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THE ECONOMIC TIMES

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Cost of living soars

The average Colombo Consumers' Price Index for the first eleven months o 1972 was 6.5 per cent higher than the average index for the corresponding period of 1971, according to Central Bank data.

This was the result of increases in the sub-indices 6.4 per cent in food, 12.8 per cent in clothing, 3.4 per cent in fuel and light and 6 6 per cent in miscellaneous items. The index for rent remained unchanged.

On the sectoral classification the indices for domestic and import groups increased by 8.8 per cent and 5.2 per cent respectively, whilst the index for the export group decreased by 11.4 per cent as compared with the respective indices for the corresponding period of 1971.

The Colombo Consumers' Price Index for the month of November, 1972 stood at 153.1 recording a 0.4 per cent increase from that of the previous month.

Negotiations with enlarged Common Market

FAVOURABLE TERMS SOUGHT

New emphasis on exports

A major problem now facing Sri Lanka results from Britain s decision to join the E C.M. Negotiations are now being conducted with the U K. and would soon commence with the Common Market authorities to safeguard and obtain favourable terms for our products in the new markets, according to the Minis ry of Internal and Foreign Trade.

The export drive would entail the organisation internally for the production of export surpluses. An export oriented production base in the non-traditional sector is now being built to ensure a regular supply of quality products at competitive prices. Externally, improved facilities would be required for the effective marketing of the products abroad by identifying new markets and obtaining access to them. It is thus proposed to reorganise the Commerce Department to provide a dynamic and streamlined foreign trade service.

The Tea Centres abroad would henceforth advertise not only "Ceylon Teas" but all our other exports as well. And the new emphasis on exports would give our foreign policy a greater trade orientation.

Changing Pattern

Changing patterns of our trade since Independence led to the entering into bilateral trade and payments agreements with the USSR, China, East European countries and the U. A. R. The aim was to lessen dependence on a few buyers and sellers, obtain better prices and terms, and find new sources of supply and new markets. By guaranteeing markets for exports and sources of supply for imports at stabilized prices over the period of agreement, planning is made easier as the price fluctuations of the international market is thereby eliminated.

These agreements, by and large helped Sri Lanka in times of crisis to bolster the market for traditional products with the USSR buying tea and China rubber and providing essentials such as rice, petroleum products and utility textiles at competitive prices.

Export Organisations

Due to the inadequate facilities available to the non-traditional exporter and to lessen the monopoly earlier exercised by the agency houses exporting traditional items a State Trading Organization, namely Consolidated Exports was established. It now exports cinnamon, cloves, cardamoms canned fruits, pepper, nutmeg, mace, arecanuts, coconut shell charcoal, timber, handicrafts, curios, tortoise shell, ebony, ceramic ware and semi-precious stones. In 1971, it was given the monopoly of exports of tea, coconut oil ond desicated coconut to those lands with whom we trade on barter agreements.

The volume and value of exports handled by this Corporation have sharply increased since 1971. The Tea Department now handles 1/9th of Sri Lanka's total exports, and its buying has bolstered local prices giving a fair price to the producer. The value of coconut oil exported increased from Rs, 12.5 million (approximately) in 1970 to Rs. 38 million in 1971, and desiccated coconut from Rs. 7.5in 1970 to 17.5 million (approximately) in 1971. This has now become an organisation through which the small producer and co-operative society could export both traditional and other products with fair profits to them.

Further incentives for food production

Government has decided to provide further incentives to those who undertake the production of essential food items viz, rice, sugar, dhal and milk etc., according to the Ministry of Planning and Employment.

These facilities include tax exemptions and bank loans It has been felt that large scale producers of food should be allowed tax rebates as has been given to the tourist industry.

Lesser utilisation of foreign loans

The total amount of foreign loans utilized in November 1972 amounted to Rs. 21 million comprising Rs. 4 million from project loans and Rs. 17 million from non-project (commodity) loans. The total foreign finance utilized in the corresponding month of the previous financial year was Rs. 73 million consisting of Rs. 54 million from project loans and Rs. 19 million from non-project (commodity) loans, according to Central Bank Satistics.

Utilization of foreign loans in the period October 1971, to November 1972 amounted to Rs. 415 million, of which Rs. 103 million was by way of project loans and Rs. 312 million by way of non-project (commodity) loans.

More export earnings from industrial products

On the basis of Customs data earnings from industrial exports during August 1972, amounted to Rs. 7.4 million. This was higher by Rs. 2.8 million compared with that of the corresponding month of the previous year and comprised nearly 4.0 per cent of the value of the total exports.

The rise in export earnings had been witnessed mainly under neptha, residual fuel oil, tanned leather shirts and garments, other articles of rubber, frozen fish and leather footwear. Earnings from unmanufactured tobacco and prepared animal fodder have fallen, whilst earnings from the rest had been negligible or remained static. The rise or fall in export earnings had been consequent to a rise or fall in export volumes.

Industrial export earnings during the period January-August 1972, at Rs. 32.8 million had risen by Rs. 4.3 million compared with those for period January - August 1971.

In this Issue

MARKET PRICES

COLOMBO
TEA
(Rs. Cts. Per lb.)

CLOSING PRICES 16-1-73

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:	1.90	3.80	1.90 —	3 60
	2 at 4.00	1 at 4.50	1 at 3 80	1 at 3.90
Medium-Grown:	1.68	2.25	1.78 —	2.20
Small Leaf Low-Grown:	1.85 —	2.10	1.70 —	1.80
Tea For Price:	1.35 —	1.55	1.35 —	1.60
Leafy Low-Grown:	1.90 —	2..0		
	F.B.O.Ps		F.B.O.P.Fs.	
Tippy Teas:	2 00 —	2.30	1.90 —	7.70
			2 at 8.00	1 at 8,50
			1 at 8,60	

RUBBER
PRICES FOR THE WEEK ENDED. 13.1.73.

	Rs. cts.—per lb. Closing Quotations	Avg. to date 1972	Avg. to Same Period 1971
RSS No. 1	1,01 1/2	1.01 1/2	69 1/4
RSS No. 2	97 3/4	96 1/2	65 1/2
RSS No. 3	97	95 1/4	64 1/2

COPRA (*Rs. per candy*)

	Opening Price	*Clos. Price*
Estate Copra No. 1	274.(0	284.00
COCONUT OIL (*Rs. per ton*)		
January	1,250.00	1,250.00
Februaey	1,250.00	1,250.00

DESSICATED COCONUT (*per lb.*)

	Opening price	Closing Price
January	.70	.70
February	.70	.70

PRICES OF THE WEEK ENDING 10.12.72

Commodity	Buyers Quotations (*Per lb*)		Export DUTY
Cardamoms	32.50	— 25.80	40%
Cardamom Seeds ...	8 00	— 12,50	on true
Cloves	13.C0	— 14 00	F.OB.
Cloves Stems	3.00	— 3.50	value.
Mace	8.00	— 8.50	
Nutmeg (Shelled)	5.25	— 6..0	
Nutmeg (Unshelled) ...	2.50	— 3.25	
Pepper (Black)	3.75	— 4.50	
Papain (White)	43,00	— 36,00	
Papain (Brown)	28,C0	—	
Cinnamon H/1	Unquoted	—	20% on
Cinnamon H/2	"	—	true f.ob
Cinnamon Quilings No. 1	"	—	value
—do— No. 2	"		

	Per Cwt. Buyers Quot.		Export Duty
Cocoa	unquoted	— 275.00	40% on
Coffee (Arabica)	300.00	— 350.00	true f.o.b
Kapok (Clean)	150.00		value
Kapok (Unclean) ...	45.00		
Croton Seeds	150.00—		
Essential Oils	Per	oz.lb.	
Cinnamon Leaf Oil ...	18.50 per 25 ozs		
Cinnamon Bark Oil ...	Per oz.	20.00	
Citronella Oil Estate Quality	Per lb.	10.50	10% on
Citronella Oil Ordinary ...	Per lb.	10,30	true f.o.b value

SUBSIDIARY CROPS .. WEEKLY PRICE LIST WEEK ENDING e4.1.73

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

Cereals		(Per Bag 154/158 lbs) (*Per bushel*)	
—Paddy	...	Unquoted	
—Other varieties ...	...	"	
—Rice Per Boiled ...	...	"	
—Country Rice No. 1	...	"	
—Country Rice No. 2	...	"	
—Samba Rice ...	...	"	
—Kora	...	"	
—Maize ... *Per Cwt.*	...	28 00	30.0)

Commodity Commentary

TEA REPORT
Auction No. 3 held on 16th January, 1973

The total quantity offerd was 9,670,722 lbs. comprising 4,886,208 lbs. Leaf Grades, 1,014,253 lbs. Dusts, 221,283 lbs. Reprints, 58197 lbs. Sundry Lots and 3,712,064 lbs. Ex Estate. Quality was again rather irregular with most second invoices from Western Districts showing a marked falling off. There was good demand but at lower rates and most below best and light liquoring teas declined further in value.

High Grown Teas

At the opening, best Western BOP's sold irregularly and some quality teas barely maintained last rates. Brighter, below best brokens were about firm but others and then liquoring teas declined 10/30 cents. There was more demand for BOPF's and brighter Fannings were about 10/20 cents dearer while others were about firm. Clean, good liquoring OP's and Pekoes were quite steady on last rates and were sometimes dearer.

Medium - Grown Teas

Clean, coloury Western and Uva brokens were quite firm and some apprectiated by 5/10 cents. Plain liquoring and stalky teas were easier by about 5 cents. BOPF's were firm to a few cents dearer, a few bright teas appreciating 10/15 cents. OP's were fully frim.

Low - Grown Teas

Although there was good demand for all types, buners lowred thelr limits for the better made small leaf BOP's, BOPI's and BOPF's and these on average lost 5 cents per pound. OP's were dearer and Pekoses were about 10 cents easier.

Tippy Teas

FBOP's were fully firm to a few cents dearer while small leaf Flowery Fannings showed a decline of 10/15 cents. The best showy types showed an appreciation in price but the below best were irregularly easier.

Off Grades

These met good demand All Fannings were on average dearer, the better made teas gaining 10/15 cents while teas with quality 20/25 cents dearer. Clean leaf BP's moved up 5/8 cents while BM's and Low - Grown Eannings remained unchanged.

RUBBER REPORT
Week ending 13th January 1973

An increase in Duty by 3 cents per lb. being counteracted by sharply improved overseas advices resulted in RSS No 1 opening unchanged at Rs. 1/02 per lb. However, values dipped the following day to Rs. 1/00 3/4 per lb. and after a sharp recovery to Rs. 1/02 1/2 per lb. during mid week eased once again under fluctuating conditions to close at Rs. 1/01 1/2 per lb.

Approximately 652 Tons of LATEX CREPES were offered at two sales held during the week under review, a substantial decrease of 449 tons compared to the previous week's total. At the First Sale, best and FAQ latex crepes eased further by 1 cent per lb. Whilst the duller types werr irregularly dearer However, the inferior grades irregularly easier. At the subsequent sale, best latex crepes were irregular whilst FAQ offerings were irregularly dearer. The duller types were marked down by 3 to 3 1/2 cents per lb. Whist the inferior grades irregular.

Approximately 123 Tons of screp crepes were offered, at the two sales held during the week under review, a decrease of ,04 tons compared to the previous week's total. At the First Sale, light brown screpes were marked up by 3 1/2 cents per lb. Whist the dark brown types too were 1/2 cent per lb. better

Export Duty: The export duty for the period 15th / 21 st January, 1973 has been increased by 3 cents per lb. to —/29 cents per lb., inclusive of the present flat rate of 3 cents per lb. Cesses remain unchanged at 1.980 cents per lb.

Produce Report

Week Ending 14th January 1973

Cardamoms: 3,466 lbs. of Cardamoms were on offer, a decrease of 302 lbs. compared to the previous week's total. The market continues to improve with No. 1 quality being quoted at Rs. 32/- to Rs. 35/80 per lb., an increase of Rs. 2/- on the lower limit and -/05 cents on upper limit. Next best grades too were slightly firmer at Rs. 27/75 to Rs. 31/- per lb., whilst No. 2 quality was transacted at Rs. 25/25 to Rs. 27/75 with No. 2 Grades slightly easier at Rs. 19/50 to Rs.25/ per lb. Inferior grades, however, were transacted at between Rs. 11/- to Rs. 18/- per lb. Seeds fluctuated between Rs. 8/- Rs. 12/50 per lb.

Cocoa: Approximately 248 Cwts. of Cocoa were on offer, an an increase of 116 Cwts. The market was rather erratic but nevertheless strong with a bid for No. 1 quality at Rs. 399/- which was not accepted the market therefore, being unquoted. Next best grades, however were firmer at Rs. 375/- to Rs 385/- per cwt. whilst No. 2's at Rs. 350/- to Rs 370/- per cwt. with Off Grades at Rs. 280/- to Rs. 354/- per cwt. Poorer sorts fetched between Rs. 200/- to Rs. 250/- per cwt.

Coffee: 6 Cwts. of Coffee were on offer and two lots of good quality Robusta were sold at Rs. 290/- per cwt.

Pepper: Approximately 607 lbs of Black Papper which were on offer were withdrawn due to lack of suitable bids, with one lot of White Pepper consisting of 75 1/2 lbs being sold at Rs. 11/50 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	
Millets			*Per Bushel*	
—Finger Millet (Kurrakkan)			13.00—14.00	
—Sorgum		...	Unquoted	(per ton)
—Soya Beans ...		...	850.00	(per cwt)
Spices Condiment			*Per lb.*	
—Mustard		...	2.45 - 2.50	
Chillies			*Per Cwt.*	
—Dried Long ...		...	unquoted —	
—Dried Round ...		...	" —	
—Off Grade ...		...	"	
—Goraka		...	65.00—	68 00
—Vanilla ...	*Per lb*	...	—	
—Tamarind	*Per cwt*	...	100.00—	105 00
—Ground Nuts	*Per 80 lb*	...	60.00—	65 00
—Cashew ...	*Per lb.*	...	—	

Bata's export target planned to hit a new high

Bata's have set their export target at Rs. 20 million in foreign exchange during the Government's Five Year Plan period.

This was revealed by Mr. Thomas J Bata, the Head of the world - wide Bata organisation who was in Colmobo, last week.

He said: "Now we export nearly 500,000 pairs of shoes a year. We intend to increase this to 1.5 million pairs a year during the Five-Year Plan Period".

Local Raw Material

"Only 30 per cent. of the raw materials used in the manufacture of Bata shoes was imported, the balance 70 per cent, being local. We are gradually reducing this," he said

Large - scale technical and scientific know-how was being made available to the Bata organisation in the developing countries to export Bata products to industrially - developed countries in Europe and North America, he added.

Export opportunities

The following foreign firms and businessmen are interested in importing from Sri Lanka the products indicated below:-

Messrs. Rashid Wali Mohamed, 2-Sind Market, M. A. Jinnah Road, Karachi-2

Messrs. Tabani Ariff, 2, Sind Market, Post Box No. 4498, M, A. Jinnah Road, Karachi.

Messrs. Munir & Company Lal Haveli, Akbari Mandi, Lahore.

Messrs. Hamdard Laboratories (Waqf), Nazimabad, Karachi-18.

Messrs. Ekram Corporation, 18, Maclagan Road, Lahore.
Spices

Messrs. Adam Limited, Jodia Bazar Mohd Feroz Street, Karchi - 2

Messrs. Abdul Aziz Mohamed, Daryalal Street, Jodia Baxar, Karachi.

Messrs. Haji Mohammed Haji Ismal & Co., 2nd Floor, Dada Chambers, M.A. Jinnah Road, Karachi.

EXPORT INTELLIGENCE

Messrs. Dada Soap Factory Limited, C/46, S. I. T. S., Manghopir Road. Karchi-29.
Coconut oil

Douglas Taylor,
884, Victoria Road,
West Ryde, NSW. 2114
.Batiks

J. David, Andrew Baker Pty. Ltd.
10, Parramatta Road,
Lidcombe, NSW. 2141.
Tapioca flour.

D. E. Whate,
Flat 5, Dumber Tee,
Glenbelg East, S. A. 5045.
Household furnishings and paintings.

C. E. Beaver,
P. O. Box 82,
Eas Bentleigl,
Victoria 3165.

Parquetry, wooden furniture, dress materials and novelty gift items.

Pat Woolley,
Prop. Pats Food Sauces,
16, Greenside Avenue,
Athelstone, SA. 5076.
Chilly sauce

J. Steenbeek,
P. F. Marketing,
P. O. Box 86,
Hunters Hill, NSW. 2110.
Arts and Handicrafts

C. Whittaker, Kenstine Distributors,
102, Mann Street,
Gosford, NSW 2250.

Fancy goods and allied toys.

Messers. Trade & Industries Corporation, 309, Mahboob Chambers, Abdullah Haroon Road, Karachi.

Messrs. C, M. Karanjia & Co. (Pakistan), 39, Badri Building, I. I. Chundrigan Rd, Karachi—2
Spices

SCIENCE AND TECHNOLOGY

A mobile crane that wades into sea

A mobile crane developed in Britain can go virtually anywhere - it can wade into seawater up to 6 1/2 ft deep, traverse fields, lagoons, beaches and marshes, tackle gradients up to 40 per cent, reach 35 mph on the level, where it copes with loads of up to 10 tons On rough terrain it can handle 7 - ton loads.

Mounted on four giant tyred wheels, the crane features a hydraulically operated telescopic two section jib that can be extended to its full reach of 34 1/2ft in 22 seconds under full load. Power is provided by a 250 bhp Rolls-Royce engine, and versions with two or four-wheel drive and steering are supplied.

Power take - off from the engine provides up to 150 bhp for the crane's operations working through five hydraulic pumps one for each motion hoist slew and telescope plus a boost pump. Any two motions can be operated together.

Good visibility

Control is exercised from a double-ended driver's cab, one end for road driving and the other for craning work, thus permitting good visibility for operating the jib.

The crane is adequately waterproofed to provide a 760-mm spray allowance if it is working at its maximum seawater depth.

It is thus suitable for use as a beach crane in ship to shore discharge work.

Operation is possible in climatic conditions from minus 32oC to plus 52oC and at altitudes up to 5,000 ft without modifying the equipment.(BIS)

New gasified dyeing formula

A new method to dye fabrics under a gasified dying formula which do not require water has been developed by the Ashikaga Textile Industrial Experiment Station in Tochigi Prefecture, in Japan.

Officials at the station said that the method, if put into practical use, would become the first of its kind in the world. They added that they planned to conduct further researches on the method in the future.

Water is required for dyeing of textiles under the conventional method being used widely at present. As a result, pollution caused by waste water is developing into a serious problem.

Research on the gasified dyeing method had been conducted by a group of scientists at the research station.

Low cost aluminium radiator

Low-cost radiators manufactured by Covard, the radiator-making subsidiary of Associated Engineering. will be a feature of a new British high-performance car to be launched this year.

This is believed to be the only low-cost aluminium radiator in production use in the world. The development of the radiator, which uses an adhesive bonding system, is regarded as a major breakthrough because of its anti - corrosion, durability and weight-saving advantages.

Britith Leyland Motor Corporation, Ford, Chrysler and Vauxhall are evaluating the radiator, which a German company has already accepted technically.

Covrad plans to have a capacity of 2,000 aluminium radiators a week by next March or April. This is more than one-fifth of its current output of copper radiators.

Processing of wax waste

Slack wax hitherto burnt out as fuel is now being put to use by the private sector processing factory which recently went into production at Barauni.

Various Grades

Set up at a cost of Rs. 600,000 with a capacity of 15 tonnes daily, the factory produces various grades of waxes used in pharmaceuticals, food packaging, cosmetics and candle manufacture. The residual mineral waxes will be coverted into various types of oils and lubricants.

The factory's white wax production of 3640 tonnes a year will help save foreign exchange because India currently imports about 15,000 to 20,000 tonnes of this item annually.

India exports more seafood

India's exports of seafood during September last year amounted to 3125 tonnes valued at Rs. 54.3 million against 2407 tonnes valued at Rs. 31.4 million for the corresponding period last year.

An official press release said of the total exports, 2706 tonnes valued at Rs. 48.3 million were frozen shrimp. U.S., Japan, Denmark and France were the main buyers.

Oil Nationalisation: A complete success

The Ceylon Petroleum Corporation has completed 10 years in the petroleum business The development of the Ceylon Petroleum Corporation has been dramatic since its establishment in 1961. From a modest beginning as an importer and supplier of refined petroleum products and lubricants on a competitive basis, the Corporation has become today the mpotrer of crude oil and base oils, manufactures, exporter and distributor of all refined petroleum products and lubricants.

From the point of view of the range of activities undertaken by the Corporation and also its income and expenses, the Ceylon Petroleum Corporation is one of the larger, if not the largest of the State Corporations. C P. C. can look back with pride to the many achievements and the contribution it has made towards the economic progress of the country.

The Corporation was formed with an initial grant of Rs. 10 million by the Government. It entered the business of marketing in competition with the oil companies in April 1962. The Government decided to nationalise the entire business of import and internal distribution of oil in January 1964, when the Companies failed to import products at fair prices, which would have enabled the country to conserve much needed foreign exchange. The Companies, however, were allowed to continue the sale of marine bunkers and aviation fuels. The complete takeover of the bunker business was effected in January 1971, and of the aviation refulling business in January 1972. With the take over of the bunkering and aviation refuelling trade, the last vestiges of foreign domination in Ceylon in the petroleum business were removed.

Soon after the complete take over of the internal marketing of petroleum products in 1964, the Corporation directed its attention to the establishment of an oil refinery. A contract was entered into with Snam Progetti of Milan, Italy for the construction of the refinery and the work on the project commenced in May 1967. The refinery came into operation in August 1969. The total investment in the refinery, including the preliminary expenses, amounted to Rs. 173 m. of this sum Rs. 125 m represented the foreign exchange cost. The Government made a contribution of Rs. 24 m. towards the cost of the Refinery. The greater part of the balance expenditure • was met by loans provided by Snam Progetti, the refinery contractor and also out of borrowings from a bank. The Corporation has already repaid the major portion of this foreign loan out of its own earnings. The remaining liability will be completely discharged when the corporation makes the final instalment in October 1973.

Another important • project that was completed during the period under review, is the Blending Plant. The investment on the plant was Rs. 5.5 m. of which Rs. 1.9 m. represented foreign exchange costs. We are happy to record that the cost of this plant which is bringing in an annual foreign exchange saving of nearly Rs. 6 m. was completely paid out of funds generated by the corporation's marketing operations.

1st Anniversary of the complete nationlisation of the Oil Industry in Sri Lanka — 30 - 12 - 1972

Foreign Exchange Savings

Prior to the setting up of the Refinery, the Corporation was mainly saving foreign exchange, by importing petroleum products at prices cheaper than those paid by the oil companies. The foreign exchange earnings were then corparatively small.

With the establishment of the Refinery, the Corporation is not only effecting substantial savings in foreign exchange by importing only crude oil and refining them, but it is also earning a sizeable amount in foreign exchange thru' the export and sale of bunkers and aviation fuels. The foreign exchange earnings in 1971, amounted to Rs. 90 m. of which Rs. 20 m. represented additional earnings due to the nationalisation of the bunker trade.

Altogether, the foreign exchange savings effected by the operation of its Refinery and Blending plant were in the region of Rs. 60 m. in 1971.

Government Contribution

C. P. C. is one of the few state Corporations that did not depend heavily on Government contributions to carry out its activities or to undertake new major activities. With the total Government contribution of Rs. 34 million i. e. an initial contribution of Rs. 10 m plus Rs. 24 m. towards the cost of the Refinery, the Corporation, over the years, have acquired marketing assets worth nearly Rs. 95 m. and paid for them but also established the Refinery and Blending Plant costing nearly another Rs180m.

The Government's contribution is only Rs. 34 m. but the Corporation has during this period paid back to the Government over Rs. 22m, out of its profits, in the form of contributions to the Consolidated fund, in addition to the payment to date of Rs77m as income tax.

Sales & Distribution

The last ten years have witnessed a significant growth in the sales and distribution of petroleum products. In1962 when the Corporation was carrying on partial business, the volume handled was only 49 m glns. of all products. With the nationalisation of internal distribution in 1964, it rose to 184 m. glns. and in 1971, the volume handled reached the 429, m. glns.

Contd on page 9

Malaysia on markets & pricing policy

New York

Cik P. G. Lim Malaysia's Deputy Permanent Representative to the United Nations Second Committee Conference on Trade and Development said in New York that pricing policy should aim at decent return for the producers of primary commodities as well as stable prices to ensure continued access to markets.

In many developed countries, within each country's economy, the prices of commodities were maintained at decent levels with the minimum of fluctuations, through governmental intervention, such as price supports, subsidy and selective purchasing.

Cik Lim urged the international Community of Nations to adopt similar steps so that the people of developing countries, dependent heavily on the prices of commodities could be assured of a proper return for their efforts and a minimum standard of living.

THE WORLD'S MOST EXPENSIVE BOOK

London

British artist Ken Lilly is preparing a series of pictures for a book on hawks which the publishers believe may be the world's most expensive new book. It is expected to cost between £750 and £1,000!

The publishers, Godolphin Fine Art, of Ciren cester, will employ refined offset photo-printing processes to produce results not normally possible by photo-mechanical means and equal in quality to the finest studio prints.

The edition will be limited to 200 copies, each of which will have an individual original watercolour by Mr. Lilly framed on the cover and a different fly-leaf with a hand-drawn decoration.

The plates will be destroyed to prevent any reprinting, and the publishers anticipate that it will become one of the most sought- after books in the world by naturalists and book collectors.

The book will not be completed until 1976, but a limited number of the hawk pictures will be available from next July. They will be reproduced by a collotype process involving 13 or 14 colours, and will be issued as signed artists' proofs They will measure 26 inches by 30 inches and will cost £45 each.

GLOBAL NEWS

CHINA-CANADA SHIPPING SERVICE PLANNED

Tokyo

Kawasaki Kisen Kaisha ("K Line) has announced that it is planning to start a liner service linking China and the east coast of Canada next February. The shipping firm said that the monthly service will be conducted between February and September when the St. Lawrence Seaway is open. It said the ports of call will be Hsinkang and Shanghai in China.

Ships on the service will sail from the Chinese ports to Quebec, Montreal and Toronto in Canada via Hong Kong.

Kawasaki said that the ships will haul cargoes bound for Japan on their homeward voyages from Canada. It said this is the first time that a direct shipping service will be started between China and Canada.

(*Japan Courier*).

INDIA'S EXPORTS POISED FOR RECORD GROWTH

New Delhi

With a big increase of 22 percent- during the first seven months and the streak of continuing surplus trade balance- India's exports is poised for a record growth rate during the current year.

This optimistic note has been struck by the Foreign Trade Minister, L. N. Mishra, in a note on export prospects for 1972-73 and review of foreign trade trends during 1971-72.

Mr. Mishra said exports during April-October totalled Rs. 10,703 million as against Rs. 8773 million for the same period last year. The volume of exports in the first seven months this year was already 66 percent of the total exports of Rs. 16,070 million last year.

This had helped India to have a surplus balance of Rs. 740 million as against a deficit of Rs. 1660 million during the first seven months last year, Mr. Mishra said.

Given adequate efforts a significent improvement in the gr wth rate could be effected in both traditional and non-traditional sectors this year Mr. Mishra said.

CLOSER ANGLO GERMAN Co-OPERATINO OVERSAAS

Bonn

Great Britain and the Federal Republic of Germany have agreed to cooperate more closely, both bilaterally and multilaterally, in development aid policy.

This was announced in Bonn last week after talks between the Minister for Economic Co-operation, Erhard Eppler, and the British Ambassador in Bonn, Sir Nicholas Henderson.

The Ambassador stressed that the British Government, after accession, wanted to see the ECC become a broader instrument of development aid.

CHINA'S TEXTILE INDUSTRY TOPS 1972 PRODUCTION PLAN

Peking

The China's 1972 output of cotton yarn, plain and printed cloth, gunny bags. cotton knitwear, woolen fabrics, woolen yarn and silk material has all topped the year's targets.

More top quality cotton yarn and cloth and more synthetic and mixed materials were produced. The quantity of knitwear, scarves, gloves and mosquito nets made of synthetic fibre also improved. Twice as much mixed polyester-cotton material was turned out. Various places produced 30 per cent more cord fabrics than last year.

Higher standards were met in Shanghai for khaki drills, cotton gabardine, and 28 other major fabrics 80 per cent of the textile mills in shensi province, northwest China, hit an all time high in terms of the quality of their products. (*Hsinhua*)

World of 2001 A. D: Interview with Buckminster Fuller (2)

Q; What pitfalls do you see in the way of improvement of human environment?

A: Only the relative rate at which man can learn to overcome his misinformedly conditioned reflexes and yield to his actual, experimentally acquired knowledge. We have known for 500 years that the heavens are not revolving round the Earth. But all the scientists still see the Sun going down. We have done nothing to correct our reflexes. In critical moments human beings behave under, the influence of their reflexes, not reason. We must adequately inform our youth, not misinform them. But the superstitions we have around the world obstruct the realisation by man of the successes he can acheive on our planet. So complete are these reflexes that what man calls his house may actually be an inheritance from a great grandfather. He considers the house with big walls secure But that is not so. Environmental controlling will come finally, which we will not even see. We can do so much with so little gradually.

Greatest Pollutants

Q: It has been stated that poverty is the greatest pollutant of humanity. Is it possible to bring about a better understanding between the rich and the poor?

A: My answer to your first question makes this queston obsolete I would not say that poverty is a great pollutant; poverty is the consequence of ignorance. The great pollutant is ignorance.

Fear and ignorance probably are by far the greatest pollutants. It is highly feasible with the resources now at our hand to take care of entire humanity with the highest standard of living known to any millionaire. And all this can be accomplished by 1985 without anybody profiting at the expense of others, without anybody interfering with another. All this can be done. Therefore, it is not how we should adjust between rich and poor, it is how every body be rich, not by getting tied up with properties and securities, but being free from them. You need not have property and security to be rich.

Q:Sometime ago it was reported that you were designing houses for the teeming millions. Sould you tell us some thing about this?

A: I am going to start from the end—to harmonise life with environment. Truth is always in harmony. If houses are properly designed you would not see them, Cupposing we hurt our forefinger, then we are astonished what amount of task it has been doing When I feel well it is because I do not fell anything, It is because there is no physical interference with universe. It is the same way about the metaphysical attunement to the houses and environmental controls It should not impede the utmost enjoyment of the universe.

Q: What is your message to the youth of 1970s who will soon occupy the world's stage towards the end of the century?

A: I would like to go away from the words "Stage" because it cannotes a wide flat world with four corners and ups and downs. All this was invented by man to accommodate misconceptions.

No Rulers in 2001 A. D,

As you know from geometry, all the perpendiculars to the same plane must be parallel. They can go only in two directions—up and down. What is one man's "up" is not other man's "up" Let us have better words for this spherical planet experience. Man cannot be playing on a stage; it is to be on the planet or rather our space-ship-the earth which is revovving 60,000 miles an hour around the sun, fantastically designed to take care of humanity. despite his ignorance of the universe. We were born absolutely ignorant, and where we are going now is to a great victory- a victory worthy of celebration. All humanity is born to be a success and not a failure. You don't have to "earn" your living. It was born yours. I find there is deep intuitive awareness in the world that we are going to make further such discoveries.

You have convinced our readers that the world in 20 1 A.D will be vastly superior, materially and morally, than it is today. Perhaps you can give us a brief picture of such a world?

A: I would think everything there would be most surprising all the operative conditions will come to recognise telepathy as ultra-high frequency field electro-magnetic wave propagation. Humanity will know what the rest of the humanity is thinking. We will not need rulers because, being well-informed, we will see individually and mutually what needs to be done. We will understand with one another what needs to be done: We will do things with spontaneous coordination. There can be nothing more surprising than this. We will be one world.

(CONCLUDED)

WHITE PAPER ON INVESTMENT (1972): AN ANA

The Government of Sri Lanka announced the policy on private foreign investment in July 1972. In March 1966, the then Government issued a statement of policy on private foreign investment. The 1972 policy statement reflects a more socialistic approach to investment compared to 1966 investment policy. The latter emphasize more on a free enterprise economy with a dominate role given to the private sector.

The 1972 investment policy depicts the socialist policies of the present government and incorporates the changing patterns of taxation, exchange control practices, regulations affecting private foreign investment and the operation of the FEEC Scheme.

Role of Private Foreign Investment

The Five Year Plan emphasizes the significant role foreign investments could play in the national economy. Foreign investments bring in the following benefits:-

(i) It is expected that foreign investment will help to augment the foreign exchange resources available for economic development.

(ii) Import and make available opportunities to the country to acquire new technologies, modern techniques in management and marketing.

(iii) Provides export outlets

(iv) Diversify the economy and management of enterprises.

(v) Provide employment to the people

Areas of Investment

The 1972 White Paper invites foreign investment from all countries in certain specific fields. This is done on items which are considered appropriate in the context of the general economic policies given in the Five Year Plan. The investment areas are:-

1. **Tourist Industry**
   a. Hotel Undertakings
   b. Tourist Recreation Facilities
   c. Tourist Resorts
   d. Allied fields.
2. **Fisheries Industry**
   a. Off shore fishing
   b. Deep sea fishing
   c. Fishing for export e.g. tuna, skipjack & shell fish
   d. Fish processing resulting in import substitution e.g. canning, dry fish, smoked and salted fish, maldive fish.
3. **Manufacturing Industry**

Investments of two types are visualized they are:-

(i) Foreign participation in State ventures.
(ii) Foreign participation in private enterprises.

State sector industries that are already existing or those reserved for the State are not open for the private sector.

Existing State Sector Industries

Cement, Ceramicware, Oils & Fats, Plywood, Hardware, Leather Products, Flour Milling, Mineral Sands, Caustic Soda and Chlorine, Sugar, Salt, Cotton Textiles, Steel, Tyres and Tubes, Fertilizer, Petroleum, Mineral Processing Gemming-Graphite, Paper.

Reserved for the State Sector

Oleo-Chemicals
Urea Fertilizers
Aluminium Rolling
Sheet Glass & Plane Glass
Titanium dioxide
Steel Foundry
Structural Shop & Galvanising Plant
Boron Rubber Wood
Ligno Plastic Rubber Wood
Potassium Chlorate
Cotton Textile Finishing & Waste Spinning
Newsprint
Calcium Carbide
PVC
Quick Lime
Bus & Lorry Chassis
Agricultural Implements
Tractor-Assembly & Manufacture
Super Phosphate
Tin Plate
Machine Tools
Straw Board & Coated Paper Board
Soda Ash
Synthetic Fibre
Hardboard
Electric Meters & Motors
Sponge Iron

Industries not reserved for the State Sector are open for development by private enterprise. In this field foreign investments are welcome by the Government of Sri Lanka. They include on a prima facie investigation some of the following industries:-

Laminated Plastic Sheet
Safety Glass
Linseed Oil, Rubber seed oil Cashew Processing & CNSL
Essential oils and Oleoresins
Fruit Canning
Beedi Leaf Cultivation and Processing
Ayurvedic Plants-Cultivation and proceassing
Cocount products—coconut milk product, products from fibre dust.
Sugar products including Kitul & Palmyrah Jaggery
Dried. Salted, smoked fish
Maldive fish
Clay products
Fire bricks
Manioc flour. pellets, indus trial starch & glucose
Vegetable fibres for textiles Gunny bag making from local fibres
Natural silk
Canned Mushrooms
Pectin & Papain
Cocount shell based industrial carbon & chemicals
Yeast making
Fruit Juice concentrates
Agro— Industries for import substitution, including large scale cultivation e. g. chillies, mustard cummin seed, coriander, tumeric ginger, garlic, onions, potatoes, wheat hops etc.
Dairy products

There are a variety of light consumer industries developed by local entrepreneures and they have attained saturation stage. In these industries government does not intend to approve any new investments. There are two basic factors that needs to be satisfied for any investments;-

(i) Conformity with the five year plan
(ii) Shows an adequate yield on a social cost-benefit analysis

According to the White Paper on Investment - 1972, ivuestment proposals should embody the following for favourable consideration:-

(i) Higher component of local raw materials in the final product produced, leading to adding value to local materials and conserving exchange.

(ii) Export oriented industries leading to diversifying export pattern and bringing in net foreign exchange benefits to Sri Lanka. Further processing of traditionally produced products are included in it.

(iii) Location of industries in industrially under-developed parts of Sri Lanka, This could lead to:
(a) Devcloping the area (Regional development)
(b) Providing employment to unemployed and under-employed
(c) Generating income & purchasing power
(d) Dispersing industries outside Colombo District.

(iv) Adoption of 'Intermediate' or Labour intensive production techniques.

Intermediary techrology as found in the Peoples Republic of China would suit the stage of industrial development in Sri Lanka. It will gradually develop skilled workforce whilst yroviding nmployment. Labour intensive production tecnniques are in conformity with the thinking in the Five Year Plan. It would ensure employment to a large number of people. It would also in certain cases ensure high produciivity, e. g, cashew kernel processing.

(v) "Technology producing" capacity of the indus try as will foster the creation of indegenous mechine and machine tool building and repairing enterprises-

Sri Lanka has been expending valuable foreign exchange to import machines which ean be locally fabricated. Distillation machinery, light metal goods producing machinery can be produced locally- Local engineering firms with talented workers and engineers have at times proved their calibre in producing machnery which some import oriented engineers felt could not be produced locally. This is a very far reaching condition in the field of industrial development-

The White Paper – 1972 emphasizes that in the private sector, foreign investment will be generally be considered for approval only if in addition to the conditions, discussed earlier. one of the following conditions are met.

(i) If the techn... necessary fo... the i... not available locall...
(ii) If the cost of ... is high and the ca... tribution of the f... vestor will help ... the burden on ... foreign exchange r...

By
Ar...

(iii) If the gr... of the output is ... ported. However, ... portant proviso is ... investment ... sidered in solely ... trading and commu... prises. Foreign ... resulting in net for... nge gain through ... import substitutio... vision of services ... users will ... include - ... transpora... transportt... ship repai... include e... dustries t... Trincoma... Zone.

Investment...

Broadly the inves... available f...

The U.S. Economy in 1972 and prospects a...

By almost any yardstick, even the critics agree, 1972 was a boom year for the U.S. Economy.

By year's end factory output was selling along s'rongly More people were at work than ever before though the number of unemployed also remained too high to satisfy anyone.) Workers were taking home bigger paychecks, and prices at last seemed to be under control (though still a bit higher than desired) Thus workers had more to spend than they've had in many years, and were driving off in new cars and moving into new houses at a pace never seen in the United States before.

"We're extremely well satisfied" with the economy, treasury secretary George Shultz declared. There is good evidence that we're in a solid, strong expansion" that should continue well into 1973.

Problem Areas

There were, of course, some problem areas. One was unemployment, which declined during the year from six percent in January to 5.2 percent by November. In January officials had expressed hope that it would decline to "the neighborhood of five percent by the end of the year."

Ironically, there have never been more people employed. The economic boom generated 2,700,000 new jobs during 1972, one million more than in a normal year, in spite of the fact that defense industries cut out three million jobs as the Vietnam war wound down. But the big problem has been that the labor force grew twice as fast as normal, as the post world war- two baby boom began to hit the labor market. As a result, for every new job created, there was a new worker ready to step into it and the number out of work remained high.

But officials expect the growth in the work force to begin to slow down so that by the end of 1973, they hope, the unemploment figure can be cut to 4.5 percent.

A second problem area is foreign trade. After the dollar was devalued in January U S. officials cautioned that the immediate result would be to increase the trade deficit, since imports would cost more and exports less. This indeed happened.

However, in recent months the deficit has begun to shrink. By October exports were growing twice as fast as inports, although the overall deficit remained high. Officials credited three factors:

✱ The currency realgnment was at last taking hold.

✱ Economic recovery abroad was stimulating demand for U. S. products.

By
JOHN HOLWAY
IPS Staff Writer

✱ The Soviet Union was buying vast amounts of U. S. wheat,

Officials predicted all three factors would have an even greater impact in the months ahead,

Although the balance of payments didn't show the same improvement as the trade balance, mostly because of the speculation on the pound sterling in July, here again officials say the dollar has strengthened considerably in world markets since then,

Balance-of-payments figures for the third quarter showed that the U. S. ... goods and ... ser... narrowed signific... the previous quar... deficit of 1,600 mil... in the second q... little less than 9... Dollars in the thir... As a result of capi... however the ove... balance of paym... ined deeply in defi...

A third problem... prices, By year's ... administration ... shooting distance" ... goal to reduce the ... rate to three pe... less, The Octob... showed consumer... rising at a 3,4 pe... That compares wi... of almost six pe... early 1970 in the ... the Vietnam war, ...

While a bit hi... desired, the figure... the lowest in the ... non- communist ... roughly half of ... Europe's, ...

The President's ... price controls sys... apparently had its ... moderating the ... Some officials estim... the U. S. rate wou... percent or more wi... controls. The Nixo... nistration has anno...

ANALYSIS

If ... technical skill ary ... the industry is vailable locally, If the cost of machinery and the capital con... on of the foreign in... will help to relieve urden on Sri Lanka's exchange resoures;

- Agro - Industries
- Manufacturing Industries
- Service Industries.

Agro-Industrial Possibilities

Agriculture sector contributes 35 per cent of the GNP

By **Ariya Abeysinghe** B. Com. (Cey)

If the greater part output is to be ex... However, the im... proviso is that foreign ent... not be con... in solely financial and commercial enter... Foreign participation in net foreign excha... in through exports. substitution or pro... f... rvices for foreign ... omed. They ...ustries, air ...ternal air ...-breaking These may ...cessing in... ...shed into processing

...sibilities

y the ...vestment areas fo... ...estment are:

of Sri Lanka, It is the largest productive sector in the economy. Hence, the overall growth of the economy is closely related to the increases in agricultural production. It presents the greatest scope for the expansion of output and employment in relation to the investment outlay. In agriculture there are substantial growth possibilities which are not constrained by a shortage of foreign exchange It is also in agriculture that a large amount of agricultural waste is not used at all. Any kind of agricutural industries must be backed by sources of raw materials. This is possible by a plantation basis cultiuation. The Agro-industrial possibilities are as follows:-

Pineapple cultivation and canning for export

Mango cultivation and canning for export

Lime cultivation and extraction of lime concentrates juices and oil

Mango chutneys, jams, etc.

Mushroom cultivation and canning for export

Asparagus cultivation and canning for export

Papaw cultivation and processing for papaw and pectin for exports

Passion fruit cultivation for extraction of concentrates for exports

Cashew eultivation and processing of raw nuts into kernels, shell into CNSL and fruit into wine for export

Oil Palm cultivation and processing for kernel and palm oil for import substitution

Cut Flower cultivation for exports Soya bean cultivation for local market needs

Sunflower cultivation for oil

Snnhemp, banana, kenaf for fibre to make twine, gunny bags and substitute imports of long fibre for papermaking

Cultivation of ayurvedic drugs and plants for processing for exports

Cotton cultivation for import substitution

Sugar cultivation for import substitution

Kitul cultivation for import substitution & export of fibre

Palmyrah cultivation for toddy and jaggery & export of fibre

Arecanut cultivation for export

Cultivation of groundnut sopa bean etc for the local provender in dustry and also to supply the needs of vegetable oils

Cultivation of Chillies, onions, coriander, mustard, potatoes cumminseed, pulses maize, coffee, tumaric, garlic tammarind, ginger spices like pepper cloves for local market.

Cultivation of spices-cinnamon, cloves, cardamum, pepper,nutmeg etc for essential oil and oleoresin distillation and extraction for export

Cultivation of cocoa for export for beans, cocoa butter etc.

Cultivation of Mulbery for natural silk weaving and silk making for export

Cultivation of Manioc for liquid gluecose making, industrial starch and sago. for the provender industry

Caffeine from tea dust and instant tea manufacture

Oil from rubber seeds to substitute import oflinseed oil

Beekeeping for honey

Culivation of soft timber like wal ambarella, albessia, katu imbul for the match industry

Cultivation and utilization of bamboo to be used for the manufacture of bamboo based products as in Japan, Hong Kong and Peoples Republic of China.

Cultivation of pencil wood

Cultivation of semi-hard woods and hardwoods for export

Dairy development for milk, meat etc.

etc.

Investment Possibilities in Manufacturing Sector

Maldive fish making

Dried, Smoked, Salted fish making

Canned fish

Shell fish, tuna, skipjack etc fishing for export

Boat building

Ship building

Manufacture of rubber products

Manufacture of machinery equipments, tools and accessories

Safety glass

Motor spares

Automobile, lorry and buses-parts

Building material industries

Laminated plastic sheets

Hardboard

Agriculture tools and implements

Engineering tools

Carpentry tools

Parcel boards from coconut dust

Childrenware for export

Book printing for export

Artistic works for export

Typewriter assembly

Weighing machinery

Florescen Tube manufacture

Glass container manufacture

Tin container manufacture

Fire clay

Plastic goods for export

Sports goods

Laboratory goods, equipment including scientific goods

Service Industries Investment possibilities

Ship repairing and servicing

Trawler repairing and servicing

Hotel catering

Tourist servicing industries

Printing industries for export of cut reproductions books etc.

Packaging industries

Air cargo freight service industries.

Investment Climate and Incentives

Investment decision is made by potential local and foreign investors on the evaluation of the investment climate. It is well known, that investors in a socialist economy have a different role to play from investors in a mixed economy.

CONTD ON PAGE 10

...ts ahead

> **The economic well-being of the developing countries hinges considerably on how the economic giants fare. Therefore, the performance of developed economies must necessarily arouse interest in the third world countries.**
>
> **Here we start off a series with: how the U.S. economy fared in 1972 and the prospects for 1973. In our next issue we shall feature the USSR economy.**
>
> Editor

U, S, deficit on ...nd services had significantly from ...ous quarter (from a 1,600 million dollars ...cond quarter to a than 900 million the third quarter, ...t of capital flows) the over-all U, S, ...f payments remained ...ly in deficit.

...l problem area was year's end, the ...ation was "within distance" of its ...educe the inflation three percent or October figures consumer prices a 3,4 percent rate, ...pares with a rate six percent in ...0 in the midst of ...m war,

a bit higher than the figure was still in the industrial ...munist world, and ...alf of western

...dent's wage and ...tion system had had its effect in ...the price rise. ...his estimated that rate would be five ...more without the The Nixon Administration has announced its intention to continue some form of mandatory price and wage controls past the scheduled April 30 expiration date of the present authorizing legislation,

Not only was inflation being slowed, but workers were working more hours and earning more per hour, The net result was that their real spendable earnings were substantially increased over that of the past several years when inflation had eaten up virtually all pay raises.

Buoyancy

Total consumer spending was running almost ten pereent over the 1961 rate, and retail sales were sizzling' according to one analyst. Credit buying set new records and stores were happily coping with a record-breaking christmas rush.

Housing especially enjoyed what one analyst called 'a boom of almost staggering proportions'.

Automobiles were also heading toward a recordbreaking year. The rise in personal incomes meant more two-and three-car families. And many buyers were switching from imports to U.S. made sub-compacts. Auto officials confidently predicted that '73 will be even better.

Profits in general were up strongly, as much as 15 percent over 1972, yet somewhat less than expected in a recovery of such strength. One reason, of course, was the wage and price controls instituted by the Government.

The stock market was buoyant. though, and by November rhe most widely known indicator, the Dow Jones averages. burst through its old record. Other indicators had surpassed their old peaks earlier in the year.) A combination of the U. S. election results, plus the Vietnam peace rumors probably contributed to the market's strong performance.

Industrial productivity also showed a marked improvement in 1972, helping unit-labor costs go down slightly marking U. S. products more competitive obroad.

The net result was that the Gross National Product (GNP) zoomed, and all signs indicated that it would achieve and then surpass the Administration's target of six percent growth for the year. The second quarter (April-June) production alone was up 9. 5 percent, a rate not exceeded in 13 years.

Forecasters predicated that the final figure would be a seven percent real growth for the year, the highest since 1966, compared to the average of four precent in recent years.

As production expanded, the United States moved closer to full capacity. Latest figures showed it at about 30 percent, leaving quite a bit of room for future growth without inflation.

One of the administration's main concerns was to hold the Federal Budget down to a total spending figure of 250.000 million dollars, a figure it feels will stimulate the economic without overheating it and running the risk of new inflation. Congress however, felt otherwise, and, in spite of Presidential veto threats, appropriated 6,000 milion dollars more than Mr. Nixon had requested, The President has indicated he will impound the extra money to hold spending to his previous request.

Treasure Secretary Shultz could say toward year's end: 'we are on our way to a continued strong expansion.' looking ahead, he added, the economy has a lot of momentum left. 'This gigantic economy moves in strong waves,' he said. 'once it gets started, it tends to move powerfully.'

Prospecte for 1973

For 1973 the prospects are that the GNP will continue to climb, but that inflation will continue to cut into gains—enough, probably to result in a slight drop in the rate-of-increase percentage. Real growth in the GNP, despite rapid economic expansion in the coming year, is expected to slip about two-tenths of one percent from 1972's estimated 6.3 percent. The 1973 gap should hit 1,266,000 million dollars, according to these calculations, representing 6.1 percent real growth and inflation of 3.7 percent (The 1972 annual inflation rate, based on a projection of January-September prices. was 3.25 percent as measured by the gross national product deflator and 3.1 percent by the consumer price index— only half the 1969 inflation rate.)

While continued price and wage controls in 1973 should be successful in limiting the U.S. inflation rate to 3.7 percent, Mcgraw-Hill expects other developed nations to encounter rates of five percent or more, averaging about 4.4 percent for the 25 leading industrial nation.

In the United States, much of the success in fighting inflationary pressures in 1973 will depend on whether or not the consumers hold back some of their increased spend ing power, according to the morgan guarnty survey. Forecasting a 'spectacular' rise in personal incomes, the survey says this could put severe demand pressures on the economy if the big gains 'burn a hole in consumers' pockets' Total after - tax income of individuals in 1973 should be between 65,000 million and 75,000 million dollars higher than in 1972. This is some 20,000 million dollars higher than normal increases, due in part to refunds of federal income taxes over with held last year.

INDIAN REPUBLIC DAY: 26.1.'73

23rd Anniversary Supplement

Machine tool industry in India

Machine tools are mother machines and acknowleged as a basic factor in the engineering industry. From machine tools flows goods, intermediate industrial goods, consumer goods like cars, refrigerators are all made by machine tools. A healthy growing and modern tool industry is, therefore, a basic pre-requisite to economic development in general and industrial development in particular. Government have, therefore, given in the past, present and future plans considerable emphasis on the sound, orderly and vigorous growth of the machine tool industry in the country.

Historical Background

History of manufacture of machine tools in India can be traced back to the earlier years of the twentieth century when one or two small manufacturers of common engineering items namely, agricultural implements felt the necessity of manufacturing simple types of machine tools like cone pulley lathes, drilling machines primarily for their own use. During the first world war, a number of small workshops undertook the manufacture of machine tools suitable for making shells and their manufacture continued throughout war. It was only in 1935 that an organised manufacture of machine tools like cone pulley lathes was undertaken on commercial basis. Thereafter, manufacture of machine tools received considerable impetus specially during the second world war when supply of foreign machines was stopped.

With a view to promote the manufacture of machine tools indigenously, the Government to India passed the Machine Tools Control Order in early 1941 and appointed a Machine Tools Controller to regulate import, to assess the capacity available for the manufacture of machine tools and to improve the quality of machine tools for war industries. A system of licensing was introduced and manufacturers with necessary technical background and with necessary plant and equipment were granted manufacturing licences. During the six years or war, nearly 20,000 machine tools valued at Rs. 6 crores were manufactured by 215 manufacturers. A gradution system was also introduced at the same time to grade the indigenous machinery according to accuracy. Post war years witnessed a slump in the production of engineering industries primarily because of free availability of imported machines but mainly due to lack of planned programme of industrialisation. Machine tool production declined to a low level in 1950 with an output of Rs 29 lakhs.

Planned Progress

Planned progress of development for the industry started during the first plan period i. e. 1951-56. The machine tool industry being capital intensive and the gestation period long, Government felt the necessity to undertake the manufacture of machine tools in the public Sector also. To cater to the developing demand for machine tools comparable in design and accuracy to those available from other industrialised countries, Government decided to supplement the efforts of the private sector and established during this period two State-owned machine tool factories, one at Ambarnath and the other at Bangalore. Ambarnath factory, known as Machine Tools Pretotype Factory was essentially meant to manufacture special types of machine tools to meet the requirements of defence. The Hindustan Machine Tools, Bangalore, popularly known as HMT, was planned for a capacity of 1,200 general purpose machine tools per year and went into production at the end of 1954. At the end of 1956, the level of production stood at Rs. 1.20 crores.

The second Plan period, i. e. 1956-61, being oriented towards industrial devleopment gave a special impetus to the machine tool industry In 1956, a Machine Tool Committee under the Chairmanship of Prof Thacker was appointed to recommend the programme of development of machine tool industry. A programme of manufacture was also indicated to the major units then in production. In the context of the Plan Framework, several units in the Private Sector entered into foreign collaboration for the production of various categories of machine tools and this was a development with far-reaching consequences to the country. During this period, the Central Government took over Praga Tool Corporation Ltd. at Hyderabad so that the facilities available in that factory for the manufacture of Machine Tools could be expanded substantially to meet the increased requirements. During the Second Plan, production rose from Rs 1.20 crores in 1956 to Rs 6.69 crores in 1960.

To cater to the heavy industrialisation programme during the period 1961-66 i. e. the Third Plan period, it was decided to develop the machine tool industry on a priority basis. Apart from doubling the production capacity of existing unit of Hindustan Machine Tools at Bangalore, three more units each with a production capacity of 1,000 machines tools a year, were set up at Pijore, Kalamassery and Hyderabad. The expansion programme of the Praga Tools Corporation was also completed and new types of machine tools and accessories were introduced.

With a view to meet the requirements of heavier types of machine tools, steps were taken to set up a Heavy Machine Tool Plant along with the Heavy Machine Building Plant at Ranchi. This factory has already gone into production Necessary encouragement was also forthcoming from the Government to the private sector to take up the challenge. This brought about rapid growth of the industry in private sector also. Almost all the existing units expanded and many new units were set up. At the end of the Third Plan period i.e. in 1966, the industry achieved a production level of Rs. 28.48 crore since 1966, the industry has been going through an intense phase of diversification. In order to cover the gaps in product range, almost all the major units have already taken up the manufacture of new products. Government also took steps in this connection and a public sector unit namely, Machine Tool Corporation, was set up at Ajmer primarily to manufacture different ranges of grinding machines with assistance from Czechoslovakia. This unit has already gone into production.

Apart from the organised sector, small-scale sector also occupies a very important place in the machine tool industry today. The units in the small scale sector are

Contd on page 9

Machine tool Industry...

(Contd from page 8)

today manufacturing a wide range of simple machine tools and threby meeting a vital need of the country particularly in the low price range. Today more than 1,000 small scale units are manufacturing machine tools. In order to encourage and meet the design needs of th.s sector, Government have set up several centres which design and develop prototypes of simple types of machine tools. These are ultimately taken up for manufacture by various units in the small scale sector.

The installed capacity of our machine tool industry at present is for a production worth about Rs. 70 crores per annum.

Product range

The range of products covered by the indigenous manufacturers has also increased substantially. During the First Plan period, the main concentration was on manufacturing more common types of general purpose machine tools like lathes, shaping machines, drilling machines, hacksaws etc. The indigenons industry today is in a position to supply even very high capacity presses and sheet metal working machinery of almost any kind, size and capacity.

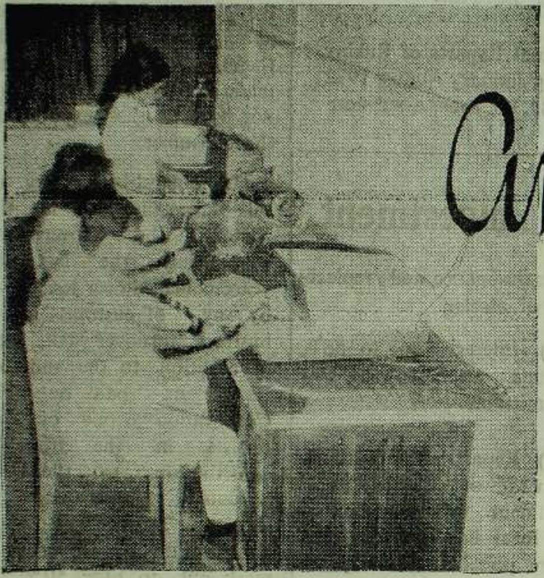
In the beginning of Fourth Five Year Plan period machine tool industry geared up to manufacture special purpose machine tools including transfer lines as required by the tractor, automobile industry etc. The machine tool industry is also in a position to manufacture even highly sophisticated machines like thread rolling machines, internal grinders, centreless grinders, crankshaft grinders, vertical spindle grinders, tapping machines, hydraulic equipment etc.

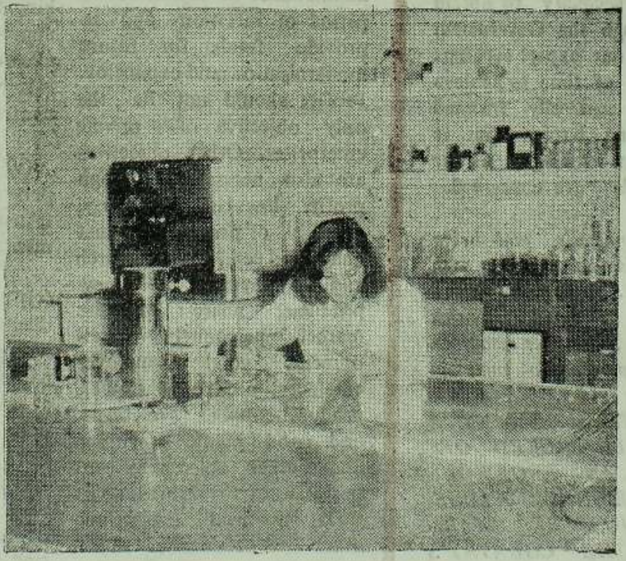
Government of India have constituted a National Committee on Science and Technology with the sole purpose of assisting the Government on all matters involving science and technology. High productivity, lowering of cost of manufacture and the support of newly emerging innovations processes in all fields of science and technology are subservient to the availability in the conntry of matching competence in tool design, development and manufacture. N.C.S.T has therefore, made a separate panel for formulating, progressing and implementing a National Technology Plan for Machine Tools. In addition to preparing a progressive meaningful plan for developing machine tool technology great emphasis has been laid for the modernisation and updating of the existing range of indigenously produced machine tools and increase of productivity of existing equipment.

Exports

India, as a comparatively new-comer in the field of machine tools, has to face an uphill task in the highly competitive international market for machine tools but there are very favourable factors such as availability of raw material and low-cost labour which should make India one of the leading nations exporting machine tools.

In 1966-67, machine tools worth Rs. 60.62 lakhs were exported The export trend is on the increasing side and in the year of 1970 71, the export level stood at Rs. 3.20 crores. Indian Machine Tool Manufacturers Association has already launched a drive to create export consciousness among its members.





Oil Nationalisation

(Contd from page 4)

mark-an increase of 133% on the 1964 figures. Correspondingly, sales turnover increased from Rs. 263 m. in 1964, to Rs. 568m. in 1971 an increase of 116%.

The profits made by the Corporation since nationalisation up to the end of 1971, amounted to Rs. 325m before depreciation. The profit in 1971 alone amounted to Rs.75 m. before depreciation.

benefits.

All sectors of the community especially the consumers employees and the state have benefited by the existence of the Corporation.

The consumers have benefited in two ways:-

(i) Price reduction
(ii) Cost absorption.

The Corporation, has on its own in the past, reduced the price of kerosene which has benefited the kerosene users who form the bulk of the community. There has been a nominal price reduction petrols too. Price reduction in has reduced the profits of the Corporation by about Rs 8 m. annually.

The Government, on several occasions in the past has increased customs duty payble on products. In most cases, such increases or part of such increases, have been absorbed by the Corporation without passing these on to the consumer. This has benefited all users of petroleum products including industrial users. In the last 1 1/2 years, the Corporation has recommended price increases twice, which the Government has approved. In both instances, the price increases have been to cover the increased c.i.f. cost of crude oil, only. During the same period operating cost too have increased substantially. These increased operating costs have been borne entirely by the Corporation.

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THE ECONOMIC TIMES

Editorial Department
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FOREIGN EXCHANGE CRISIS

The economy of Sri Lanka has today sagged to its lowest depths and the country is in the throes of a severe economic crisis of the highest magnitude. In this context the successful implementation of the Five Year Plan poses a crucial challenge which the Government has valiantly taken up. And this is going to be no easy task. As the Finance Minister has admitted on more than one occasion this plan on which the community has pinned all hopes for a better tomorrow has got off to a false start.

The scarcity of foreign exchange is the limiting factor on the country's development effort. The crux of the problem is to augment the scarce foreign exchange resources so vitally needed to accelerate the pace of economic development. The external financial situation continues to be the major constraint in this regard. Falling export earnings, increasing import prices, the hardening of financial facilities abroad and the increasing debt servicing burden have all contributed in no small measure to the rapidly dwindling foreign exchange situation.

Successive Governments have failed to find a solution to this malaise. The traditional solutions recommended by various economic experts and our planning wizards have had no impact todate. What solution has the Government got?

The obvious answer will of course firstly be to increase our export earnings and secondly to obtain larger doses of foreign aid. Although the Government is now going all out to increase our export earnings it will take a considerable length of time to achieve this objective. Foreign aid is generally frowned upon in view of the debt servicing burden that it entails. Therefore, this all adds up to nought as far as the country's immediate needs are concerned.

Sri Lanka is in dire straits economically, and being a small nation struggling to provide its citizens with the basic requirements of life viz., food, clothing and shelter (and drugs too) its time we pocketed our pride and acted according to our means, or rather resources. Sri Lanka is just not in a position to maintain Embassies in all corners of the globe. A drastic reduction seems imperative. ALTHOUGH MANY A SINECURE WILL HAVE TO BE PACKED OFF HOME IT WILL RESULT IN AN ENORMOUS SAVING OF VALUABLE FOREIGN EXCHANGE. OUR EMBASSIES ABROAD MUST BE MAINTAINED ACCORDING TO THE COUNTRY'S ACTUAL NEEDS SO THAT OPTIMUM BENEFITS WOULD ACCRUE. Official jaunts abroad for flimsy reasons must also end forthwith in the national interest. Foreign exchange that could be put to productive use is merely frittered away while the masses lament for survival.

We hope the Government would do some sincere soul searching and take meaningful steps to save foreign exchange in the area where wanton waste is experienced most and not at the expense of the country's industrialisation programme.

Steady rise in gem exports.

Sri Lanka's gem exports for the period September 1972 to December 1972. were four times more than the total exports for the year 1971, according to Finance Ministry sources.

Since the establishment of the State Gem Corporation in September 1972 the foreign exchange earnings from Gem exports steadily increased. The value of Gem exports up to the end of December 1972 was Rs. 4.1 million, In addition private sector exports brought in Rs 1.5 million in foreign exchange.

Ministry sources said the foreign exchange earnings of the Gem Corporation had been estimated at par value and not with FEECs. Following this success the Gem Corporation hopes to diversify its operations this year.

In February gem testing centres will be set up at Ratnapura and Morawaka.

A modern sales centre of the Corporation will be set up at the Intercontinental Hotel which is expected to be opened in April this year.

Local rubber statistics

Local Rubber Production during January August 1972 totalled 86,099 tons, a decrease of, 3939 tons compared to the corresponding period in the previous year

Consumption of natural Rubber during this period was 3,797 tons, a substantial increase of 867 tons compared to the corresponding period last year.

Actual Exports of Rubber during January August 1972 was 87,357 tons, a substantial decrease of 5,694 tons compared to the corresponding period in the previous year.

White paper on investment

Contd from page 7

Generally, the objectives of investments are both financial and non-financial. The primary financial objective of a private enterprise is private profit. The primary objective of a public enterprise is public profit. This is the difference between social benefits and social costs.

Profits are required for remuneration of risk, capital, provision of funds for maintenance of capital during period of inflation and to provide funds for future modernisation and expansion. Profits should not be the only objective of private enterprises. Other objectives are also necessary. High profit, low risk, liquidity, stability of profits, product image and reputation, research and development of new products, share in the market, personnel development, good employer employee, producer-customer, producer-supplier relations, and good public relations and other objectives of business. In Sri Lanka, apart from financial objectives, other socio-economic objectives of business are not recognized in the Company law. However, in order to achieve these objectives investors and potential investors seek certain incentives.

The investment White Paper 1972 has granted the following facilities to various categories of investors:

(i) Remittances of profits will be permitted after reasonable provision has been made for maintenance and replacement of assets.

(ii) Interest due to non-residents on borrowing will be remittable.

(iii) Repartriation of capital on sale or liquidation of investment will be allowed after local liabilities are met. Where possible this repatriation will be spread over two years to ease the burden on the Balance of Payments.

(iv) Foreign personnel working in Sri Lanka on any approved projet will be allowed to remit 2/3 of their salary if their period of contract is less than 3 years.

(v) The savings of foreign personnel employed may be transferred abroad on retirement.

(vi)Reasonable royalty payments will be permitted where well known "brand names" are used to market a product, especially for export.

(vii) Technical service fee may also be negotiated particularly where the manufacturing technique is of an advanced nature and is subject to continuous charge.

(viii) Investment security is assured to foreign investors from nationalization. In the event of nationalization of foreign investments full and prompt compensation will be paid. Already Sri Lanka has signed an Investment Guarantee Agreement with the U.S.A., W. Germany, Specific guarantees and assurances will be given by the government for special and specific project of any country. It may be noted that the government of Sri Lanka is a signatory to the I. B. R. D. Convention on the settlement of Investment Disputes.

(ix Tax Incentives given:
(a) Capital Allowances.
(b) Lump Sum Depreciation on plant, machinery, fixture, factories, line and staff welfare buildings.

(TO BE CONTINUED)

Oil Nationalisation

Contd from page 9

The total effect of price reduction and cost absorption has been to reduce the profits of the Corporation by about Rs.25 m per annum. It will be realised, therefore, that the profits made by the C. P. C. have not been at their expense of the consumer.

The biggest beneficiary of oil nationalisation is the State. The Government has during the last ten years collected over Rs.500/-m by way of customs duty, business turnover tax, etc. in addition to the sum of Rs. 99 m. paid by the Corporation out of its profits in the from of contributions to the Consolidated Fund and as Income Tax. The total contribution to Government work out to over 50% of the revenue earned by the Corporation over these years.

Further, the Corporation is making a signficant contribution to the national economy by saving foreign exchange, which for the year 1971 alone, amounted to Rs. 60 m. If one realises the magnitude of the benefits accruing to the State, one can visualise the extent to which this national venture has coatributed and is continuing to contribute to the economic development of the country.

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