brief period of five years since the commencement of production, Ceylon with the Government of the USSR with whose assistance this project proved a reality, is now finalising plans for the launching of the Second Stage of the venture the installation of a steel smelting furnace for the purpose

for manufacturing steel using imported pig iron and local scrap iron as the basic raw materials.

Implementation of this project for which Government has obtained technical and material assistance from the Soviet Union could besides effecting further savings and earnings in foreign exchange transform the economic pattern of the country.

The establishment of the Steel Works was one of the items included in the Technical and Economic Cooperation Agreement between Ceylon and the USSR in 1958.

Preliminary studies on this project were completed and a detailed project report for the establishment of an integrated Iron and Steel Works comprising of a charcoal blast furnace for pig iron production.

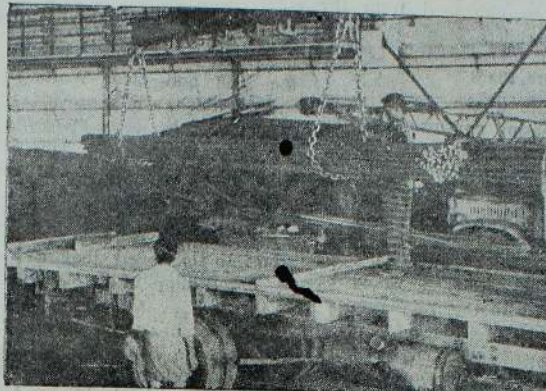
Hearth furnace for steel making and a Rolling Mill with an output of 35,000 tons of mild steel and wire rods when operating on two shifts was received from the USSR in October 1960.

The project was designed for implementation in three stages.

Soviet Assistance

In terms of this agreement the Government of the Soviet

Union granted a line of credit for the setting up of the Mill. Designs for the Mill were drawn up by Messrs. Gipromex Engineering Moscow while equipment was provided and technical services rendered by Messrs. Tajprom Export of Moscow.



Picture shows the loading of manufactured Steel bars which are used in many industrial firms.

Besides undertaking the designing and equipping of the Steel Mill, the USSR also trained several local technicians in metallurgical plants in their country.

Over fifty Russian specialists were loaned to the Steel Corporation to assist us in the initial commissioning and sta-

ges of the Mill. These specialists in a comparatively brief period trained local technicians to run the entire works assisted now by only two Russian specialists.

Preliminary work at the site commenced in 1962 and all construction work and in-

vestments were mainly from the USSR and India.

The Wire Mill drawn wire is produced. Part of this wire is used for local wire nail manufacture and the rest galvanised and converted into barbed wire and wire mesh.

In the Wire drawing unit the basic raw material used is wire rods and this is imported from the USSR and Japan.

The Corporation's Wire mill established an all-time record in 1970/71 by accounting for production of 5546 tons which was the highest since inception.

Production in this unit which began very modestly at 3,114 tons in 1967/68 has now progressively increased and plans are being drawn up to further step up production.

The total value of the Steel Corporation's production calculated at current market prices stood at Rs. 42.3 million in 1970/71 compared with Rs. 34.5 million in 1969/70. At the commencement of operations, however, total production was valued at Rs. 1,504,978. The value of sales too, which have shown a progressive rise over the past five years recorded a rise of Rs. 7 million in 1970/71 in comparison with the 1969/70 figure which was Rs. 39,732,278.

The Corporation, however, recorded a modest fall in profits in 1970/71 largely due to increased costs incurred by the undertaking on account of enhanced contributions to the Employees' Provident Fund and rise in prices of imported materials.

Foreign Exchange Savings

With the setting up of Ceylon's steel plant, large outlays of foreign exchange hitherto expended on the importation of steel products, are now being saved and profitably diverted for development purposes.

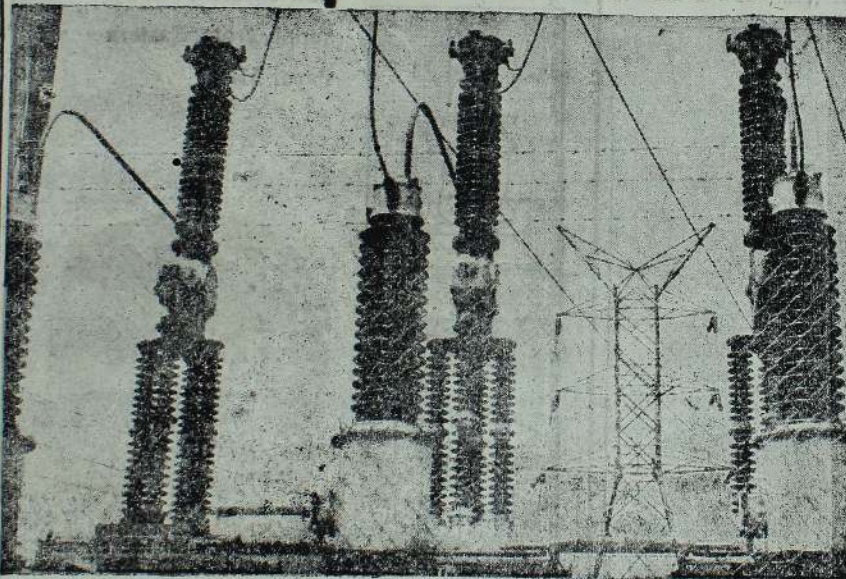
Each year Ceylon imports around Rs. 200 million worth of iron and steel goods as almost everything is manufactured with iron and steel.

The Rolling Mill and the Wire Mill are at present capable of producing merchant sections of wire products sufficient to meet the requirements of the country covering 90 per cent of the range of items now in use. The Mill has been planned to cover adequately the growth of consumption in these varieties for the next ten years.

Besides accounting for the saving of foreign exchange employment opportunities for more than 900 persons have been provided with the setting up of the Mill. The intake of employment since its inception is as follows:—

(Contd on page 12)

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Authorised Capital

The initial capital of the Corporation was fixed at Rs. 80 million which was the estimated cost of Stage I of the project. In 1963, it was decided to increase the output capacity of the Mill from 35,000 tons per annum to 60,000 tons per annum operating on two shifts, and the capital was increased to Rs. 177 million.

The present capital of the Corporation as authorised by the Cabinet amounted to Rs. 121,300,000

Upto 31st March 1971, the capital contributed by Government amounted to Rs. 117,700,000 while the capital employed for production as on that date was Rs. 116.7 million.

Production

Production at the Steel Complex commenced with Steel rolling and wire drawing.

In the Rolling Mill imported Steel billets are fabricated into standard shapes used mainly in the building industry. Items currently in production include rods, flats, squares and small angles. The Rolling Mill now functioning has a rated capacity of 60,000 tons per annum of rolled products (working on two shifts).

Annual production of the Rolling Mill which stood at 1,490 tons in 1966/67 moved upto 23,344 tons by 1970/71. There was an increase of nearly 3,000 tons in 1970/71 compared with the previous years production which stood at 20,688 tons.

Steel billets which constitute the basic raw material used in the Rolling Mill are import

Oruwala's giant steel plant . . .

Contd from Page 11

1967	—	697 persons
1968	—	945 persons
1969	—	1,121 persons
1970	—	960 persons
1971	—	960 persons

The utilisation of installed capacity at the Corporation's Mill has been of a high order and efforts are now being made to further increase the actual capacity utilisation. Table I shows the details of capacity utilisation.

Technical Problems

The Steel Corporation like all new ventures has had its fair share of problems. Early in 1970 poor supply conditions had resulted in the Corporation having to pay higher prices for 60 x 60 billets. Areas billets of the sizes 80 x 80 were available at comparatively cheaper prices. The Corporation, therefore, with the assistance of the Soviet engineers,

carried out certain technical modifications to replace the use of 60 x 60 billets with 80 x 80 billets on a wide range of rolled products and today about 75 per cent of products are manufactured from the latter billets.

Future Plans

With a view to satisfying increasing consumer demand for drawn wire for the manufacture of nail wire and other wire products, the Corporation proposes to increase the capacity of the Mill from 12,000 tons to 20,000 tons per annum. This would be done with the installation of two drawing machines. It is proposed to implement a project for the use of twisted ribbed steel in place of plain steel rods for reinforcement work. This project is estimated to cost less than Rs. 500,000.

but is expected to yield a foreign exchange saving of approximately Rs. 3 million

Second Stage

With a view to making the Corporation economically more viable, action is being taken to launch Stage II of the Iron and Steel Works shortly which would provide facilities for the local manufacture of steel billets. This would require the installation of a steel smelting furnace for converting locally available scrap iron and imported pig iron into steel billets required by the Rolling Mill.

To ascertain the availability of scrap iron in the country, the Corporation recently undertook an island-wide survey which revealed the existence of large quantities of scrap.

Stage II of the project will be undertaken with the co-operation off the Sovet Union who has agreed to contribute about Rs. 60 million for this venture.

In this connection a team of experts from the USSR recently visited Ceylon and had discussions with officials of the Steel Corporation and of the

Ministry of Industries and Scientific Affairs. A detailed technical report has now been submitted to the Government and a formal agreement is expected to be signed shortly.

The technical report submitted by these experts envisages the installation of a continuous casting plant and the construction of an electrical steel melting shop for using scrap iron

The utilisation of scrap iron as a raw material will result in a greater foreign exchange

saving for the country. It could also enable the corporation to be self-sufficient in its requirements of billets. Billets are periodically in short supply in world markets and this could adversely affect the attainment of project capacity.

The economic needs of the country, the availability locally of raw materials and the latest techniques in the technology of steel manufacture will be among the points considered in connection with this project

(Contd on Page 14)

TABLE I

		Installed Capacity (on 3 shifts)	Actual Utilisation (tons)	Percentage Utilisation
1967/68	Rolling Mill	90,000	23,146	2690
	Wire Mill	12,000	3,114	2690
1968/69	Rolling Mill	90,000	28,583	31690
	Wire Mill	12,000	4,930	4190
1969/70	Rolling Mill	90,000	20,089	2190
	Wire Mill	12,000	4,925	4190
1970/71	Rolling Mill	90,000	23,344	2390
	Wire Mill	12,000	5,566	4690

Greetings!

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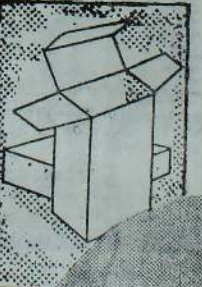
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CEYLON'S FIRST STEEL MILL:

Five years of progress

(Contd. from Page 10)

In order to realise them Ceylon could in our opinion, stop the import of rolled products, wire and wire products of the kind produced by the Steel Corporation.

The benefits of these projects do not end with their profits and saving of foreign exchange. Its operation contributes to greater employment in the country and marks a further step in her industrialisation and development of an independent economy.

TESTING OF EQUIPMENT



Picture shows the testing of equipment by a technician in the laboratory of the Steel Corporation.

Education's Contribution . . .

(Contd. from Page 9)

Economic Advantage

Today's young people, of course, receive much more education than is held by the adult labor force. Nowadays more than three-fourths at least complete high school, and nearly half of these go on to college. But high school graduation continues to be the most common single stopping point.

Given the average level of education of the labor force, about 11.5 years, the wide dispersion in the distribution is, I believe, something of an economic advantage. The variety of educational backgrounds allows flexibility in matching individuals with the educational requirements of different jobs. The role of high school graduates is of particular interest. Although a minority in most occupations, they are the largest single group in almost every occupational category except the professions, on the one hand, and labourers on the other. They are the backbone of the foreman and lower supervisory forces; the crafts; the sales, secretarial and clerical work forces; and the independent proprietor group. The large number of college graduates in the United States, and particularly of scientists and engineers, is well known abroad, and college graduates do play a crucial role in American business. But the large number with a complete secondary education is an even more distinctive feature of our work force. Long ago one might have worried that a great and rapid rise in high school and

college graduates would lead to a shortage of jobs for more educated persons, or at least to a reduction in salary differentials among education groups. This has not happened. Earning differentials have narrowed and only persons with very little education, particularly if they are also young and inexperienced, I have trouble finding work.

I have already implied that, on the average, additional education adds to an individual's skill to his worth as an employee, and to his ability to contribute to the value of production, and that, as a consequence, a general increase in education raises output per worker.

Within what is called an occupation, a better-educated person is likely, with many exceptions but on the average, to do a better job than a less educated one with equal natural ability. Not only does he do the same things better, faster, or with less supervision, but he does more things—tasks that will otherwise be done at a higher occupational level. Graduate engineers and college-trained business executives can contribute more than those with less training. Secretaries with college background take over responsibilities that the high school graduate cannot handle, an high school graduates duties beyond the ability of those with less schooling. The well-educated farmer or skilled worker does what the less educated cannot, and the literate laborer what the illiterate cannot. The general rise in education has greatly lifted the average educational level within each occupation.

(TO BE CONTINUED)

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THE ECONOMIC TIMES

Editorial Department
Thursday 16th March, 1972

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

LABOUR UNREST AND PRODUCTIVITY

THE PRIVATE SECTOR IS VERY MUCH IN THE GRIP OF STRIKES AND LOCK-OUTS. THESE LABOUR DISPUTES IN SOME CASES HAVE GONE ON SINCE JANUARY THIS YEAR WITH NO SIGNS OF ANY IMMEDIATE SETTLEMENT. THE MANUFACTURING SECTOR, PARTICULARLY THE TEXTILE INDUSTRY, IS THE WORST AFFECTED. WHILE WE DO NOT CLAIM TO ARBITRATE AS TO WHETHER THE EMPLOYER OR EMPLOYEE IS RESPONSIBLE FOR THE PREVAILING LABOUR UNREST, WE FEEL THAT THE COUNTRY CANNOT AFFORD AT THIS CRITICAL JUNCTURE ANY DECREASE IN PRODUCTIVITY THAT WOULD RETARD THE DEVELOPMENT PROCESS THAT THE FIVE YEAR PLAN SEEKS TO SET IN MOTION.

THIS COUNTRY IS TODAY IN THE THROE OF A SEVERE ECONOMIC CRISIS. OUR EXTERNAL ASSETS ARE IN A PARLOUS STATE. THE FOREIGN EXCHANGE EARNINGS FROM THE PRINCIPAL EXPORT CROPS TEA AND RUBBER ARE FAST DECLINING, WHILE COCONUT PRODUCTS ARE NOT FARING TOO WELL. THE VALUE OF OUR IMPORTS ON THE OTHER HAND KEEP RISING. IN ADVERSE TERMS OF TRADE. IN OTHER WORDS, THE CHRONIC BALANCE OF PAYMENTS DIFFICULTIES TEND TO REDUCE THE COUNTRY'S IMPORT CAPACITY. AND THIS HAS ADVERSE REPERCUSSIONS WHICH RETARD THE RATE OF ECONOMIC GROWTH.

TODAY THE WAGE EARNER AND THE SALARIED CLASS ARE UNDOUBTEDLY HARD HIT. THEY HAVE TO BEAR THE BURDEN OF THE RISING COST OF LIVING WHICH HAS REACHED PHENOMENAL HEIGHTS, WHILE SCARCITIES OF ESSENTIAL ITEMS AND OTHER DAY TO DAY REQUIREMENTS ADD TO THE PREVAILING BURDEN. IN THIS SITUATION (SEE NEW ITEMS ON PAGE 1) THE REAL WAGE HAS DECLINED ALTHOUGH IN RUPEE TERMS SALARIES AND WAGES HAVE SOMEWHAT INCREASED. THUS THE AVERAGE CITIZEN IS STRUGGLING FOR EXISTENCE. HE COULD HARDLY MAKE ENDS MEET. IT IS THEREFORE NOT STRANGE OR EVEN SURPRISING THAT THE WAGE EARNER IS TODAY CLAMOURING FOR A BETTER DEAL.

THE PRIVATE SECTOR EMPLOYER IS ALSO IN THE HORNS OF A DILEMMA. IN ORDER TO BRIDGE THE YAWNING BUDGET DEFICIT THE GOVERNMENT HAS INTRODUCED TAX MEASURES THAT ALMOST FLEECE THE PRIVATE SECTOR. BESIDES, IMPORT QUOTAS FOR RAW MATERIALS AND INTERMEDIATE GOODS HAVE BEEN DRASTICALLY SLASHED RESULTING IN FACTORIES HAVING TO WORK BELOW CAPACITY. THIS IN TURN MEANS LESS BUSINESS AND LESS PROFITS TO GO ROUND; THUS GIVING RISE TO THE INCOURAGEOUS SITUATION OF AN INCREASING DEMAND FOR A BIGGER SLICE OF THE CAKE WHILE THE CAKE ITSELF KEEPS GETTING SMALLER AND SMALLER.

THE ONLY WAY OUT OF THIS ABYSS IS FOR THE GOVERNMENT TO PROVIDE THE NECESSARY CLIMATE FOR THE PRIVATE SECTOR TO EXPAND ITS ACTIVITIES IF THE GOVERNMENT SERIOUSLY WANTS THIS SECTOR TO MAKE ANY SUBSTANTIAL CONTRIBUTION TO THE ECONOMIC DEVELOPMENT OF THE COUNTRY. MEANINGFUL STEPS SHOULD BE TAKEN IN THIS DIRECTION AS A MERELY EXPRESSING THIS DESIRE WOULD NOT SUFFICE.

THE MASSES HAVE BEEN PATIENTLY PUTTING UP WITH MANY TRIALS AND TRIBULATIONS HOPING FOR THAT "DISTANT DAWN" TO DRAW NEIGH. IT IS THEREFORE THE RESPONSIBILITY OF THE GOVERNMENT TO ENSURE THAT THE RISING ASPIRATIONS OF THE PEOPLE ARE FULFILLED WITH THE MINIMUM DELAY.

SHARE MARKET SLUMPS FURTHER

The Share Market in Ceylon which started moving down rapidly in mid 1970 has recorded a further slump.

Private investors who bought shares in 1967 and 1968, when share prices were very favourable have suffered severe losses.

A tea share purchased at Rs. 18 in 1967, has no buyers even at Rs. 4 which is less than one tenth the price.

Prices of all shares have gone down to approximately one third of their prices four years ago.

Capital losses

Capital losses have been so great that persons who were liable to wealth tax on account of their large holdings of shares do not have to pay tax now, as their holdings at current market values have gone down by a large percentage.

This depression in the share market is due to the decline in activity in the private sector and the poor dividends most tea and tea cum rubber companies have paid in the past two years.

These trends have been clearly reflected in the tea share price index in December 1971, which was 41 as against 85 in December 1968. The price fall in tea alone has been 48 in December 1970 to 41 in December 1971.

The decline in tea cum rubber has been even more marked because of the very poor prices for rubber in 1971.

The index fell from 43 in December 1970 to 37 in December 1971.

Coconut which had remained steady over the last two years has shown a very serious price fall in the last two months in 1971.

The index which was 198 in January fell by 42 points to 146 in December 1971.

Giant Steel Mill....

(Contd. from Page 12)

A huge foreign exchange saving and the creation of more employment opportunities will be the immediate benefits the country will realise with the setting up of Stage II.

Stage III

The Steel Corporation also envisages the setting up of Stage III of the project.

Basic manufacture is envisaged in this stage with the installation of a blast furnace or electric furnaces for the actual production of pig iron using local iron ore and charcoal.

Long Term Benefits

The benefits of the Steel Factory does not, however, end with our being self-sufficient in our requirements of steel. Steel is a strategic in-

dustry for any developing country. It consumes huge quantities of raw materials such as limestone, dolomite and iron ore. It uses power on a large scale. Other new industries will process its products further into finished products. In this way, it will stimulate continued and rapid industrial growth.

The development of the present works site into an integrated iron and steel industry is the corporation's objective. Iron-ore occurs in various parts of the country—Panirendawa, Dela, Rakwana, Akuressa, Sandalankawa etc. and deposits of over 6.5 million tons have already been discovered. Project studies are currently underway for the

exploitation of these deposits and the use of local or imported raw materials.

Subsidiary raw materials like dolomite and limestone are also easily available in the country.

With the gradual increase in importance of the public sector, the Steel Corporation has now been called upon to play a more vital role in an effort to accelerate the economy. Every effort is now being made by the management and employees of the Corporation to effect further increases in production and in the utilization of installed capacity with a view to making the Corporation economically more viable.



PROPOSED MOTOR SPARES INDUSTRIAL ESTATE

The Industrial Development Board of Ceylon is considering the feasibility of establishing an Industrial Estate for the manufacture of a comprehensive range of motor spares.

It is expected that the estate would be set up in the Ratmalana/Katubedda area close to the Technical Services Agency of the Board.

The Board therefore wishes to ascertain the views of prospective investors interested in locating their units in this estate. Investors could be both from the co-operative and private sectors. Those interested are requested to write in immediately to this office for a questionnaire which has been prepared for this purpose, to be filled in duplicate and returned not later than 3rd April 1972.

General Manager

Industrial Development Board of Ceylon,
16, Gregory's Road,
Colombo 8.