

3 JAN 1973

# THE ECONOMIC TIMES

## Shipping targets now in sight

The shipping targets set in the Five Year Plan (1972-76) would be achieved three years ahead of schedule, according to the Ministry of shipping and Tourism.

The planned target is eight ships and one tanker but by the end of 1973 Sri Lanka would have purchased nine ships and one tanker—one ship more than planned. Within the space of the last 2 1/2 years the Ministry has not only been able to buy 5 ships, but has also completely eliminated the payment of demurrage and improved the turn around time of ships by 40 per cent.

The tanker would be utilised to transport the crude oil requirements of the Ceylon Petroleum Corporation. Three of the four ships to be purchased next year would replace the three time-chartered vessels now operating on the liner service to the U.K. and Europe, while the fourth ship would be put on the service to the Persian Gulf Red Sea ports, states the Ministry Communique. The Freight Bureau will ensure economic loads for all the ships.

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## Fisheries Development Scheme:

# PRIMARY AIM TO MAXIMISE PRODUCTION

Fisheries is an industry where there are substantial growth possibilities in import substitution in meeting the local demands for more and cheaper products, and to a lesser extent in the export field.

No definite survey of resources has been made, but the World Bank and FAO sources estimate a minimum of 150,000 tons within a 5-mile region from the coast, whilst other experts fix the possible maximum at 800,000 tons. Our annual production within this region, outside it and from inland fisheries is about 110,000 tons. No danger of over exploitation yet exist. The Five-Year plan target is an increased production of 60,000 tons a year at the end of the period.

This is revealed in a review of the economy presented by the Minister of Finance along with the 1973 Budget.

The policy of the Fisheries Ministry is to strengthen the Cooperative sector. 90 per cent of the catch is made by 75,000 fisherman, whilst the Fisheries Corporation accounts for the remainder. But hardly 11,000 of these fishfolk are members of Co-operatives.

### Exploitation

Middlemen exploit both the producer and the consumer resulting in the backwardness of this industry. 291 small societies have now been amalgamated into 45 large Primary Co-operatives.

Apart from the production of fish, these societies would sell fish and fishing gear, run small repair and main-

tenance workshops and organise training in fishing and boat maintenance. Mechanized boats equipped with a full complement of gear, would henceforth be issued only to co-operatives. 332 boats of 3 1/2 tons each have been issued and this would soon be increased by another 130. In 1973, 370 boats would be given and from 1974, the annual issue would be 500. In May 1970 only 33 of such craft were possessed by the co-operative sector. It is only with the expansion of the co-operative sector that the credit problems of the industry could be solved.

### Modernisation

This is one industry where mechanization does not lead to the displacement of labour. Mechanized craft could go further afield and are not dependent on wind direction. They carry more fishing gear and aggregate more fishing days per year.

Over 20,000 traditional craft are in operation of which about 5,000 are now mechanized. Almost all of these operate in the in-shore area of the sea up to 20 miles from the coast. 36-foot boats of the Fisheries Corporation fish in the off shore area, whilst its Tuna boats go out to the oceanic

area, and Trawlers to the Wadge and Pedro Banks. To reach the target increase of 25,000 tons from inshore fisheries in addition to the 3 1/2-ton boats another 1,000 outboard motors will be issued every year to mechanizes traditional craft.

The development of off shore and oceanic fisheries require new and large vessels for the off shore area, and further investment in vessels for the oceanic area is under consideration.

### Ancillary Facilities

Mechanization also requires the provision of repair service facilities, gear for the craft, harbours for safe anchorage, training of fishermen in the new methods and boat yards for hull construction.

A new Fisheries Harbour Corporation was set up to operate and maintain all the fisheries harbours and other ancillary facilities except for the Mutwal complex which would remain with the Fisheries Corporation.

The programme of harbour construction and provisions of ancillary facilities at Mirissa Tangalle, Trincomalee, Beruwala and Miliddy was continued. Under the aegis of co-operative societies a chain of repair and maintenance workshops would be established. To curtail the import of fishing

gear and provide off season employment for fisherman the manufacture of nylon-fishing nets would be organized as a cottage industry. Wooden and fibre glass boats are constructed by the Fisheries Corporation and private firms. A ferroconcrete hull constructed by a local firm with foreign collaboration, would soon be in the market. Under the extension services of the Fisheries Department fisherman are being trained in the art of operating mechanized craft.

The Fisheries Corporation would henceforth concentrate on production and marketing; it could then fulfil the prime purposes for its creation, viz., fishing in the deep seas where smaller craft cannot venture, and purchasing the catch of individual fishermen at fair prices to be marketed to the consumer at cheap-rates.

Fish canning at the Pesala Canning factory would be expanded with the provision of additional storage facilities to stock fish for canning. A Fish Meal plant will also be installed in Pesala to make use of the waste.

Inland fisheries would increase production by another 10,000 tons by 1976. An intensified programme of inland fisheries development will be undertaken with the establishment of new Inland Fishery Stations. Fish culture would be encouraged. Inland fish will be utilised for the production of smoked and dried fish as import substitutes.

Exports of tuna, skipjack, prawns and lobsters continued in increased quantities. Export figures for 1970/71 amounted to Rs. 4.9 million and further increases are expected.

## N. S. B. savings top Rs. 60 mil.

Domestic savings at the National Saving Bank exceeded Rs. 60 million over the last eight months, according to Finance Ministry sources.

The Southern Province has recorded the highest savings deposits with the Western Province coming second.

A Regional Office of the NSB was opened at Galle recently. Other branch offices scheduled for opening shortly are at Anuradhapura, Kurunegala, Jaffna, Kandy, Ratnapura and Welimada.

The present practice of having to apply to the Head office for withdrawals of Rs. 50/- and over will soon be ended and "on demand" withdrawals up to the balance lying to the credit of each Account holder will be introduced.

Two other major schemes that are to be introduced shortly by the NSB are a National Pension Scheme and a Premium Bond Scheme.

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## Season's Greetings

We wish all our readers a very  
cheerful X'Mas and a bright  
New Year



# MARKET PRICES

COLOMBO CLOSING PRICES 28-12-72

TEA (Rs. Cts. Per lb.)

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

	B.O.Ps		B.O.P.Fs	
	Rs. Cts	Rs. Cts	Rs. Cts	Rs. Cts.
High Grown:	1.98	3.45	2.05	3.45
Medium-Grown:	1.67	2.18	1.88	2.15
Small Leaf Low-Grown:	1.88	2.18	1.75	1.88
Tea For Price:	1.35	1.60	1.35	1.55
Leafy Low-Grown:	1.80	2.12		
	F.B.O.Ps		F.B.O.P.Fs.	
Tippy Teas:	1.80	2.20	1.90	10.00

RUBBER PRICES FOR THE WEEK ENDED. 9.12.72.

	Rs. cts.—per lb.		Avg. to Same Period	
	Closing	Quotations	Avg. to date	1972
RSS No. 1	81	80	80	80
RSS No. 2	84 3/4	73 3/4	70 3/4	70 3/4
RSS No. 3	83	71 3/4	69	69
	(Rs. per candy)		1972	
COPRA	Opening Price	Clos. Price	1972	1971
Estate Copra No. 1	237.25	246.75		
COCONUT OIL (Rs. per ton)				
November	1,250.00	1,250.00		
December	1,250.00	1,250.00		
	(per lb.)		1972	
DESSICATED COCONUT	Opening price	Closing Price	1972	1971
November	.66	.66		
December	.70	.70		

PRICES OF THE WEEK ENDING 10.12.72

Commodity	Buyers (Per lb)	Quotations	Export DUTY
Cardamoms	19.90	21.50	40%
Cardamom Seeds	8.80	—	on true
Cloves	2.50	13.00	F.O.B.
Cloves Stems	1.3.75	4.00	value.
Mace	7.00	7.50	
Nutmeg (Shelled)	4.75	5.52	
Nutmeg (Unshelled)	2.25	2.50	
Pepper (Black)	4.25	4.75	
Papain (White)	27.00	28.00	
Papain (Brown)	24.00	25.00	
Cinnamon H/1	3.40	3.45	20% on
Cinnamon H/2	3.0	—	true f.ob
Cinnamon Quillings No. 1	unquoted	—	value
—do— No. 2	—	—	—
	Per Cwt.	Export Duty	
Cocoa	270.00	275.00	40% on
Coffee (Arabica)	300.00	325.00	true f.o.b
Kapok (Clean)	145.00	—	value
Kapok (Unclean)	37.00	—	—
Croton Seeds	150.00	—	—
Essential Oils	Per oz.lb.		
Cinnamon Leaf Oil	18.50	per 25 ozs	
Cinnamon Bark Oil	24.00	per oz.	20.00
Citronella Oil Estate Quality	Per lb.	unquoted	10% on
Citronella Oil Ordinary	Per lb.	—	true f.o.b

SUBSIDIARY CROPS .. WEEKLY PRICE LIST WEEK ENDING 10.12.72

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 154/15)	(Per bushel)
—Paddy	Unquoted	
—Other varieties	—	—
—Rice Per Boiled	—	—
—Country Rice No. 1	—	—
—Country Rice No. 2	—	—
—Samba Rice	—	—
—Kora	—	—
Per Cwt.	48.00	50.0

## TEA REPORT

AUCTION No. 39 HELD ON 11th AND 12th DECEMBER 1972.

The total quantity offered was 7,863,272 lbs., comprising 3,921,528 lbs. Leaf Grades 739,081 lbs. Dusts, 155,140 lbs. Reprints, 35,600 lbs. Sunday Lots and 3,161,063 lbs. Ex Estate. Quality Western teas were fractionally brighter and there was a strong demand throughout although some Medium prices dropped a little towards the end of the Sale.

High Grown Teas; Western BOP's and BOPF's followed the same trend with the best and middle range invoices firm while the poor teas improved by 5/15 cents. Medium Grown Teas: BOP's were 3/8 cents dearer at the start but about firm towards the close. The better Western BOPF's were shade easier but others with a fairly neat leaf appearance gained a few cents.

Low Grown Teas; Demand was strong for all grades. Small leaf BOP's improved by 5/10 cents and BOPF's were steady. Leafy BOP's gained 5 cents, OP's moved up 10/15 cents and BOPF's were steady. Leafy BOP's were firm to slightly dearer.

Even the poorer made teas & the duller types were marked up sharply by 3 to 10 cents per lb. However, the inferior grades were irregularly easier. At the subsequent Sale; good general demand resulted in best latex crepes being marked up further by 3 1/2 to 4 cents per lb. whilst the F. A. Q. Offerings were 4 to 5 cents dearer. The duller types again forged ahead by 6 1/2 to 9 cents per lb. whilst the inferior grades too showed a sharp recovery of 7 1/2 to 8 cents per lb.

Tippy Teas: FBOP's were fully firm to 5 cents dearer. Small leaf Flowery Fannings gained 10 cents and with only a limited quantity of attractive leafy Flowery Fannings on offer, these were generally dearer.

RUBBER REPORT WEEK ENDING 9TH DECEMBER 1972.

RSS NO: 1 opened 1/4 cent easier, mainly due to the increase in duty by 1 cent per lb., but improved rapidly thereafter to touch 93 cents per lb during mid week before easing off in line with overseas advices to close at 91 cents per lb.

Approximately 557 Tons of LATEX CREPES were offered at the Two Sales held during the week under review, a substantial increase of 115 Tons compared to the previous week's total. At the First Sale, better overseas advices resulted in best latex crepes improving further by 1/2 to 2 1/2 cents per lb. whilst the F. A. Q. offerings were irregularly dearer.

Approximately 141 Tons of SCRAP CREPES were offered at the Two Sales held during the week under review, an increase of 27 tons compared to the previous week's total. At the First Sale, light brown scrap crepes were irregularly dearer whilst the dark brown types remained unchanged. The darker sorts were irregularly dearer. Flat Bark improved by 1 cent per lb. At the subsequent Sale, light brown scrap crepes were again irregularly dearer whilst the dark brown and darker types were marked up by 2 2/1 to 5 2/1 cents per lb. Flat Bark was fractionally dearer by 1/2 cent per lb.

Approximately 42 Tons of SCALE CREPE were offered an increase of 12 tons compared to the previous week's total. Despite the heavy arrivals, values were marked up appreciably for all Smooth FAQ Offerings largely due to covering demand prompted by better overseas advices.

## Produce Report

WEEK ENDING 10TH DECEMBER, 1972.

Cardamoms. 5,539 lbs. of Cardamoms were on offer, a decrease of 1,453 lbs. compared to the previous week's total. There was more competitive buying resulting in a firmer market. No. quality moving up by Rs. 1/50 per lb. to close at Rs. 19/90 to Rs. 21/50 per lb. Next best grades too were slightly firm at Rs. 18/50 Rs. 19/50 per lb. whilst No. 2 quality too

improved to Rs. 18/25 to Rs. 19/- per lb. with Off grades too closing dearer at Rs. 14/- to 18/- per lb. Seeds were transacted at Rs. 8/80 to Rs. 8/85 per lb.

Cocoa: Approximately 179 cwt. of Cocoa were on offer a decrease of 49 cwt. The market was rather erratic with certain amount of reluctance being shown by buyers, No. 1 quality being quoted at Rs. 270/- to Rs 275/- per cwt., a decline of

Rs. 2/- on the lower limit and Rs. 20/- per cwt. on the upper limit Next best grades however were at previous levels at Rs. 260/- to Rs. 270/- per cwt., whilst off grades continued to be quoted at Rs. 250/- to 260/- per cwt. with Poorer sorts too remaining at Rs. 180/- to Rs. 230/- per cwt.

(Contd on page 10)

Pepper: A small lot of 39 1/2 lbs. of Pepper was sold at Rs. 5/20 per lb.

Coffee: 3,769 lbs. of Coffee were on offer with a small quantity of approximately 21 lbs. of good quality Arabica, fetching Rs. 340/- per cwt., the market however remained Unquoted.

Cloves: 1,551 lbs. of Cloves were on offer and were withdrawn due to lack of suitable bids, the market for Cloves noticeably easier.

Cinnamon: 10,481 lbs. of mixed quality Cinnamon were on offer with one lot of 95 lbs. of fair average quality fetching Rs. 3/45 per lb. and Chips fetching Rs. 2/80 per lb.

Pulses	Per Cwt
—Red Gram —Toor Dhal	40.00 — 45.0
—Black Gram (Undu)	61.00
—Bengal Gram	46.00
—Green Gram	53.50
—Bombay Cowpea	40.00
Millet	Per Bushel
—Finger Millet (Kurrakkan)	15.00—16.00
—Sorgum	Unquoted
—Soya Beans	850.00 (per ton)
Spices Condiment	Per lb.
—Mustard	2.70 2.75
Chillies	Per Cwt.
—Dried Long	unquoted
—Dried Round	—
—Off Grade	—
—Goraka	65.00— 68.00
—Vanilla	Per lb
—Tamarind	Per cwt
—Ground Nuts	Per 80 lb
—Cashew	Per lb.



# DEVELOPMENT PROGRAMME FOR MINOR EXPORT CROPS

A comprehensive development programme for 13 minor export crops have been prepared and is being implemented.

The new assistance scheme contemplates assistance in cash and / or in kind through the department and the People's Bank. Cash assistance consists of grants by the department and/or loans by the People's Bank. Assistance in kind consists of free planting material and agrochemicals, and subsidised (half cost) fertiliser. Assistance is also offered on technical known-how and market information.

### Sericulture

A central sericultural station has been set up Pallekelle under the guidance of an FAO consultant. At this station, the first experiment in rearing silk worms was carried out under unusually adverse conditions and with relatively inexperienced staff, but according to the consultant the result have been extremely good and much beyond expectations. On this basis, the yield potential of raw silk per acre is about 65 lbs., which compares very favourable even with yields recorded in Japan.

**Cashew:** In cashew, the major development programme is the responsibility of the State Plantation Corporations. Facilities such as access roads, wells and service buildings to cater to over 5,000 acres of new cashew lands in Mannar, Vavuniya, Jaffna and Batticaloa districts, will be provided.

The State Plantation Corporation has successfully opened up large tracts of marginal land in cashew. At Kondachchi, 1,117 acres have been planted. Under the plan, about 3,500 acres per annum is to be the responsibility of the corporation and the proposed cashew Corporation.

The Corporation will plant 300 acres of kenaf at Punani to supply pulp to the Paper Corporation in 1973. 5,000 acres of kenaf would be grown during the plan period. It will also undertake the cultivation of 500 acres of cardamoms; 200 of which will be planted in 1973.

### Diversification Project:

This project was to assist the Government in the design-

ing of a longterm programme of diversification of uneconomic tea and rubber lands. The full complement of professional staff has now been recruited. A land capability classification and a survey of soil types in the wet zone is now being done.

About 20 demonstrations in diversification have been started in Kandy and Kegalle districts. Similarly, 10 demonstrations with fodder grass and dairy cattle have been arranged. About 1,300 head of dairy cattle is being imported from New Zealand. Meanwhile continuous studies and surveys are being done to assess suitable alternative crops for marginal tea and rubber lands.

## TRADE INQUIRIES

The following firms in Pakistan are interested in importing from Sri Lanka the products indicated below:

### Black Pepper

Messrs. Abdul Gaffar Kasam, Ismail Abdul Karim Building, Kachhi Gali No. 3, Karachi - 2

### Citronella Oil

Messrs. Hakimsons (Impex) Limited, Colombowala Building, North Napier Road, Karachi.

### Essential Oil

Messrs. Abdul Aziz Mohamed, Daryalal street, Jodia Bazar, Karachi.

Messrs. Bathgate Perfumery Products, T. M. Chamber, Marriot Road, Karachi 2.

### Palm Oil

Messrs. M. A. Chohan & Company, P. O. Box No. 6, Gujranwala- Punjab Province, Gujranwala.

Messrs. Pervaiz Commercial Trading Company, 15, McLeod Road, Lahore.

Messrs. Mohd Hassan Abdul Karim, Chowk Yadgar, Peshawar.

### Palm Kernel

Messrs. M. A. Chohad & Company, P. O. Box No 6, Gujranwala- Panjab Province, Gujranwala.

Messrs. Pervaiz Commercial Trading Company, 15, McLeod Road, Lahore.

Messrs. Mohd Hassan Abdul Karim, Chowk Yadgar, Peshawar.

### Paper Bags (for Cement & Electrical Equipments)

Messrs. Jaffer Brothers Ltd., Jaffar Chamber, 28, Abdullah Haroon Road, Karachi.

Messrs. Pervaiz Commercial Trading Company, 26, McLeod Road, Lahore.

Messrs. Mohd Hassan Abdul Karim, Chowk Yadgar, Peshawar.

### Coir Rope

Messrs. Lemal Corporation Ltd., Third Floor, Bank House No. 1, Habib Square, M. A. Jinnah Road, Karachi-2.

Messrs. Amalgamated Trading Co. Ltd., Adamjee House, I. I Chundrigar Rd. Karachi - 2.

## PLANTATION INDUSTRY

### Black tea imports rise in Japan

Imports of black tea to Japan is increasing following the import liberalization for last year. However, the annual sales of black tea in Japan is still about some Yen 20,000 million, much smaller than the comparable figure of Yen 100,000 million

of green tea. Black tea consumption last year was 6,500 tons, having risen at an annual rate of 7.5 per cent in the past five years.

Of the total, tea bags accounted for 2,900 tons, more than double the comparable figure five years earlier.

### C'wealth Exhibition facilities in London

Trade shows can now be mounted by Commonwealth countries at the Commonwealth Institute in London at a fraction of the cost charged by normal exhibition organisations.

products in Britain.

Mr Frederic Kightsoot, the Institutes' Deputy Director, said this service had been started because it was thought not enough was being done to give smaller countries an opportunity to show their

"At the moment we have 500 to 1,000 sq ft of space to offer as well as a private information office, and a certain amount of publicity. Help is also given in setting up the exhibition and some of the equipment supplied," he added.

The first country to use the hall was Fiji; more exhibitions are planned with other countries.

## Share Market Report

All sections of the Share Market remained quiet, according to the Report of the Colombo Brokers' Association, for the week ended 8.12.1972.

	Previous price	Price 8.12.72	+ or -
<b>Teas</b>	Rs. cts.	Rs. cts.	Rs. cts.
Maha Uvas	3.25	3.00	- .25
Upalands	3.00	3.00	
<b>Tea-cum-Rubber</b>			
Vogous	.50	.40	- .10
<b>Rubbers</b>			
Aphorpes	3.00	3.00*	
Labugamas	7.25	6.00	-1.25
Lansdownes	7.00	5.00	-2.00
Selinsings	10.00	10.50	+ .50
<b>Commercials</b>			
Richard Pieris	7.50	7.75	+ .25
E. B. Creasy	6.50	7.50	+1.00

There was no business in preference shares and Govt loans. The following dividend announcements were made:—  
Richard Pieris & Co Ltd—3% Final on 14.12.72.  
Colombo Apothecaries Co. Ltd—7 1/2% First & Final on 16.12.72.  
Ceylon Theatres Ltd—9% Interim on 27.12.72.  
Colonial Motors Ltd—8% Final on 27.12.72.  
Diesel and Motor Engineering Co Ltd—10% First & Final to be notified.  
Rye Estates Co. of Ceylon Ltd—4% Interim on 1.12.72.  
Glaxo Allenbrys (Ceylon) Ltd—11% Final on 2.12.72.

### THE ECONOMIC TIMES

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# C.W.E. ACTIVITIES WIDEN

The Annual Report and Accounts of the CWE for the year 1970 was tabled recently. Excerpts of the Directors' Report are given below:

"The general objects of the Co-operative Wholesale Establishment provided for in the Co-operative Wholesale Establishment Act, as amended from time to time, are to:

1 Procure and supply the requirements of Co-operative Societies;

2 Carry on business as exporters and importers of and as wholesale and retail dealers in goods of every description.

3. Carry on any such trade or business including any agricultural or industrial undertaking or the business of banking shipping or insurance as may be incidental or conducive to the attainment of the aforesaid objectives;

4 Invest or acquire or hold shares or stock in any public Company carrying on or engaged in or about to carry on or engaged in any business being a Company having objectives substantially similar to the objectives of the Company provided however, that no such investment, acquisition or holding shall be made or entered into unless the Establishment acquires thereby a controlling interest in the Company;

5 The Co-operative Wholesale Establishment Act was amended by Act, No. 12 of 1969 to enable the Establishment to carry on such other trade or business as may be approved by the Minister with the concurrence of the Minister of Finance.

In pursuance of the above objectives and with the change of Government in 1970, there occurred a radical change towards widening the activities of the Establishment. This Establishment was called upon to handle almost the entirety of subsidiary food items. Accordingly commencing in November, 1970, we handled the total of this island's requirements of Bombay Onions, one-third of which only was handled previously. Plans were also finalised to import on a monopoly basis other food items such as Gram, Dhall, Toor Dhall, Oorid, Chickpeas, Yellow Gram, Green Moong, Mathe Seed, Fennel Seed, Garlic, Barley, Yeast and Sago. The distribution pattern

was broadly to supply the Co-operative Sector with 85%, the C W E. Retail Shop net work with 12 1/2% and the balance to the Marketing Department. The Unions were in turn required to supply their respective Branch Societies and the small retail trader whose position in the distribution of consumer goods was to be preserved in keeping with Government policy. This step involved the elimination of a number of wholesale distributors who were, however, given quotas sufficient to enable them to continue as retailers.

In order to make distribution more effective and to ensure that the Unions would be able to procure their supplies within a range of 30 to 40 miles from these respective areas of operation the CWE decided to run several Wholesale Depots in the main towns. During the year under review the CWE established Wholesale Depots in Galle, Matara Badulla, Anuradhapura, Jaffna, Kandy and Batticaloa.

It must be mentioned however, that although the turnover of the Establishment increased in consequence of becoming monopoly importers of a large num-

ber of food items, this did not result in a corresponding increase in profit. World prices of most of these commodities showed upward tendencies coupled with frequent freight increases. In spite of this the C W E had to contain selling prices at levels which existed previously

## SALIENT FIGURES

	1970 Rs.	1969 Rs.
<b>DURING 1970</b>		
Turnover	389,773,000	391,632,000
Profits before Tax	17,219,000	31,271,000
Profits Retained	7,719,000	14,271,000
Profits to Average Net Assets	19.3%	20.7%
Profits to Sales	2.0%	3.6%
Sales to Net Current Assets	606%	388%

## AT END OF 1970

Fixed Assets	38,535,000	20,481,000
Total Current Assets	141,822,000	172,425,000
Net Current Assets	64,278,000	100,864,000
Working Capital Ratio	Rs. 1.67	Rs. 1.95
	to	to
	1.00	1.00

as these items were considered essential in terms of the ordinary masses. Hence the Establishment earned marginal profits in some of these items whilst a few items were sold at a loss, notably in the case of pulses.

The C W E continued to maintain its retail shops

numbering over a hundred at a loss. In previous years the retail shops were able to contribute in a small way towards the profits of the organisation. However, with

felt that with the re-organisation of the Co-operatives the need for C. W. E. Retail Shops namely, to act as check points for price stabilization will cease to exist.

Just as the adverse impact the loss of textile imports had on this Establishment it is anticipated that with the handing over of items such as tyres and tubes, cement, hardware, household goods, building materials, etc., to other Corporations, without a corresponding reduction in overheads such as staff emoluments, the Establishment is heading for a difficult period and that the large profits earned in earlier years will become, if present trends continue, a thing of the past.

The Board has carefully reviewed the position and is taking steps not only to avoid a trading loss, but also to earn a reasonable return on capital invested and to contribute to the Consolidated Fund.

(Contd on page 5)

## MANAGEMENT

### The social climate

Much has been written in abstract terms about what managers do and how they do it, but little about the real-life situations of what managers actually do, still less with why they do it.

Once one begins to look at the 'why' of managers' actions one finds that many of them are influenced by their particular environment. This is true both of the way in which managers behave to other people and of the type of business decisions which they take. How they treat their workers, their junior staff, each other, their directors and their customers, will partly depend on their character, but still more on what is customary at the time in their industry, locality and country. Whether they seek to expand their businesses rapidly, to undercut their competitors, to misrepresent their products, or to put customer satisfaction before economic production will again, at least partly, depend on the prevailing mores.

#### Approach to Business

What managers strive for and the rules they observe in doing so, will be influenced and often determined, by the accepted goals and more in their society. All managements must be interested in profits, if they are to survive in normal circumstances. But what importance they attach to them and how they seek to achieve them will vary in different societies and at different stages in the same society. Economic goals, such as maximum profits, an expanding share of the market, greater productivity and lower costs, will be modified by social goals, such as offering an assured livelihood to long-term employees, even if this means retaining the inefficient or not causing economic hardship by forcing one's competitor out of business.

In a rapidly industrializing society, managers, whether in private or public industry are the path-markers, who will change or destroy many

of the old ways of life. Yet the extent to which business determines the goals of a society varies greatly, from one industrial country to another. Perhaps only in America could the head of a nation say, 'The Business of America is Business'. In terms of a country's livelihood this is truer of the U. K., but business is still not the core of British society nor are businessmen the major influence in setting the society's goals. One test of whether business more dominates society might be whether the explanation of an action as 'good business' is considered sufficient justification of its ethics. Such an explanation would be more acceptable in the USA than in the UK and more acceptable in the UK than in France. Many common business practices in the UK would be called dishonest by the man in the street. Most of these aim to mislead the consumer into thinking for instance, that a pack is larger or a guarantee more valuable than it is.

Recently observers have commented on the differences between American, British, French, Russian and Japanese managers, to mention only a few. After the last war, British teams of

managers, trade unionists and technicians visited the same industries in the USA, under the auspices of the Anglo-American Productivity Council. They enthused about the atmosphere of American business; the greater optimism, cost consciousness and continual search for improved methods. Americans at all levels are, they reported, more productivity-minded. Previous foreign observers had said the same thing. To the critical, whether American or foreign this is due to a worship of material progress, to a belief that the size of the gross national product is the best guide to a country's progress.

The British productivity terms, impressed by, rather than critical of, the greater American concern for productivity, sought for explanations of this difference in attitude. They found them in the greater mobility, both social and geographical, of American society; the higher status of the business man and the greater support given to the making of profits and the accumulation of capital; the greater competitiveness, both between companies and individuals and the more practical, technical orientation of American education.

(TO BE CONTINUED)



## Steep climb in Japan's investments abroad

The Japan External Trade Organization (JETRO) has issued its first white paper on Japan's overseas investments. The paper gives Japan's private outward direct investments as of the end of March 1972 as \$ 465,670,000.

Japan's overseas investments began to show a steep upclimb in the latter half of the 1960's for the following major reasons, according to the white paper: 1) bolstered international competitiveness and capital strength of Japanese industries; 2) progressive relaxation of restrictions on such investments in parallel with the establishment of a steady "credit undertone" of the nation's international balance of payments and the liberalization in 1971 of those investments; and 3) the growing need to seek ways out abroad as a result of rising labour cost and stricter restrictions on industrial orientation at home.

The Japanese investments abroad are characterised, the white paper points out, by two conspicuous trends—that is, predominant investments in the marketing sector in the developed countries and the development of natural

resources in developing countries. In fact, investments in manufacturing industries account for less than 30 percent of the total.

Until the first half of the 1960's many of the Japanese enterprises which advanced abroad were motivated by the need to protect their export markets, but in recent years, those moving into developing countries to use the abundant manpower there are increasing in number, the white paper adds.

### USSR: COOPERATION WITH FRG FIRMS

Moscow: Agreement has been reached in principle on FRG firms' participation in the construction of a metallurgical complex on the territory of the USSR.

Talks on cooperation in the construction of a metallurgical complex to make high-quality steel with the use of direct iron reduction process have lately been held in Moscow between the Ministries of Foreign Trade and Ferrous Metallurgy of the USSR and representatives of the FRG firms "Korf Stahl A.G." and "Zalzgitter."

The sides reached agreement in principle on participation

of FRG firms in the construction of a metallurgical complex. Coordinated was the procedure of holding further talks on the terms of this cooperation and signing appropriate contracts, says a communique published here. (Tass)

### OECD SEES LONG-TERM GROWTH IN GERMANY

Bonn

Over the long range, between 1971 and 1976, the Organization for Economic Co-operation (OECD) foresees an average increase of 4.6 percent a year in the output of goods and services by the Federal Republic of Germany's economy.

The gross national product (GNP) is expected to rise by almost 8 percent at current prices in 1972, but this year's soaring prices could account for as much as 5.75 percent of this rise, the group reports.

### NEW INDO-SOVIET TRADE CONTRACTS

New Delhi: At the 'ASIA' 72' Trade Fair in New Delhi, the Soviet Union has so far signed 15 contracts amounting to Rs. 150 million. This puts the Soviet Union on top among the foreign parti-



cipants who have entered into business deals at the Fair.

The Commercial Director of the USSR Pavilion told newsmen that the Indian Ready-made Garment Industry was a major gainer in the deal. Indian firms have also exported surgical instruments and consumer goods. It is understood that in return the Soviet Union would export machine tools worth Rs. 50 million.

### YUGOSLAV-ECCECO ECONOMIC COOPERATION

Belgrade: The trade agreement between Yugoslavia and the European Economic Community expires on 30th April 1973. Talks are to start shortly between Yugoslavia and the ECC concerning the conclusion of a new agreement. The talks should end in an agreement next year.

Yugoslavia has already proposed talks on a wider trade agreement, about which the Council of Ministers of

the EEC has asked for additional explanations.

The countries of the ECC are Yugoslavia's most important foreign trade partners in the markets of the European Economic Community. Yugoslavia achieved 29.2 percent of its entire exports last year and 37.6 percent of its imports. Yugoslav exports have increased from 145 million dollars in 1960 to 528 million in 1971.

Of the forty-five contacts on joint capital investments that Yugoslav enterprises signed by the end of 1971 with foreign firms, twenty-nine were with firms from the ECC countries. Also, up to January 1972 Yugoslavia concluded 172 agreements on long-term manufacturing industry cooperation with countries from that region. Furthermore, the greatest part of Yugoslavia's invisible trade, about eighty percent of exports, is also with that area.

## NEW NATIONALLY-OWNED ENTERPRISES IN THE G.D.R.

Over the past two, three months almost 11,000 small and medium-sized enterprises in the GDR have changed their names. But the new sign-board in front of the factory gate reading Nationally-owned Enterprise (VEB) reveals little why it happened now and why the state transformed them into socialist enterprises.

Formerly these enterprises were in private hands or they were semi-private, i. e. there was a financial partnership with the state. This also applied to the largest crafts production cooperatives in which serial production prevails. The share of these enterprises in industrial commodity production came to about 16 percent in 1971.

Which are the considerations that prompted this transformation? In the GDR the party of the working class has made the rapid improvement of the working people's living standard its economic political task. This can be accomplished by means of a higher labour productivity in all enterprises. Despite the encouragement given by the state, the small and medium-sized enterprises will reach a point beyond which they cannot go as far as their development is concerned. This is shown, for instance,

in a lower productivity and profitability when compared to the nationally-owned sector. Often the quality and shaping of the products—mainly of the consumer goods—left to be desired. A number of reasons that called for a solution.

### Objectives

*A number of factory owners, too, realized that this state of affairs ought to be changed. In their view, the time had come to offer the existing capacities to the state for better utilization. The factory owners were compensated depending on the value or the number of shares they held.*

The alliance between the working class and the other strata of the population had strengthened all the time since 1945 and had undergone qualitative changes up to the present. For years it has been our daily economic practice that efficient nationally-owned enterprises cooperated with small and medium-sized firms to their mutual advantage. Diversified forms and methods of cooperation had emerged which were all aimed at the economic consolidation of the socialist state. The ultimate objective of all this was to make living conditions for the citizens more pleasant

The crafts production cooperatives will continue to exist in the GDR and new ones will be formed. Their principal tasks lies in rendering services and repair, services to the people. The craft is having a firm place on socialism. The state will seek new ways and means to improve cooperation with state service institutions for the benefit of the people.

The transformation of these enterprises was in line with economic necessity and the requirements of the development of society. Eighty per cent of the former semi-private and private entrepreneurs have been made—with the consent of the workers-managers of the new nationally-owned enterprises. This visibly reflects the manner in which the working class cooperates with the other strata of the population. And it underlines what the party of the working class said, namely that socialism offers a sound future also to those belonging to other strata of the population. The outcome of all this is a strengthening of the socialist relations of production and a good starting point for meeting all the great economic tasks outlined in the Five-Year Plan.

(PANORMA GDR)

## CWE activities...

(Contd from page 4)

As a first step the Board decided to increase its purchases of agricultural produce in an organised way, directly from the producer in the various parts of the country at guaranteed prices. In this way it is envisaged that while the C. W. E. procures commodities for trading, it also helps the producer to get a fair price for his produce without being exploited by the middlemen and encourage increased cultivation of subsidiary food crops.

### Imports

The problem of increases in world market prices of commodities continued to confront the Establishment in the year under review. Attempts were made to find new sources of supply to combat increases in prices by some traditional suppliers while additional sources of supply had to be sought for commodities taken over by the Establishment during the year.

The Board decided to trade in local goods on a large scale to fill the trade gap caused by the restriction of the trading activities. The Purchase Committee will organise the new Scheme to buy agricultural produce directly from producers in various parts of the country. The C. W. E. retail shops have

been organised to buy direct from the producers and steps have been taken to enlist the Co-operative Movement and the Marketing Department to co-ordinate this activity.

### Sales

In accordance with Government policy from June 1970 the Establishment sold goods only to the Co-operative Movement and through its chain of retail shops thereby eliminating the private Wholesale Dealers from the scheme of distribution. 85% of the sales are made to the Co-operative Movement, 2 1/2% to the Marketing Department while the balance 12 1/2% is retailed through our retail shops.

### Prices

Although the C. W. E. imports subsidiary foodstuffs numbering over 20 items the retail selling prices of a number of these commodities are fixed by the Food Commissioner. The wholesale selling price of the C. W. E. to the Co-operative Movement has to allow a reasonable margin of profit to the Unions who are compelled to sell at fixed retail selling prices. In the case of certain commodities the wholesale selling price fixed on this principle is invariably less than the wholesale cost to the Establishment. The Establishment had to bear this

(Contd on page 9)



# THE KLEINMAN PLAN:

Much of what I immodestly call the Kleinman Plan is now being adopted in Brazil. I am confident it will multiply the impact of U. S. foreign aid at least five-fold and would greatly spur domestic investment. With modifications for local conditions, it could be adopted in other developing countries.

## Present Model

Before examining the Kleinman Plan, it might be useful to review the present model and its shortcomings.

First, the rate of economic development in the less developed countries has been directly proportional to the amount of long term capital available. Most local capital markets are in an embryonic stage. This has left the entire burden of supplying long term capital to the international and national public development agencies.

Second, this capital is usually channeled through national development banks to approved enterprises only after costly and lengthy studies. The consequent delays prevent development from gaining momentum.

Third, this scarce development capital is usually lent for 15 to 20 years. While it remains tied up in this manner, often far beyond the times for which it is required, other, perhaps more deserving projects cannot be financed.

Fourth, there is no way for local savers, usually with a very high liquidity preference because of past inflation experience, to provide needed long term capital in the absence of liquid capital markets which do not have long term instruments corrected for inflation.

Fifth, the present system actually discourages needed domestic savings, encourages a disproportionately high rate of consumption, and drives locally generated savings abroad because the lack of a capital market deprives investors of instruments, hedged against inflation, which may be readily sold in a liquid market.

Sixth, in the absence of capital markets the industrial growth pattern that has emerged in most developing countries is that of family owned enterprise. There is little or no possibility for small investors to participate in the ownership of enterprises in developing countries. The present pattern is even less conducive for small investors in the industrialized countries who may wish to invest in enterprises of developing countries.

Seventh, inflows of portfolio (noncontrol) capital, which is claimed to be politi-

cally preferred in many developing countries, are prevented from taking place because of lack of liquid capital markets. This leaves industrial growth primarily to foreign direct corporate investments, which have recently been less welcome.

Eighth, scarce long term credit is not channeled to the most productive sectors and enterprises because it is not allocated efficiently by any functioning market mechanism. Instead, it is channeled through national development banks, which, being semi-public institutions, are bound to be influenced by political considerations in their credit allocations.

The following alternative model avoids these shortcomings. It relies heavily upon the restructuring of the domestic capital market in a unique way to greatly increase the supply of long term capital from locally generated saving, which would then be allocated more effectively through the capital market mechanism. This model would greatly stimulate economic development with current, or even reduced foreign aid appropriations.

## Alternative Model

An institutional capital market infrastructure, consisting of well financed and well trained underwriters and market makers (both on and off the exchanges) would be established in developing countries. To insure the efficient functioning of these financial institutions, a unique liquidity fund, which has not been used before, in any country, would be established to provide them with liberal revolving credit. The specific design for this liquidity fund was submitted to Brazil's Central Bank in 1967 and 1968 while I was a consultant to the U. S. Agency for International Development (AID) (It is currently being established there under the name FUMCAP.) Contributions towards the creation of this proposed fund for Brazil, now being capitalized with 50 million, have already been approved and signed by the Brazilian Government and by AID. The World Bank/IFC (International Finance Corporation) has also approved participation in this fund. The establishment similar liquidity funds is currently being studied in several other Latin American countries.

Such liquidity funds would provide credit to underwriters and market makers for periods required to finance holdings of securities in the normal course of business. Interest costs to underwriters would increase with passage of time to en-

courage them to distribute the securities rather than hold them. The ready availability of this revolving credit to market makers should go a long way towards assuring investors that they could readily dispose of their security holdings, and thus would be encouraged to purchase and hold them. This fund would help create and support a highly liquid capital market that would supply the economy with large amounts of long term capital while simultaneously giving investors the ability to dispose of securities rapidly and with minimal impact on price. Thus, the new capital market would act as a bridge between investors' traditional preference in developing countries for high liquidity and the long term capital needed for development.

## World order perspective on the future

In providing a brief diagnosis of contemporary world reality, looked at from the perspective of the "third world countries, outlining a preferred model for the future and indicating a few concrete steps towards a preferred world, the methodology followed is not one of making scientific projections from present conditions but rather one of offering normative choices with regard to the kind of future or during the last decade of the 20th century that is desirable and suggesting ways of moving towards it.

For it seems that the only rational way of approaching the future in a fast changing world is to design one realistically and then seek to realize it.

### Contemporary Ills

In the present-day world GNPs are rising everywhere but their benefits are being confined to small metropolitan elites who derive their political support from external linkages rather than by identification with their own people; the spatial distribution of land and other resources continue to work against the poorer regions of the world; the gospel of 'modernization' has released forces which produce ethnic cleavages, internal violence (civil wars, police excesses and the brutalities of the armies) and armed conflicts between neighbours often encouraged by the big powers; the economic 'gap' continues to widen and 'minimum' conditions are becoming increasingly hard to achieve in large parts of the world. The upshot is a widening chasm

Enterprises requiring long term capital would now be encouraged to float their long term securities in this newly created market, instead of borrowing directly from national development agencies. For

debt type securities some provision for monetary correction, or indexing, should be made to protect investors against inflationary erosion.

National and international development agencies, instead of advancing the full amount of required long term capital to the enterprises directly as at present, would now advance only a portion of the total investment. Their loans would now be made in the form of bond or stock market credit,

to all buyers of publicly floated securities or approved projects. This bond or stock market credit, for example, might be 50 percent.

For each newly issued security financed and qualifying for development assistance in this manner the rate of interest charged by the lending development agency,

By  
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the percentage of the total cost of the securities to be financed and the duration for which credit would remain

and a growing north-south hiatus.

The resulting pattern of dominance has on the one hand, produced a division of the world between states; on the other hand it has also created deep cleavages within the latter, between a tiny 'modernist' elite and the people at large, between the urban centre and the rural periphery, between the educated and the uneducated.

There is, no doubt, continuous growth in aggregate wealth even in the poorer countries but the bulk of the increase is concentrated in the hands of small parasitic elites.

*The rest of mankind in the peripheral regions lives in misery below the poverty line suffering from malnutrition and psychic impotency and lethargy and producing agricultural goods and raw material for world industry only to be fobbed off their produce through an invincible network of economic exploitation.*

### Power Patterns and Trends

Thus the way world power patterns and social and demographic trends are developing there seems to be no escape from a continuous fragmentation of political structures and a growing state of isolation and alienation of contemporary man.

The basic issue in restructuring world order is to establish the autonomy and potency of the majority of nation states and to realize the value of equality among them so that the larger values of individual autonomy and freedom justice in the distribution of worldly

goods and participation in decision making structures can be realized.

### Levels of Fulfilment

From this general diagnosis of contemporary reality follows my preferred model of a world order. In order that the individual is secured maximum autonomy and freedom, in order that political communities are enabled to reach minimum plateaux of economic welfare and social justice, and in order that we minimize the danger of international violence, we have to admit three different levels of goal-fulfilment: the individual, the national and the international-in our scheme of things.

For achieving both the realization of autonomy for the human being and forging satisfactory states of community and fellow-feeling among men through their participation in the political community, it is necessary to provide greater rather than lesser autonomy to individual states, a majority of whom are not autonomous at present.

Autonomy, freedom, well-being and justice have to be built at a number of levels so that ordinary men and women can realize these values. Neither the spectre of an overriding world government in the image of some transcendental ideology nor just a 'smashing' operation in the hope that it can do away with all encumbrances holds any attraction for us.

Perhaps such an approach comes from the background of an ancient civilization seeking to reopen its elements on the basis of a new con-

available to buyers, could all be adjusted to different degrees of

The lending agencies, whether international or national, usually review securities which are to be eligi-

bond and credit. Through of financing development would be possible. play the funds over years instead of 20 years, as is present practice

Thus, instead of scarce international public development to finance general cent of the cost

## World order perspective on the future

consciousness-seeking realize preferred a series of encounters a time Our very realization stupendousness of makes us awers how angry it is hopping to another form the latest ed man's burden somewhat different.

Removal of the block—the overriding that stands in achieving these life is not the a centralized world but rather the pures of dominance equality in the absence of re for individual s preferred world away with this and this domin least bring them w

This means tw in regard to laun ggle for the reman isting mechanisms ing inequality an international instit will strengthen su

In regard to it is necessary to grips with the international policy as the less power er nations of the remain disunited prey to the man big power, pol seems to be little achieving real uty them or the con a successful scientific internal social and problems.



available to the securities buyers, could all be continuously adjusted to give different enterprises varying degrees of economic priorities.

## Foreign aid

and stock market. Through this system financing development, it would be possible for the developing countries to redevelop their economies every three or four years instead of once in 50 years, as is the case in present practice. Thus, instead of using international and national public development funds finance generally 100 per cent of the cost of new projects, and for periods often lasting 15 to 20 years, the same project could now be financed with only half of the funds that would have been required previously from these public agencies. It would also be possible now to re-use this half every three or four years instead of once every 15 to 20 years.

The use of this technique alone could multiply the development impact of a given amount of public development funds by a factor of up to ten.

New Savings and Investments

A growing variety of new investment instruments, that would now trade in a very liquid market, where long term debt instruments are fully corrected against inflation, should all create very sizeable new savings that would flow into new investments.

The sources of these new savings now available to

finance development, would be:

(a) A diversion of savings now flowing to consumption (which has already begun to happen in Brazil).

(b) A diversion of investment funds away from socially unproductive land and real estate speculation into more productive investments (this, also, has begun to happen in Brazil.)

(c) Higher rates of return on industrial investments because funds would now be flowing to the most productive economic sectors and enterprises, rather than to those enterprises which are merely politically supported.

(d) An increase in the number of savers and in amount saved, stimulated by new opportunities to invest, a liquid market, and the possibility of obtaining higher yields because of monetary correction that

would be used for debt securities.

(e) A reduction in capital outflows to developed countries because of a developing local liquid market.

(f) A gradual net inflow of foreign-owned portfolio funds.

The newly structured capital markets of developing countries should then be linked with those of the industrial nations to encourage an inflow in portfolio investments, which could be facilitated by the following:

(a) New international investment development institutions that would specialize in the sale of securities of enterprises in developing countries to investors in the developed world.

(b) New special purpose stock exchanges in the leading financial centers of the industrialized world on which securities of the less developed countries

would be listed and traded.

These new stock exchanges could be affiliated with the major stock exchanges of the West. By qualifying such securities for trading in the developed world, vast sources of new long term capital could be trapped.

(c) Whenever desirable, the interest on some debt securities could be subsidized or supplemented by one of the developing institutions.

(d) International development agencies may assist in the organization of mutual funds that would invest in securities of developing countries but would be sold mostly in the developed world.

(e) Guarantees and insurance of the type of offered by the Overseas Private Investment Corporation now mostly to corporations, should be made widely available to individuals holding securities of enterprises in developing countries. These usually provide insu-

rance against expropriation and war risks, foreign exchange repatriation risks, and guarantees against business risk, as well.

The inflow of private portfolio of foreign (non control) funds as against direct corporate foreign-controlled investments) together with the new domestic long term capital that would be generated by this new plan in the future, should all make possible the establishment of new locally controlled large enterprises. This should reduce tensions which have arisen in some developing countries because of the prominence of the foreign sector. In fact, the development momentum could be so strong that foreign enterprises may again be welcome to provide services and technologies, otherwise not available.

Small countries could affiliate with other small countries, or with a larger neighbour, to form a single larger capital market. Leading underwriters would supply the long term capital needs of deserving projects of every member country.

This alternative model for development and foreign aid, would make possible a considerably higher rate of economic growth than at present, financed largely from local savings.

## Turn

business-seeking actively to re-evaluate values through a series of challenges and adventures in the real world. The very realization of the endlessness of the task makes us averse to the hope of a comfortable westward flight from the aeroplane. Another bid to transcend the globe—the white sabbat. Hence, our what different perspectives

There is need to join forces, declare collective goals and confront the existing manipulators of international politics with a sound strategy of bringing an end to their dominance helped in this no doubt by dissenting and more civilized forces within the dominant nation but mainly relying on their own strength. For this it is necessary to engage in a federalising process in these regions, leading in due course to more integrated political entities.

There is need to make the number and diversity of nation states more rational and manageable and conducive to the values stated earlier. There is need for a smaller number of nations (or perhaps multi-national federations), each large in size and efficient enough in carrying out economic and political functions to realize the twin conditions of autonomy and equality that we have postulated.

This will also make for near about equal representation at the world level so that the various international institutions will operate in a truly participant manner, avoiding the present situation in which the existence of a plethora of diverse and atomised political units can be manipulated to serve the interests of a narrow oligarchy of international power.

### International System

The second aspect of the preferred world is the nature of the international system. There ought to be a complex of international institutions geared to the promotion

of real autonomy and equality to both individual national units citizens of all these units.

There kinds of institutional complexes will be needed:

★ First, there should be a complex of welfare and cultural institutions at the world level which will seek to eliminate gross inequalities in the access to technology, means of production, education and the relationship between land and living beings. These themselves, with the cooperation of individual political units in the underdeveloped regions, will plan and undertake economic enterprises backed by sufficient resources to balance and counter monopolistic corporations.

### By RAJNI KOTHARI

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★ Secondly, there should be an international political structure to represent all the nations of the world and back up welfare and cultural bodies with sanctions and resources. Thus while the institutions of a participant democracy will function mainly within national communities, they will also be significantly supplemented at the international level.

★ Thirdly, there should be a set of institutions designed to protect human rights and standards of justice wherever these are violated. This should include an authoritative court of justice, a council of world jurist and commission for human rights and social justice.

★ Fourthly, there should be a world security system

that will both enable a significant transfer of resources from "defence" to "development" and minimize conditions of violence that prevent the autonomy of both individual human beings and the political units in which they live.

### National Autonomy

Thus as we conceive of the world say twentyfive years from now, we visualise a system in which the autonomy of the national political community is both retained and (in the case of large number of "dependent" nations) considerably augmented.

This will, however, be in part supplemented and in part counted by (i) a sharp reduction in the number of units comprising the international community, making them roughly equal in population and size, access to resources, and social and cultural diversity and richness, and (ii) an authoritative complex of world institutions that will prevent exploitation and dominance.

The world political system will thus in its spirit and essence as well as in its institutional structure) operate at both national levels with appropriate 'intermediate' level Built into it.

Finally, while we provide for political autonomy of each of these communities, it is hoped that, thanks to the intellectual movements that will bring the desired world about, there will be consensus between these communities in at least one respect, namely in the admission of individual worth and autonomy as the final end of social organisation and hence, in the availability of democra-

tic participation, the world over.

Justice and non-violence, the other two values of such a world, will follow as behavioural components of this fundamental consensus on the value of the autonomy of the individual and his right to participate in the institutions of social democracy and influence its decision making apparatus to the extent that he desires to.

### Towards a Just Society

For the kind of world we prefer, it is clear that appropriate processes and structures for the translation of our world order values will have to be evolved within domestic political systems as much as—and perhaps sooner than within the international system.

Few will deny that man's striving at devising rational modes of government and justice has a long way to go even in respect of micro levels, not to speak of more inclusive structures. Some have held the view that the principal stumbling block in the way to bring about modes of civil government that will ensure progress towards a truly democratic and just human society is the nation state itself. We do not share this view, although we should like to add immediately that we also subscribe to any absolute concept of national autonomy and sovereignty.

In the model of preferred world that we are proposing, national political communities will have to move towards:

- (i) institutions for optimum participation of people at different levels;
- (ii) commitment to principal of equality of all men, a minimum standard of welfare for all including the lowest deciles of the economic structure and a maximum beyond which no one should be allowed to go both for reasons of equality and limiting the adverse effects of high incomes and too much prosperity;
- (iii) balance between enlightened initiative (based on a total perspective) of central authority and decentralised structure of decision making, planning and preservation of diverse regional cultural personalities;
- (iv) fundamental commitment to individual human rights, violation of which should lead to legitimate intervention by both the national central authority and in cases of mass violation of human rights, by the international court of justice and the council of world jurists; and
- (v) internal territorial restructuring to maximise the values and processes—both in regard to maximising a federal polity and an optimum strategy of "size of units"



# FLOUR MILL - FOUR YEARS OF PROGRESS

Sri Lanka's State Flour Mill at Mutuwal, constructed with technical and material assistance from the Soviet Union, completed four years of production on December 13, this year.

Since the commencement of commercial production four years ago every endeavour has been made to step up the level of production and make the mill an economically viable unit.

Latest provisional statistics of production released officially by the Flour Milling Corporation indicate that for the nine month period (April December 1971) production of flour had reached 42,352 tons; Bran 13,642 tons; Semolina 590 tons; Pollard 1,676 tons; Sweepings 118 tons and Feed meal 480 tons.

A high official of the Corporation told us that judging from provisional estimates computed, production for the year April 1971 to March 1972 was very much better than that of the 1970/71 period. In fact the figures for the nine month period ending Dec 1971, clearly indicate this. We give below details of production for purpose of comparison:-

Year	Production (in tons)
1968/69 (1-12-68-31-3-69)	
Flour	6,531
Semolina	138.5
Bran	3,226
1969/70	
Flour	41,428
Semolina	328
Pollard	1,680
Sweepings	102
Refuse	380
1970/71	
Flour	48,028
Bran	15,196
Semolina	609

Pollard	1,996
Sweepings	82
Feed meal	407
(1971 April-1971 Dec)	
Flour	42,352
Bran	13,642
Semolina	590
Pollard	1,676
Sweepings	118
Feed meal	480

Originally the mill was designed to grind 70,000 tons of whole wheat annually and extract 50,000 tons of flour; 16,000 tons of Bran; 4,000 tons of pollard and 1000 tons of semolina. On this basis the daily milling rate was 235 tons

### Milling rate up

At the commencement of operations it was difficult to increase the milling rate due mainly to technical problems. These problems were, however, overcome in a short period and from July 1969 the daily milling rate was steadily increased to average around 240 tons.

With the installation of the new Bugging plant, production moved up still of further to reach 270 tons per day and efforts are underway to step up the rate still further.

### Exports

Besides the demand that the products of the Corporation now enjoys in the local market, the Corporation is steadily emerging as a substantial foreign exchange earner for the country.

Since it comparatively recent entry into the export market the Corporation earned a total of Rs. 3.3 million in foreign exchange from the export of 8,107

tons of Brand and Pollard in 1970/71. Latest available export figures reveal that for the nine-month period (April December 1971) the Corporation shipped 10,000 tons of Bran and 1,590 tons of Pollard which accounted for a total foreign exchange of approximately Rs 5 million

By

**E. MOLDRICH**

(A staff writer)

This is almost Rs 2 million more than the foreign exchange earned for the twelve month period March 1970-April 1971.

Export are now being made to further increase exports and in this context, the Corporation is exploring the possibility of securing markets for its products in the Middle Eastern countries.

### Soviet Assistance

The Flour Mill at Mutuwal was the third industrial undertaking established with Soviet assistance in terms of the Technical and Economic Cooperation agreement of 1958 between the Government of the USSR and Sri Lanka.

Designs for the supply of plant and equipment was undertaken by the Soviet Organisation Messers Promushexport under a line of credit granted by the Soviet Union. In addition to the cost of plant, cost of technical documentation and technical assistance in supervising the construction and installation of the Mill was also met from the line of credit.

Besides being responsible for the designing and equipping of the Mills the USSR also trained local technicians, most of whom are today responsible for the running of the mill. Four Russian specialists were loaned to the Corporation to assist us in the initial commissioning and production stages of the Mill.

These specialists in a comparatively short period of time trained local personnel to run the Mill and today only one senior Russian Consultant together with local staff are responsible for its operation.

Total approved capital investment on the entire project was Rs. 32 million. This figure is very much higher than the initial authorised capital which was Rs. 16 million.

The return on capital which was 0.8 percent in 1969/70 rose to 6.62 per cent in 1970/71 and in the 1971/72 period it is anticipated at over 10 per cent.

### Benefits

With the setting up of the Flour Mill, large outlays of foreign exchange hitherto ex-

pendent on the importation of wheat flour are now saved and gainfully diverted for development purposes.

Besides the foreign exchange saving employment for over 500 persons have been found consequent on the setting up of the Mill.

### Future Plans

Plans are now being drawn up to further increase production by making some inexpensive modifications and installation of additional equipment.

It is planned to step up the capacity of the existing Mill to approximately 350 tons per day this will result in the annual milling capacity increasing to 165,000 tons of wheat.

The construction of 10

additional silos to provide storage facilities for another 10,000 tons of whole wheat is envisaged.

In order to realise a considerable saving in foreign exchange by eliminating the need for using imported packing materials the Corporation is considering the introduction of a scheme for the bulk transport of flour.

The production of wheat germ and paste goods are contemplated. Government is now pursuing the establishment of a second Flour Mill with an annual production capacity of 200,000 tons and in this connection the Soviet Union is completing the draft contract and preliminary project report on the proposed expansion programme.

## C.W.E. Activities...

(Contd. from page 5)

loss as the only alternative is to increase the retail selling price. In the case of commodities that are not subject to price control, it is not feasible to increase the selling price in accordance with fluctuations in costs as these items affect the cost of living of the people. Within this price structure, we are confronted with the problem of realising a gross margin sufficient to cover the overheads of the Establishment.

### Distribution

The gravest problem that confronts the Establishment in its function of distribution is to ensure that commodities reach the consumer in the various parts of the country at prices stipulated by it. It was found that a portion of the goods imported by the Establishment was not available to the consumer except at exorbitant prices. The Board reviewed this problem and found that the distribution system which included large-scale wholesaling by the private trade was a major factor for this state of affairs.

The Ministry of Foreign and Internal Trade has also taken steps to re-organise the Co-operative movement with a view to ensure the availability of goods in the various parts of the country and as the C. W. E. provides the subsidiary foodstuffs to the Co-operative Movement steps had to be taken to co-ordinate the selling and distribution functions of the Establishment with the Co-operative sector.

### Trading Results

The turn-over for the year under review was Rs. 392

million which is the same as last year's turn-over. The gross profit earned amounted to Rs. 55.2 million. This showed a return of 14.4% on turnover as against 15.3% in the previous year.

The nett profit for the year before tax amounted to Rs. 17.2 million as against Rs. 31.2 million in the previous year and Rs. 7.7 million as against Rs. 14.2 million after tax respectively.

### Payment to Consolidated Fund

The Establishment was required to pay to the Consolidated Fund Rs. 20 million for the financial year, 1969 out of profits earned prior to 1968. For the Government financial year, 1970-1971 the C. W. E. was required to pay Rs. 10 million out of 1969 profits and Rs. 5 million out of 1970 profits. As at 31.12.1970, the Establishment had paid Rs. 23,750,000 out of a total of Rs. 35 million.

### Investments

During the year under review a sum of Rs. 9,140,000 was invested on ordinary shares of Rs. 10 each of Asian Hotels Corporation Limited, as subsidiary formed to build a luxury Hotel in Colombo. There was not change in the investments in the other two subsidiary Companies namely Lanka Salu Sala Ltd., and Consolidated Exports (Cey.) Ltd.

With regard to the construction of the luxury Hotel by Asian Hotels Corporation Ltd., the project is presently under review by the Government and a decision by the Cabinet is awaited."

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# AIR CEYLON'S 25th ANNIVERSARY-10.12.'72

## Prime Minister's Message

It gives me great pleasure to offer my congratulations to Air Ceylon on the occasion of its 25th Anniversary celebrations.

From modest beginnings in 1947 Air Ceylon has made considerable progress and has several achievements to its credit including the gradual modernisation of its fleet. It also has a record as a safe and reliable service in commercial aviation.

I am also happy to note that in its planned programme Air Ceylon has, by providing specifically for a vigorous programme of tourist development shown itself to be fully conscious of its obligations in this direction.

On this Anniversary I congratulate Air Ceylon on its achievements and wish

it many more years of dedicated and productive service.

Sirimavo R.D. Bandaranaike  
Prime Minister

## PRESIDENT'S MESSAGE

It is with great pleasure that I issue this message on the occasion of the 25th Anniversary of the Commercial Activities of Air Ceylon. Air Ceylon which started in a small way as a section of a Government Department has now become a developed International Airline.

Today, the Airlines too, perform an important function in uniting the peoples of the world. I am happy that Air Ceylon has discharged

its duty in promoting this unity during the last 25 years. Air Ceylon has rendered a considerable service to the economic development of Sri Lanka by the promotion of the Tourist Services. I wish Air Ceylon success in giving a wider service to the local community as well as to its International patrons.

Sgd. W. Gopallawa  
President of the Republic of Sri Lanka.

## A MAJOR FOREIGN EXCHANGE EARNER

(Message from the Minister of Communications)

## A TRIBUTE TO THE STAFF - By the Chairman

We have touched 25. It is an achievement. I can well visualise how it might have looked when we began. A 21 seater aircraft, just a few people operating the service. A great deal of enthusiasm to make up for lack of experience. And that was all.

And then the steady plodding that went on for years perhaps. Lack of equipment, lack of necessary skills, lack of man-power. Frustrated at times but never defeated. Behind it all, the determination to get ahead.

We have covered a great distance and come a long

way from those early days. But the problems are still there, we have better aircraft, but never enough; a bigger staff but not adequate to meet the increasing pressures. We have acquired more skills but the industry keeps growing with amazing rapidity and we are unable

to keep pace. And so it goes on.

This year has been one of unprecedented activity, it has probably been the most challenging in Air Ceylon's history of 25 years. The developments that took place in April 1972 when we purchased our DC 8, appointed Ceylonese as Managers abroad and established our position as a national carrier in its own right changed the face of Air Ceylon overnight.

We were caught unprepared as it were, when these developments took place. There were moments of utter panic when it came to almost giving up, but the one sustaining factor was the co-operation so willingly given by the staff to a man (and woman of course.) They have stood by us, working long hours, keeping passengers and the general public happy and bearing it all up with a smile.

There are many subjects that come to mind when one is asked for a message on so important an occasion as our 25th anniversary but I think of nothing more important for me than this tribute to the staff.

When one comes to think of it, it is the human element that counts most when running a business. Other factors are important too, but in moments of crisis it is people you turn to. More so in a service business like ours. It is the team you work with that makes for success or failure.

Air Ceylon remembers with gratitude the dedicated loyal and efficient team of workers. We should have found it impossible to have covered this stretch of 25 years but for them. I say thank you.

On the tenth of December 1972, Air Ceylon is a quarter century old. Over the past, the National Airline has developed steadily; but it is a happy augury for the future that what are perhaps, the most dramatic developments in the history of the air-line are taking place just now, and coinciding with this anniversary.

In the past, Air Ceylon's international services have been more operating agreements with other international airlines, where Air Ceylon was more or less a "sleeping partner" satisfied with incomes arising from such pool arrangements.

In contrast, for the first time in our history an international service was recently inaugurated where Air Ceylon flies its own aircraft. Very shortly, the service will be managed by an all Ceylonese crew. For the first time, also we plan to have engineering maintenance performed in ceylon for the international services thus affording Ceylonese aviation personnel opportunities of technical advancement in their own fields.

Air Ceylon is also on the threshold of developing yet other international route operations and we plan to equip it with yet more aircraft to fly on these routes. I am confident that it will not be long before Air Ceylon develops into a not insignificant international airline and a major foreign exchange earner for the country.

While wishing Air Ceylon well, I should like to pay a very special tribute to all the men and women employees of Air Ceylon, both past as well as present, whose loyal and efficient service has made all this possible.



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# THE ECONOMIC TIMES

Editorial Department  
Phone 34221  
Saturday 16th December 1972

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

## FOREIGN AID AND WASTE

The problem of financing the resource gap is a recurring one. In 1972 the deficit on current account plus the repayments on capital account resulted in a resource gap of Rs. 1275 million. The 1973 gap is approximately Rs. 1,798 million. This is indeed quite a sizeable amount in the context of the country's external payments position. The main sources for financing this resource gap are facilities from the International Monetary fund (IMF), short-term credit, commodity aid and grants. In other words, the Government must necessarily depend largely on foreign aid in some form or other to finance its annual plans as envisaged in the Budget.

This situation does not leave any room for complacency. The gravity of the situation it revealed in the fact that the country pays for borrowed funds at an interest rate of 9 per cent per annum. In 1973 payment of interest alone requires Rs. 504 million which corresponds to the unfinanced gap. In the case of foreign borrowings it constitutes a burden on our export earnings resulting in a lesser availability of foreign exchange for development purposes.

The efficient utilisation of foreign aid is therefore of utmost importance. But unfortunately our bureaucracy does not seem to realize its importance in spite of the critical economic situation obtaining today. The failure to make optimum use of the foreign aid made available to us through the goodwill of the creditor nations or donor countries retards the development programme, and consequently, the growth rate suffers. This situation which could hardly be imagined is right now prevailing extensively as the Auditor General has pointed out. (See news report in next column.)

IT IS OBVIOUS FROM THE AUDITOR GENERAL'S OBSERVATIONS THAT THERE IS MUCH TO BE DESIRED IN THE UTILISATION OF AID BY THE VARIOUS GOVERNMENT DEPARTMENTS ENGAGED IN DEVELOPMENT ACTIVITY. LACK OF FORESIGHT AND TECHNICAL KNOW-HOW, INADEQUACIES IN PROJECT EVALUATION, WASTE AND DELAYS IN AVOIDABLE AREAS ETC., SEEM TO BE THE ORDER OF THE DAY.

This situation must be remedied forthwith if the country is not to be made the laughing stock in the eyes of creditor nations and the International Agencies through which foreign aid requirements are channelled. Efficient utilisation of aid is a prerequisite which is insisted upon at the aid negotiation level. If we cannot utilise efficiently what has already been given there cannot be much justification in clamouring for more.

## Shortcomings in aid utilisation

Foreign aid to the extent of Rs. 323 million remained unutilised as at the end of September 1971., according to the Auditor General's Report for the financial year 1970-71 (3rd instalment) released last week.

Some of the aid pledged could, however be availed of till 1974.

Out of Rs. 86 million pledged from the International Bank for Reconstruction and Development (IBRD) in respect of stage 1 of the Mahaweli Ganga Development programme, only Rs. 864,891 has so far been utilised.

Unutilised Loans include a sum of Rs. 5,267,848 granted by the Asian Development Bank for the purchase of two wheeled tractors, equipment for rice mills etc, under the Walawe Ganga Scheme.

During this period a sum of Rs. 5,952,370 loaned by the Democratic People's Republic of Korea in 1970 for the purchase of staple fibre textile continues to remain unused.

### Observations

The Auditor-General has cited the following observations on the delays and short-

### INDIAN REFRIGERATORS FOR POLAND

The Indian Refrigerator Manufacturing Company is to supply 10,000 refrigerators to Poland over the next few months. The contract for this purpose was signed last week at the Asian Trade Fair in new Delhi.

Another firm has secured a contract from Poland for the supply of 20,000 blower type air-heaters.

### NEW B. O. A. C. AIR LINK VIA SRI LANKA

The first-ever direct air link between South Africa and the Far East will be introduced by BOAC on 6 January, next year.

The service, to be operated jointly with South African Airways, starts when BOAC introduce a new weekly VC-10 flight between Johannesburg, the Seychelles, Colombo and Hong Kong, with an immediate connection to Tokyo.

South African Airways plan to start a second partnership flight on the route with its own aircraft next April.

BOAC pioneered flights across the Indian Ocean

earlier this year by linking East Africa to Colombo and the Far East with a twice-weekly service via the Seychelles.

comings in the execution of projects:-

- ✦ Inadequate information or data available at the very commencement of a project.
- ✦ Lack of proper technical know-how in relation to particular matters and a lack of foresight in anticipating what is likely to arise in the course of operations.
- ✦ Failure to make correct financial estimates—e.g allowances are not made for fluctuating prices.
- ✦ Material changes in plans after the project has commenced

- ✦ Delays in placing orders and delays in the execution of orders; local conditions are not examined before orders are placed—e.g equipment is ordered and obtained and it is found after arrival that accommodation is not available to store or instal it.
- ✦ Out of date procedure in regard to revision of estimates and targets.
- ✦ Managerial problems arising in regard to execution.
- ✦ Waste and delays in avoidable areas.

## Petroleum Corp: earns more foreign exchange

The Ceylon Petroleum Corporation has emerged as the single largest foreign exchange earner in the public sector, since the complete take over of the oil industry in December 1970.

The Corporation's foreign exchange earnings for 1971 was approximately Rs. 95 million.

These earnings were made on the export of naphtha amounting to 140,000 tons and sale of fuel oil. In addition, other foreign exchange earnings have come from the sale of bunkers to ships at the ports of Colombo and Trincomalee and the supply of aviation turbine fuel to international airlines.

### Second Refinery

The Corporation has now undertaken an economic feasibility study for the setting up of a second Export-Oriented Refinery with a capacity of approximately 5 million tons, which

is double the size of the present refinery. This refinery is to be set up with joint participation of a foreign company, with the Corporation holding 51 per cent and the foreign company 49 per cent of the shares.

This is one of the projects that the Japanese business team (which arrived last week) discussed with the Ministry of Industries and Scientific Affairs.

The Japanese business magnates are also understood to be interested in joining the Corporation's oil exploration programme now being carried out.

Meanwhile the Corporation is going ahead with plans for the manufacture of liquid petroleum gas on a larger scale and the setting up of a plant for the manufacture of plastic containers as well as a used drum reconditioning plant. Test drilling of oil is also expected to be undertaken by mid 1973.

earlier this year by linking East Africa to Colombo and the Far East with a twice-weekly service via the Seychelles.

The new route will see the islands at the hub of BOAC services radiating to and from Europe, East and South Africa, Mauritius, Sri Lanka and the Far East.

### RUBBER REPORT.....

Contd from page 2

Poorer sorts and miscellaneous thicknesses too were sold well at between Rs. 1/20 to Rs. 1/70 per lb.

### FORWARD SALES

Sole Crepe: A fair quantity of Sole Crepe No. 1 was negotiated at Rs. 2/00 per lb. for March/April/May 1973 delivery.

Thick/Thin Crepe: A fair quantity of Thick Crepe No. 1 changed hands at Rs.1/12 per lb. for January/June 1973 delivery. A similar quantity was also negotiated at Rs.1/17 per lb. for January/June 1973 delivery. A smaa quantity of Thin Crepe No.III was also transacted at Rs. 1/15 per lb. for December 1972/March 1973 delivery.