



Accent on food production

Further increase in Guaranteed Price for paddy

The government is considering a proposal to increase the Guaranteed Price for paddy by another Rs. 2.00, according to Finance Ministry sources.

Last week the Government raised the Guaranteed Price to Rs. 18.00 per bushel. The additional Rs. 2.00 now contemplated is likely to be channelled to an insurance fund drawn in favour of the farmers.

In view of the acute food production problem obtaining today, arising from a short fall in production targets and the failure to obtain the contracted quota of rice from the supplier countries, the Government has decided to give maximum incentives to paddy cultivation.

THE ECONOMIC TIMES

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New Housing policy gains momentum

TOP PRIORITY FOR LOW COST HOUSES

THE POLICY OF THE MINISTRY OF HOUSING AND CONSTRUCTION WILL AIM AT PROVIDING DECENT DWELLING PLACES FOR THE PEOPLE AT REASONABLE COSTS; STIMULATION OF PRODUCTION IN THE BUILDING MATERIALS SECTOR; GENERATION OF EMPLOYMENT; AND THE ENCOURAGEMENT OF SAVINGS AND INVESTMENT IN HOUSING.

The principle objects will be to:—

(a) accelerate the building of low cost houses for the lower income groups in the urban and rural areas by the state, housing co-operatives, private individuals and organisations;

(b) clear slums as a long term measure; and to ameliorate the conditions of slum dwellers by providing amenities such as water and light to them, and rehousing them as short time measures;

(c) safeguard the interest of tenants, prevent exploitation by landlords, reduce rents, and bring this sector under social control; and

(d) construct buildings and public works required by the Public sector quickly and cheaply.

Significant legislation introduced during the year were

the Rent Act bringing in all residential premises under rent control with substantial rent reductions, and the Protection of Tenants (Special Provision) Act where safeguards against exploitation and harassment by landlords would be provided to tenants with the department intervening to settle disputes and referring unsettled cases to the courts.

Loans and other assistance

Incentives for the building of smaller houses are now being given, loans limited to a maximum of Rs. 25,000, the floor area limited to 1,200 square feet, and loans restricted to those whose family incomes are less than Rs. 1,500 per month. As resources are limited and state policy being egalitarian, these would operate as disincentives to the affluent classes who would

like to build luxury dwellings.

House builders who earlier had to incur unnecessary expenditure and experienced considerable difficulty and delay in getting building plans and quantities drawn up and in obtaining approval from the local authorities would stand to benefit as the Department of National Housing now provides them with standard building plans, bills of quantities and technical advice.



Mr. Pieter Keuneman Minister of Housing & Construction

Two co-operative housing development schemes have been formulated by the Co-operative Department in consultation with the Department of National Housing, and a National Co-operative Housing Development Society has also been registered.

The Building Materials Corporation incorporated in July 1971 will procure and supply building materials at stabilized prices and stimulate the local production of these items. 10 to 15 per cent. of these materials are now imported and would be sold at competitive prices. The balance is produced locally with this Corporation providing a guaranteed price to the producer, and operating in close collaboration with the divisional development councils.

The Corporation has also established a brass foundry

at Boralessgamuwa. With a turn over of Rs. 2.9 million a month a profit of Rs. 91,644 has been earned for its first 6 months of operation.

Future proposals

Plans and proposals for 1973 include the expansion of the construction programme pertaining to low cost housing, and public works; the reduction of interest rates on loans for residential construction; the revision of rents for department flats; the establishment of a buildings research centre under the State Engineering Corporation; and legislation regarding the ceiling on housing property, the establishment of a common Amenities Board, the amendment and consolidation of the law relating to condominium

property, and the establishment of a State Housing and Development authority.

The Department of Town and Country Planning is presently drawing plans to correct the haphazard development of Colombo and other cities. Housing, slum clearance, urban redevelopment, and the improvement of towns declared as 'sacred areas' are among its functions.

A master plan for Colombo City, town improvement schemes for Hasalaka, Uva Paranagama, Divulapitiya, Kehelulla, 20 housing and slum clearance schemes for local bodies and zoning scheme for 3 municipal and one Urban Council are under preparation.

DOLLAR DEVALUATION :

Further action triggered off

Paris.

The U. S. initiative in devaluing the dollar by a steep 10 per cent and the Japanese agreement to float the Yen may trigger further action by other countries, according to senior monetary officials.

French Finance Minister M. Valery Giscard D'Estaing hopes that necessary supplementary measures would be taken to make the American devaluation effective.

The second American devaluation in 14 months, bringing the official price of monetary gold up to 42.22 dollars an ounce was decided in U.S. talks with top European government officials.

President Nixon had sent his key monetary aide, Mr Paul A. Volcker, to Europe with the option of negotiating a settlement to the currency crisis by a straight Dollar devaluation or by concerted upward floatations of European currencies against the Dollar.

The Europeans agreed to accept the option of a direct hike in the global value of the Ame-

rican currency in accordance with French wishes.

The already-floating and the fragile Italian Libra augured in favour of unilateral American action.

Root cause

Apart from the technical difficulties of a concentrated upward European floatation M. Giscard D'Estaing, made the case that the root cause of the crisis was the American balance of payments deficit and an American solution would be appropriate.

M. Giscard D'Estaing said that the British Pound would probably continue floating while the German and French currencies will hold by their existing gold parties.

A focus of particular interest to the financial community will be degree to which the Tokyo authorities will in fact allow the Yen to float beyond its Dollar ceiling in the exchange markets before intervention to control the rate.

(Reuter)

Rs. 45 mil. nylon project underway

The Ceylon Petroleum Corporation will begin construction work shortly on the Rs. 45-million Nylon Plant, at Sapugaskanda, for the production of Nylon fibres used in the manufacture of textile and fishing nets.

International bids have been invited by the Corporation for the supply and erection of this plant which will use caprolactum, a petroleum by-product as its raw material.

Capacity

The capacity of the plant will be 2,000 tons per year of finished products, but initially, it will be operated on 1,500 tons per year, to cater to the local market.

In the private sector, there is under utilized capacity for manufacture of synthetic textile fabrics.

Sri Lanka currently spends around Rs. 32 million for the import of nylon fibres.

The setting up of this plant will enable the country to save about Rs. 16 million annually.

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MARKET PRICES

COLOMBO
TEA CLOSING PRICES 12-2-73
(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:	2.20	6.00	2.30	4.70
	1 at 6.20	1 at 4.90	1 at 5.00	1 at 5.10
Medium-Grown:	1.80	2.90	1.90	2.70
Small Leaf Low-Grown:	1.75	2.00	1.60	1.72
Tea For Price:	1.35	1.60	1.35	1.55
Leafy Low-Grown:	1.75	1.95		
	F.B.O.Ps		F.B.O.P.Fs	
Tippy Teas:	1.80	2.10	1.75	7.70
		1 at 8.00		

RUBBER
PRICES FOR THE WEEK ENDED. 10.2.73.

	Rs. cts.—per lb.		Avg. to Same Period	
	Closing Quotations	Avg. to date	1972	1971
RSS No. 1	104 3/4		1.01 3/4	72 1/4
RSS No. 2	100 1/2		97	68 1/4
RSS No. 3	99 3/4		96	67 1/4

COPRA	(Rs. per candy)	
	Opening Price	Clos. Price
Estate Copra No. 1	334.00	295.00
COCONUT OIL (Rs. per ton)		
February	1,250.00	1,250.00
March	1,250.00	1,250.00

DESSICATED COCONUT	(per lb.)	
	Opening price	Closing Price
February	.75	.75
March	.75	.75

PRICES OF THE WEEK ENDING 11.2.73

Commodity	Buyers Quotations (Per lb)	Export DUTY
Cardamoms ...	31.00 — 34.75	40%
Cardamom Seeds ...	14.00 — 14.95	on true value.
Cloves ...	12.00 — 13.00	F.O.B.
Cloves Stems ...	2.45 — 2.00	
Mace ...	8.00 — 9.00	
Nutmeg (Shelled) ...	5.50 — 5.75	
Nutmeg (Unshelled) ...	2.50 — 3.00	
Pepper (Black) ...	3.00 — 3.75	
Papain (White) ...	34.00 — 36.00	
Papain (Brown) ...	28.00 — 29.00	
Cinnamon H/1 ...	3.40 —	20% on true f.o.b value
Cinnamon H/2 ...	3.35 —	
Cinnamon Quillings No. 1	3.00 —	
—do— No. 2	2.60 — 2.75	
Per Cwt. Export Duty		
Cocoa ...	311.00 — 350.00	40% on true f.o.b value
Coffee (Arabica) ...	341.00 —	
Kapok (Clean) ...	145.00 —	
Kapok (Unclean) ...	46.00 —	
Croton Seeds ...	unquoted	
Essential Oils		
Cinnamon Leaf Oil ...	Per oz. 19.75 per 25 ozs	Nominal
Cinnamon Bark Oil ...	Per oz. 21.00	
Citronella Oil Estate Quality ...	Per lb. 13.25	10% on true f.o.b value
Citronella Oil Ordinary ...	Per lb. 13.00	

SUBSIDIARY CROPS .. WEEKLY PRICE LIST WEEK ENDING 11.2.73

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	8 lbs)	
	(Per Bag 154/15)	(Per bushel)
—Paddy ...	Unquoted	
—Other varieties ...		
—Rice Per Boiled ...		
—Country Rice No. 1 ...		
—Country Rice No. 2 ...		
—Samba Rice ...		
—Kora ...		
—Maize ...	Per Cwt. 34.00	35.00

TEA REPORT

Auction No. 7 held on 12th February, 1973.

The total quantity offered was 8,868,188 lbs., comprising 5,049,024 lbs. Leaf Grades, 973,172 lbs. Dusts, 361,354 lbs. Reprints, 218,148 lbs. Sundry Lots and 2,627,844 lbs. Ex Estate. Quality was much improved and the better selection of High Grown and Medium Westerns met strong and lively demand and prices appreciated markedly.

High Grown Teas: At the opening, improved quality Westerns above the Rs. 5/- level and those in the Below Best category shot up a further -/50 cents to a rupee. Lighter liquoring Broken improved by 20/40 cents while plainer teas at the lower end of the price scale moved up to around the Rs. 2/- level. Uvas were 20 cents dearer where brighter and a flavoury Nuwara Eliya obtained a price of Rs. 5/50. BOPF's followed much the same trend. Pekoes were dearer following quality.

Medium - Grown Teas: Quality Western Broken improved by 30/50 cents for both BOP's and BOPF's while the plainer light liquoring teas were barely steady, sometimes easing 5/10 cents. Brighter Uvas were 5/10 cents dearer.

Low-Grown Teas: There was good demand for all grades. Well made Small

Leaf BOP's and Persian Gulf types were 5/7 cents dearer while others were about firm. BOP's, however, met less demand and eased by about 5 cents per pound. Pekoes were dearer while OP's were barely steady. All stalky secondary grades were slightly dearer on last rates.

Tippy Teas: FBOP's and small Leaf Flowery Fannings were about 5 cents easier. There was only a limited quantity of more attractive Tippy teas on offer and these were irregular. Below Best were firm to slightly dearer.

Off Grades: There was better demand. The best liquoring Fannings were substantially dearer by about 25 to 50 cents. Clean leaf BP's BM's were 5 to 10 cents and plainer Fannings 5 cents dearer. All stalky sorts continued to sell below the rebate level.

RUBBER REPORT

Week Ending 10th FEBRUARY, 1973.

RSS NO:1 opened 3 cents easier at Rs. 1/03 per lb., following the increase in duty by 3 cents per lb., dipped further to Rs. 1/02 1/4 per lb. during mid week, but

after registering a sharp recovery the following day at Rs. 1/06 per lb., declined once again in line with lower overseas advices to close at Rs. 1/04 3/4 per lb.

Approximately 718 Tons of LATEX CREPES were offered at the Two Sales held during the week under review, a decrease of 54 tons compared to the previous week's total. At the First Sale, best latex crepes eased sharply by 3 1/2 to 9 cents per lb., whilst the FAQ offerings too were marked down by 4 to 8 cents per lb. The duller types were irregularly easier whilst the inferior grades declined by 1 cent per lb. At the subsequent Sale, Best latex crepes were irregularly easier whilst FAQ offerings and the duller types were irregular. The inferior grades, however, were marked down further by 1/2 to 1 1/2 cents per lb.

Export Duty: The export Duty for the period 12th/18th February, 1973 has been increased by 3 cents per lb. to -/32 cents per lb., inclusive of the present flat rate of -/03 cents per lb. Cesses remain unchanged at 1.980 cents per lb.

Produce Report

Week Ending 11th February 1973

Cardamoms: 4,000 lbs. of Cardamoms were on offer, indicating an increase of 1,349 lbs. compared to the previous week's total. The market for No. 1 & 2 quality was around previous levels with a strong demand for inferior and Off Grades. No.

1 quality was quoted at Rs. 31/- to Rs. 34/75 per lb, a drop of -/20 cents on the lower limit and an increase of -/75 cts. per lb. on the upper limit. Next best grades were slightly dearer at between Rs. 27/- to Rs. 31/- per lb., whilst No. 2 quality closed at Rs. 25/50 to Rs. 27/25 per lb. with Off grades closing strong at Rs. 23/-

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) ...	12.00—13.00
—Sorgum ...	Unquoted (per ton)
—Soya Beans ...	850.00 (per cwt)

Spices Condiment	Per lb.
—Mustard ...	2.40 — 2.50

Chillies	Per Cwt.
—Dried Long ...	unquoted —
—Dried Round ...	" —
—Off Grade ...	" —
—Goraka ...	65.00 — 68.00
—Vanilla ...	Per lb. 90.00 — 95.00
—Tamarind ...	Per cwt. 50.00 — 55.00
—Ground Nuts ...	Per 80 lb. —
—Cashew ...	Per lb. —

to Rs. 26/50 per lb. and Inferior grades fluctuating at between Rs. 16/50 to Rs. 23/- per lb. There was a better demand for Seeds too which were transacted at between Rs. 14/- to Rs. 14/95 per lb.

Cocoa: Approximately 97 cwt. of Cocoa were on offer, a decrease of 337 cwt. The market was very dull No. 1 quality being transacted at between Rs. 311/- to Rs. 350/- per cwt. Next best grades were slightly easier at between Rs. 290/- to Rs. 320/- per cwt., whilst No. 2 quality too eased to Rs. 265/- to Rs. 295/- per cwt. with Off grades closing at Rs. 220/- to Rs. 265/- per cwt. and poorer sorts fetching Rs. 135-- to Rs. 220/- per cwt.

Coffee: Approximately 35 cwt. of Arabica, Robusta and Parchment Coffee were on offer with a slightly better demand, No. 1 quality Arabica being transacted at at Rs. 341/- per cwt., Robusta at Rs. 326/- per cwt and Parchment Coffee fluctuating at between Rs. 301/- to Rs. 311/- per cwt.

Pepper: 134 lbs. of Pepper which were on offer were withdrawn due to lack of suitable bids.

Bright export prospects for tropical fruits

World market prospects for tropical fruits, particularly mango products, is very bright, according to a study made by the Ministry of Plantation Industry. Extracts of this report are given below:-

Papain: The prospect for Papain in the world market specially Japan is growing. The tremendous rise in local prices for papain and the increase in the world price of papain is a very good indication of the prospects for the products.

According to latest information available the import of papain and papain products has taken an upward trend due to considerable increases in the production and consumption of beer in Japan. They expect this tendency to continue as light beer is now becoming more popular among the younger generation than the traditional sakai, rice wine, which they say is a drink for the older people. This accounts for the increase in the import of papain latex liquid and powder in recent times.

Coffee: The world demand for Coffee specially in the form of instant coffee is projected to expand at constant prices at the rate

of 2.5% per annum, to a total of 5.7 mln tons in 1980-1.2 mln tons more than the trend levels of consumption in 1970. The target for Sri Lanka is presently not so much with exporting than of producing for local consumption with possible subsequent moves to export in the form of instant coffee.

Tropical fruits:- Taking the present world demand and supply into consideration for Pineapple it seems somewhat difficult for Sri Lanka to expand into premium markets. However taking into consideration the likely decline in the production in Hawaii and Taiwan and the natural increase in demand for pine apple products it is likely that the prospects for pineapple exports to the world market seems bright.

The prospects for industrially crushed pineapple in the United States is promising. The market for canned pineapple Juice is static and possibly declining. There are some possibility for concentrated pineapple juice as a base for soft drink manufacture.

Passion fruit: The market for passion fruit in the form of canned juice, concentrated and nectar seems reasonably

promising specially with the signing of the recent agreement with PASS: AG. of Switzerland. Sri Lanka has a very good chance over other suppliers of passion fruit if she can provide in quantity, high quality at competitive prices to the world market.

Tropical fruit Salad: Tropical fruit salad is an item which has a promising market. Sri Lanka has an advantage over others in that she has pineapple, bananas, pineapple, papaw, lime, mango and guava which constitute the tropical fruit salad. The world market for tropical fruit salad is expanding and Sri Lanka could easily procure or share in this market if supply could be organised properly.

Mango: The demand for mango products in the form of mango Juice, canned mango slices, nectar and jam can hardly be described as dynamic, although it will expand specially for Chutneys. If Proper quality and regularity of delivery can be guaranteed there is no reason why Sri Lanka should not be able to establish itself in competition with other suppliers of mango products.

Lime: Lime juice, concentrates and lime oil is another product of some prospects in the world market.

PLANTATION INDUSTRY

Metrication of the tea trade

It would be of interest to the Tea Trade and the planting Sector that further progress has been made with regard to the metrication of the Tea Trade and we give below a tentative time table for its coming into operation:-

1. 4. 1973: The use of Metric weights and measures to become legal.

1. 4. 1973: Estates to commence having their weighing machines converted to metric scales as the conversion kits become available.

1. 7. 1973: Export duty and cesses to be levied per kilogramme. Estates and exporters to include in their invoice advices, the total nett weight in kilogrammes in

addition to the total nett weight pounds.

1. 1. 1974: All catalogues to show total weight per lot in kilogrammes as well as normal details in pounds.

1. 4. 1974: All estates to show full details in kilogrammes on chests (gross, tare, nett) and in invoice advices. The total weight in pounds will be shown in the estate advices, but not on chests.

1. 7. 1974: Metrication Day for the Tea Trade. Catalogues will show full details in kilogrammes and total nett weight in pounds. Bidding will be in Rupee Cents per kilogramme. Delivery Orders and Brokers accounts will also be in kilogrammes.

Contd on page 4

Cashew industry expands in Malaysia

Three thousand acres of 'oris' land at Pantai, in the Besut area of Trengganu in Malaysia is to be planted with cashew nut trees in a move to establish a new rural industry. The cashew has been found to thrive on bris soil, which cannot grow other crops economically. Processing equipment is also to be installed which will handle smallholder productions as well.

Bhd, (a holding company owned by the Central Government), the Trengganu State Development Corporation and the Pahang Agricultural Industrial Board. The Company has a paid up capital of \$ 1 million.

Cashew industries 3000 acres will bring the total area in West Malaysia under this crop to about 8500 acres. At present Trengganu has just under 3000 acres. Pahang 1000 acres. The Agriculture Department is spending about \$150,000 to increase the acreage in Pahang and Trengganu.

SHARE MARKET REPORT

The Share Market was quiet in all sections except for Tea-Cum Rubbers, where there was more activity than has been seen for several weeks, according to the Report of the Colombo Brokers Association for the week ended February 9 1973.

Teas	Previous Price Rs. cts.	Price 9.2.73 Rs. Cts.	+ or - Rs. cts
Doomoos	4.25	4.00**	-.25
Mayens	2.00	1.25	-.75
Strathedens	3.50	3.50	
Uva Highlands	12.00	12.00	
Tea-Cum-Rubber			
Opatas	3.00	2.00	-1.00
Panadura Tea and-			
Rubbers	3.00	2.00	-1.00
Pelmadulla Valleys	3.00	3.25	+.25
Rayigams	4.75	3.50	-1.25
Watapotas	2.50	2.50	
Commercials			
Ceylon Breweries	8.25	6.50	-1.75
Reckitt and Colman	10.00	10.00	
Lankems	6.75	5.00	-1.75
Investments Trusts			
Ceylon Guardians	3.25	3.00	-.25
Ceylon Investments	4.00	3.50	-.50

There was no business in Rubbers and Coconuts and no business in Preference shares and Government loans.

Export Opportunities

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

Exled GmbH
2 Hamburg 1
Alstertor 3
West Germany
Crepe Rubber

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

Messrs. Dehdashty Trading Company,
Ali Manzil, Bombay Bazaar
Karachi - 2.

Messrs. Elite Traders,
3, Lawrance Road, Lahore.

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

Spices

Konki Trading Co. Ltd.,
90, Shimbori-cho 1-cho,
Nakamura-ku, Nagoya,
Japan.

Sakae Trading Co. Ltd.,
4, 4-chome, Doshomachi,
Higashi-ku, Osaka, Japan.

Tominaga Boeki Kaisha, Ltd.,
5, Goko-dori 5-chome,
Fukiai-ku, Kobe, Japan.

Lobsters:

Kobe Yoko. Ltd.,
Central Market, Shinzaike-
cho, Hyogo-ku, Kobe Japan

Konki Trading Co. Ltd.
90, Shimbori-cho 2-cho,
Nakamura-ku, Nagoya,
Japan.

Meiwa Trading Co. Ltd.,
3-1, Marunouchi 3-Chiyoda
ku, Tokyo.

Saiki Shoji Co. Ltd.,
1, 1-chome, Yuraku-cho,
Chiyoha-ku, Tokyo.

Nichiryu Ltd.,
13, Azabukura-machi, 3-
chome, Minato-ku, Tokyo.

Toho Bussan Kaisha, Ltd.,
1-1, Uchisaiwai-cho 2-chome
Chiyoda-ku, Tokyo.

Uroko Sangyo Kaisha Ltd.
Shin Tokyo Bldg., 3-1,
Marunouchi 3-chome,
Chiyoda-ku, Tokyo.

Y. Yoshida & Co. Ltd.,
38, Nabezuru-cho 4-chome,
Atsuta-ku, Nagoya, Japan.

Taiyo Fishery Co. Ltd.,
5-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo.

Shrimps:

Meitoku Bussan Kaisha, Ltd.,
Furuta Bldg., 10-12, Ginza
5-chome Chuo-ku, Tokyo.

Mitsuyu & Co. Ltd.,
18, Minamihon-machi 1-
chome, Higashi-ku, Osaka,
Japan.

M. Abe & Co. Ltd.,
No. 2, Yamanaka Bldg. 27,
Shibata-cho. Kita-ku, Osaka
Japan.

Eastern Products Co. Ltd.,
Tokyo Kaijya Bldg, 2-1,
Marunouchi 1 chome,
Chiyoda-ku, Tokyo.

Kyokuyo Co. Ltd.,
1-2, Marunouchi 2-chome
Chiyoda-ku, Tokyo.

Uroko Sangyo Kai'ha, Ltd.,
do

Tokyo Maruichi Shoji Co. Ltd
do
Pruwas

PROTEIN FROM UNLIKELY SOURCES

What have natural gas, newspapers, cutting fluids and wood in common? It's a trick question and if it appeared in any quiz programme few people would be likely to know the answer. Surprisingly the connection is food. All of them can be turned into protein.

Proteins are made up of substances called amino-acids linked together. These amino-acids are essential to life. Man needs eight of them for survival in good health. He is better off than the rat, for instance, which needs ten. But, as the human body cannot synthesise them, he has to get them in his food.

On the other hand, plants do manufacture amino-acids, so that is where man goes for his supplies. Even when he is enjoying a steak he is really consuming protein from plants, converted into meat by the cow, a four-legged chemical processing plant and, unfortunately not the most efficient.

Serious Consequences

If there is not enough protein in the diet the consequences are, of course, serious. The notorious kwashiorkor symptoms—the walking skeletons with cracked skins and dead eyes—are caused by lack of protein. Tissue wastes away any the prospect is

death. Children who do not get enough protein are unlikely to develop mentally in the normal way. It has been calculated that 300 million children in the world suffer from a lack of protein, in Africa, Asia and South America.

Opinions vary on whether the world is going to be able to produce enough food and protein to ensure that the expanding population can live on an adequate diet. Whatever the truth, and allowing for increases in fish catches, fish farming, greater crops of nuts and oil seeds and so on, it is obvious that any promising sources of protein should be exploited, even though they may be novel.

This is where the newspapers enter the picture, not to draw attention to the problems, but to provide protein themselves. At the University of Aston in Birmingham in the English midlands scientists have been converting the paper into protein. The paper is made into a paste by mixing it with water. It is then seeded with a fungus which grows on it and in the process turns the pulp into protein. In 24 hours the paste has enough nutritional value to be fed to beef and dairy cattle.

A fungus, too, is being used on a large scale to produce the high quality protein known as A 3/5. After spending more than £1 million the firm of Rank, Hovis McDougall have successfully developed a process for converting carbohydrates—sugars and starches—into a protein that is twice as good as beefsteak. The process is now running at a figure of about three tons a week.

A mechanical "squirrel"

A device designed by the joint efforts of scientists from Moscow and Tbilisi (the capital of Georgia, a Republic in the Transcaucasus) can extract 70 kg of seeds per hour from the cones of fir and pine-trees.

The new device consists of two machines—acting like two 'hands.' One of them crushes the cones of coniferous trees, while the other extracts the seeds. (APN)

Fungi are micro-organisms and they are not the only micro-organisms that have the

that the group is capable of uniting—this generally results from close continuous contact and that the work is unpleasant and thus provides plenty of opportunities for grievances.

By contrast workers in occupations with a low strike record such as agriculture, trade, public utilities and services, are absorbed in society as a whole. They are more likely, except for farm labourers, to live in communities of different occupations and so mix with people with different experiences. Therefore they do not have the same opportunities as the miners or dockers to share, and thus to foster, their grievances. They also usually have more opportunities of changing their work or being promoted.

This short account of industrial differences in the likelihood of strikes is one illustration of the way in which differences in social structure can affect management problems. It may perhaps make managers in relatively strike-free industries more sympathetic with the trials of their colleagues in less favourably placed industries. Management problems may also be affected by the situation of the company—a situation which may be partly or even wholly outside the managers' control.

a similar pattern of incidence of strikes. The authors of the study attribute the differences in the propensity to strike to social reasons.

The main reason, they think, why miners and dockers in all countries have such a high propensity for striking is that they are an isolated, relatively homogeneous mass, almost a race apart, living in their own communities with their own distinctive ways of life. They share the same grievances and do similar work and have similar experiences. It is also hard to get out of this mass; the skills are specialized and not transferable. The opportunities for promotion are also limited.

The strike for this isolated mass is a kind of colonial revolt against far-removed authority, an outlet for accumulated tensions, and a substitute for occupational and social mobility.

There are two other reasons they suggest for an industry to be specially strike-prone:

SCIENCE AND TECHNOLOGY

ability to synthesise amino-acids. Yeasts and bacteria have it, too, and they can do the trick with a variety of materials as a base. Several yeasts will convert wood and

others will work on a whole range of petroleum products. Natural gas-methane can be converted into protein by bacteria. (LPS)

Leather colours held fast by a new local process

A local innovation for the use of Heaveplus MG, a specially natural rubber, as a binder for leather finishing, is described in the current issue of 'Rubber Development' quarterly journal of the Natural Rubber Producers' Research Association.

This latest innovation, from the Ceylon Leather Products Corporation, it is pointed out, 'has not only proved adequate, but has also improved the important property of 'rubfastness' of the leather.'

'To achieve the desired shade of colour in the finishing of embossed and lining

leather,' the report adds, 'pigments which do not naturally adhere to leather must be bond on.

Foreign exchange saving

'Synthetic binders have to be imported into Sri Lanka and royalties paid on the patented processes for their use, involving considerable expenditure of foreign exchange.'

The simple polymerisation process, it has now been suggested, could conveniently be carried out by the Ceylon Leather Products Corporation itself, thus saving the foreign exchange involved.

Metrication...

Contd from page 3

1.1.1975: Estates cease to show total weight in pounds on estate advices. The changeover is complete. From January 1973 all duties including cesses and ad valorem taxes will be based on the kilogramme. Thus for exporters who will be invoicing in pounds during the period January 1973—January

1974 the Customs will require the total nett weight to be given in kilogrammes in addition to the poundage. For this purpose those estates and exporters who have not converted their machines will use the conversion table mentioned earlier.

It is understood that progress reports would be submitted from time to time

MANAGEMENT

Labour's attitude to management

The way in which management exercises its authority, and the social structure within which it does so, will largely determine labour's view of management.

Many people, including managers in strike-free companies, say that managers get the labour relations they deserve. This is only a half-truth, for it is much harder to have good industrial relations in some industries than in others. A good management may be handicapped by a legacy of bad relations in the company which may take years to live down, or by being in an industry with a long record of bad relations.

Analysis of strike figures show that some industries have a much higher incidence of strikes than others, and that this is true for the same industries in many different countries. A study of man-days lost through strikes over a number of years in eleven countries, has shown that with an occasional exception, it was possible to discern

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Japan's exports of heavy industrial products rise

Tokyo

Japan now ranks among advanced countries in terms of the ratio of exports of heavy industrial and chemical products to its overall exports according to a white paper published recently by the Japan External Trade Organization (JETRO).

In the decade between 1960 and 1970, the ratio increased to 78.3 per cent from 45.3 per cent, the white paper said.

The 1970 white paper on the present situation of Japan's commodity export trade, however, said that exports of light industrial products, especially 'labour-intensive' products, still account for a relatively big portion of the nation's overall exports, when compared with other advanced countries.

It is therefore necessary for Japan to promote exports of 'technology-intensive' heavy industrial and chemical

products in the future, the white paper said. It is also necessary for this country to promote commodity exports in an orderly manner so that unnecessary frictions with importer nations can be avoided, it said.

Meanwhile, the white paper stated, imports by advanced nations increased 10.5 per cent on an annual average between 1960 and 1970.

The nation's imports of industrial products in the same period registered an average annual growth of 11.2 per cent and therefore, the share of industrial products in their total imports increased to 54.8 per cent in 1970 from 64.8 per cent in 1960, the paper added.

MALAYSIA TO PRODUCE OATS

Kuala Lumpur

Malaysia will be the first country in Asia to produce

Quaker Oats, previously imported from Australia. A mill at the Mak Mandin Industrial Estate, Penang State, recently signed a five-year contract with Quaker Products of America to make and pack the product,

Federal Oats Manager Encik Saw Ee Chee said that Malaysia would stop all importation of Quaker Oats when his factory begins production soon. He estimated the savings in foreign exchange at \$2.5 million a year,

Initially Federal Oats would produce 2500 cartons of Quaker Oats a month and later increases it to 5000 cartons. The new product would be for consumption in Malaysia only.

At present Federal Oats is producing 5000 cartons of Captain Oats a month, of which 30 per cent is



exported. From this export to neighbouring countries like Indonesia, Thailand, Hong Kong, Taiwan and Japan, Malaysia earns about \$400,000 in foreign exchange.

DIAMOND MINING IN INDIA

New Delhi

Diamonds worth about Rs. 20 million were obtained from the famous diamond mines at Panna in the North - Eastern Madhya Pradesh during the last three years. These stones totalling 112,160 in number weighed 56,347 carats according to an official statement. During the year 1971-72 stones weighing 20,803 carats and valued at Rs. 8.6 million were unearthed from the mines

YUGOSLAV SHIPS FOR USSR

Belgrade

The Tito Shipyard of Belgrade is scheduled to build 24 ships for the USSR by the end of 1975 valued at some 40 million dollars. Among the craft to be built are such vessels as 6 self-propelled sea-going dredgers, 6 river tugs, and 10 sea-going tugboats.

Otherwise, the Tito Shipyard has already delivered tugboats of 2,300 H.P., being used at various Russian ports.

HEATHROW SETS A RECORD

London

London's Heathrow Airport, the aerial crossroads of the travel world handled more than 18,500,000 passengers last year-beating the previous annual record by nearly 2,500,000.

The British Airports Authority, (BAA) which controls Heathrow and two other airports, said that the big increase in passengers was achieved with only a small jump in the number of aircraft involved. This is accounted for by the increasing use of wide-bodied jumbo jets.

18,621,000 people who passed through Heathrow last year represented a 15 per cent increase over 1971, when the total was 16,174,000. The total number of aircraft arriving at or leaving the airport was 279,000 com-

red to 273,000 in the previous year.

Ten years ago Heathrow was handling just over seven million passengers a year and 157,000 aircraft movements. Last year's percentage increase in passenger traffic was the highest since 1963 the year ended with a major boost of traffic. The December total was 1,326,000 passengers—2 per cent higher than in the same month of 1971. This record traffic is attributed mainly to new promotional fares, good aircraft operating weather and the absence of major industrial disputes.

Heathrow is now the busiest international air terminal in the world with three major runways—two of them are at least 12,000 feet long. The airport was one of the first to be specially equipped to handle the new generation of jumbo jets and now boasts the world's largest duty-free supermarket.

CZECH-SOVIET TRADE EXPANDS

Prague

The volume of Czechoslovak Soviet good exchange has grown more than six-fold since 1948, and reached 2,500 million roubles last year, says the daily 'PRACE'.

The Czechoslovak-Soviet trade protocol signed recently provides for exchange of goods worth more than 2,700 million roubles in 1973, and stresses the great importance of all-round economic contracts with the Soviet Union for the development of Czechoslovak economy.

The USSR is the largest trade partner of Czechoslovakia. Over one-third of the total value of Czechoslovak foreign trade exchange are exports to the Soviet Union. Machinery and technical equipment have become to represent the main items in Czechoslovak-Soviet trade exchange over the past years, and the amount of exchange in this field is expected to nearly double in 1971-1975.

Czechoslovakia will export 4,500 machine tools, 2,750 trams, 1,125 Diesel locomotives, 5,600 lorries and many other engineering products to the Soviet Union in 1971-1975. It will receive in exchange 6,860 Soviet machine tools, 6,353 tractors, some 2,500 combine harvesters, computers and other machines.

Economic competition of two world systems

The intensification of the economic, scientific and technical competition of the two world systems is a specific feature of the development of the present-day world. In the course of this contest the socialist system shows the world ever fuller and more vividly its fundamental advantages. Historically, the competition with capitalism began in conditions extremely disadvantageous for socialism.

Socialism initially triumphed only in one country which was far from being a highly developed one, at that. Having 10 per cent of the world's population, Tsarist Russia accounted but for a little over 4 per cent of the world's industrial output, lagging not only behind the USA, but also behind Britain, France and Germany. The first world war, the civil war and foreign intervention increased this gap still further in 1922 the USSR accounted but for 1 per cent of the world's industrial output.

The very first Soviet five-year plans resulted in a substantial shift in the two systems' contest. In 1937 the USSR and the Mongolian People's Republic accounted for a tenth of world industrial output, thus reaching the average world per capita production level. By the beginning of the fifties the share of the socialist system had increased to 20 per cent. In subsequent

years, thanks to the high steady development rates, the socialist countries extended production to a much greater degree than did the developed capitalist countries. This made it possible for the 14 socialist countries having a third of the world's industrial output.

Thus, socialism already now shows a higher per capita production level than the capitalist system on the whole. As for the CMEA member countries, these, having 10 per cent of our planet's population, extended their share in 18 world industrial production from 18 per cent in 1950 to 32 per cent in 1971, and surpassed by more than three times the average world per capita production level.

Competition between the USSR and the USA is of paramount importance to the outcome of the contest of the two world systems. The Soviet land accounts for half the industrial output of the socialist countries and for a fifth of the entire world output. Gross industrial output in the USSR is now greater than in Britain, France, the FRG and Italy, put together. The country is steadily narrowing its gap with the USA. In 1950 the USSR's industry produced less than 30 per cent of the US production level, whereas in 1971 this proportion surpassed 75 per cent. For the output of a wide range of goods the USSR ranks first in the world.

Economic competition does, at the same time, not exclude the socialist countries' mutually advantageous cooperation with capitalist states. The recent years saw a serious expansion of the USSR's economic relations with France, Italy, Japan the FRG, Austria and other developed capitalist countries. A number of economic agreements has been signed with the USA. The directives of the 24th CPSU Congress stipulate the expansion of justified commercial scientific and technical relations with the industrially developed capitalist countries which show preparedness to cooperate with the Soviet Union in these fields.

The USSR's political and economic cooperation with newly independent countries is steadily gaining in scope. Trade with them is expanding. Dozens of industrial and agricultural projects have been carried out in many young states with the participation of the USSR.

The directives of the 24th CPSU Congress stipulate that stable foreign-economic, scientific and technical ties with the developing countries of Asia, Africa and Latin America be steadily developed on mutually advantageous terms and in the interests of promoting their economic independence. About a quarter of all Soviet machine and equipment goes to developing countries. (APN)

SOME PRICE STABILISATION MEASURES IN RELATION TO THE FIVE YEAR PLAN

RISING TENDENCY OF PRICES HAS BECOME A CRITICAL PROBLEM IN CEYLON IN RECENT TIMES. THE COLOMBO CONSUMERS' PRICE INDEX REACHED THE LEVEL OF 141.9 IN 1971. THE MONTHLY PRICE INDEX ROSE FROM DECEMBER 1970 TO DECEMBER 1971 AT A RATE OF 60 PER CENT. (The Index for November 1972 stood at 153.1)

Meanwhile, the Five Year Plan intends raising employment opportunities considerably in the near future. An employment expansionary programme will inevitably tend to raise the price level further in several ways. Firstly, the coverage of purchasing power will expand as a result of the wage incomes gained by the newly employed labour force. Secondly, the level of purchasing power would increase under deficit financing policy, if Government borrowings rely largely on expansionary sources.

The enhanced purchasing power resulting from these elements will stimulate the aggregate demand. Unless the growth of aggregate supply outstrips the rapid growth of aggregate demand, domestic price level will rise at a rapid rate and the excess demand

would divert to imports. The proportionate growth of domestic supply depends on various factors (V.K.R.V Rao "Investment, Income and the Multiplier in an Underdeveloped Economy"—Essays in Economic Development (1964) such as the magnitude of unutilized productive resources, the degree of marginal propensity to consume, the 'gestation period' of investments, the capacity for importation, etc. On the other hand, if restrictions on imports are not imposed, the import volume would increase and it would create an imbalance in the balance of payments.

Government revenue and expenditure measures coupled with public debt management (i.e. fiscal policy) may be used to dominate the rising level of prices. This paper attempts to

analyse the effectiveness of fiscal policy as a price stabilization technique in the context of the employment expansionary programme envisaged in the Five Year Plan.

The need to formulate the fiscal policy so as to attain the highest possible level of employment, consistent with a price stabilization policy has been emphasized in the I.L.O. Report. "A Programme of Action for Ceylon—Matching Employment Opportunities and Expectations" Geneva 1971 p. 247-8:

"Inflationary pressure is building up dangerously. It is possible to eliminate the payments deficit, because imports of necessities like rice and fish could be largely replaced by home production, and imports of luxuries could be cut back further. But this is hampered by the excess of purchasing power...to restrain the purchasing power of the employed and to do this without social injustices or damaging the expansion of output and employment is a major

undertaking...Fiscal changes should also affect prices (as well as purchasing power) in ways that encourage exports and discourage imports and that re-orient the economy towards more labour intensive methods of production."

The Five Year Plan states: "It is necessary to view the question of the cost of living against the entire strategy of the Plan...a mild rising level of prices is an inevitable corollary of growth...Rising incomes and a larger parcel of goods and services to the average household at moderately rising prices will be a direct outcome of the plan."

Fiscal policy designed to dominate the inflationary pressure in an economy associated with an employment expansionary strategy should attempt to restrain the enhanced aggregate demand as well as to stimulate the aggregate supply so as to clear the "inflationary gap."

In terms of the supply side fiscal policy needs to be directed to eliminate the supply inelasticities and to break the 'bottlenecks'. Such structural changes in domestic supply can be created by grading tax concessions, tax incentives, tax amnesties for 'gestation period', etc.

By
S. COLOMBAGE
Economist,
Central Bank of Ceylon

This Paper presents the personal views of the writer which are not necessarily the views of the institution with which he is associated.

In view of the object of regulating the aggregate demand and disposable income of private individuals (defined as total private income plus transfer receipts less direct tax payments) should be reduced to the extent of the productive capacity of the economy. The I.L.O. Report states that

the following effects of the Five Year Plan on disposable income will be in the final year of the period', 1976.

The report further indicates that though the net disposable income amounting to Rs. 13,500 million, the amount of consumer goods and services available in 1976 (at prices and rates of income taxes and subsidies) will not exceed Rs. 12,000 million. As a consequence, there will be an excess purchasing power amounting to more than 1,000 million.

The disparity between purchasing power and domestic production tend to aggravate the increase of domestic level and to pressure demand on imports, emphasizing the role of fiscal policy in such a context. I.L.O. Report states that employment strategy is needed much earlier than Fiscal changes should be designed so as to achieve the employment growth

NEW MONETARY CRISIS AND THE NEED FOR REFORM

The latest episode of turbulence on currency exchange markets again underscores the need to get on with the business of reforming the International Monetary System.

Although no authoritative pronouncements are being made, there seems to be good reason to think that the current wave of Mark and Yen purchasing is traceable to the desire of custodians of liquid funds to bet on a revaluation, fortified by the knowledge that they cannot lose — no one believes that there is the slightest practical possibility of a devaluation of either currency. And of course, when such a wave starts, it can generate pressures which make the expectations or hopes, on which it was based come true.

Regardless of whether the recent hectic trading in foreign exchange proves to be merely a result of transitory speculation or evidence of something more fundamental, the underlying fact is that the world needs a better method of assuring that imbalance in international economic relation will be adjusted promptly and smoothly.

It is probably true that even the most cleverly designed machinery will not solve all future problems. But improved international rules and practices should

make it possible to deal with situations such as the present one in ways that are less irritating to international goodwill, and more effective.

Some insights into the present situation, and into U. S. thinking on such matters, can be gained by examining recent events from the perspectives of the U. S. proposals for reform of the International Monetary System.

Basic Principles

One of the principles behind the U. S. proposals is that nations should work for balance in their over-all transactions with the rest of the world. They should neither accept a continuing deficit in their international payments nor should they aim for a continuing surplus.

Another basic principle is that both deficit nations and surplus nations should take an active part in working toward better international balance.

For its own part, the United States is determined to end the decades-old deficit in its balance of payments. As part of its contribution to better balance, the U. S. Government took strong measures to reduce inflation and has pledged to continue to do better than other countries in this area.

The United States also devalued the dollar and agreed to a modest rise in the price of gold as part of a general realignment of exchange rates agreed to in late 1971. * At that time several surplus nations also agreed to revalue their exchange rates upward. At the insistence of the United States, the nations participating in the 1971 meeting at the Smithsonian institute in Washington also agreed to negotiate bilaterally on trade measures that would contribute to a restoration of international balance. It is no secret that the United States did not think that the subsequent results on the trade side were fully satisfactory.

Trade deficit worsens

Despite the currency realignment, the United States registered another large deficit in its over-all balance of payments last year. Figures for the full year are not yet scheduled to be announced. Figures for the first nine months of last year indicate that the over-all deficit was much lower than the 29,800 million dollar deficit in 1971 but that practically all of the improvement resulted from a reduction in speculative outflows of dollars.

The trade deficit actually worsened — from 2,700 million dollars in 1971 to

almost 7,000 million in 1972. The current account balance which includes travel, services, military spending abroad, and investment income as well as trade, but does not include capital transactions also showed a widening deficit, going from 2,800 million dollars in 1971 to 8,000 million in 1972.

Main Reasons

The Council of Economic Advisers and other U. S.

By
EUGENE BRAKE
J P S Columnist

officials cite two main reasons for the worsening of the deficit, first, the initial result of devaluation is normally adverse for the devaluing country, because the prices of its imports rise before the change in international prices relationship has had a chance to affect the volume of trade flows into and out of the country. Second, 1972 was a year when U. S. economic activity was speeding up after being in a recession the previous year: the result was a brisk increase in imports. At the same time growth was slow in some major U. S. markets abroad.

Officials foresee improvement in the trade balance and in the over-all balance as the beneficial affects of the exchange rate realignment

take hold and as the United States continues to show a better price performance than its international competitors.

"Looking ahead we can foresee some improvement" Secretary of the Treasury Shultz told the Joint Economic committee of the U. S. Congress "Nevertheless I must emphasize the hard fact that we have a long way to go to achieve the trade surplus we need to bring our overall payments into sustainable equilibrium. Sporadic speculative disturbance in exchange markets reflect the underlying uncertainties. We must do what we can to speed the process of justment."

Under questioning by Committee members Mr. Shultz said the United States has been pressing its trade partners to take action to help correct the present imbalances. Such action could include a broad range of measures he and other officials have made clear including action to open up markets to U. S. exports or action to slow certain imports to the United States.

Reform Proposals

The U. S. pressure has been directed particularly against Japan. The United States regards Japan's large balance of payments surplus as a focal point of international imbalance.

All of the... U. S. proposals for future rules of the national monetary system. Under the U. S. proposals surplus nations would have an obligation to act. One surplus nation could toward adjustment would by frequent but revaluations of its currency but that would not only choice. The nation could also trade measures, or options that would conflict with a world trade order.

The U. S. reform proposals also suggest that surplus nations be available as a last resort to a reluctant nation act to restore balance. Sanctions might be imposed, for its excess reserves or loss of SDR Drawing-Right allocations, or, in the words of U. S. proposals, "The (International Monetary Fund) might authorize countries to impose import taxes or surcharges against the country concerned. Such a surcharge it is noted, would differ from the general surcharge imposed by countries in balance-of-payments difficulties."

RELATION TO THE FIVE YEAR PLAN

throughout the period 1961/62 to 1970/71.

owing effects of the Five Year Plan on disposable income will appear in the final year of the 'Plan' 1976. The report further indicates that the net private disposable income amounts to Rs. 100 million, the amount of consumer goods and services available in 1976 (at 1970 prices and rates of indirect taxes) would be Rs. 12,000 million. Consequently, there will be excess purchasing power of more than Rs. 100 million. The disparity between the purchasing power and the production would aggravate the rate of inflation of domestic price level to pressurize the import. In the role of fiscal policy, such a context, the Report states "A contribution to an employment strategy is really such earlier than 1976. Changes should be designed as to accelerate employment growth and

to reduce the balance of payments deficit enabling the Plan to get off to a good start... There are already signs of excess purchasing power in the economy."

We now consider the principal fiscal measures that could be employed to arrest the disposable income and the resulting surplus purchasing power.

Tax Revenue Measures

Government would be able to check the surplus purchasing power if substantial proportions of the increments in National Income are absorbed as tax receipts. According to conventional fiscal theories, it has been assumed that self-generating changes in tax receipts would make possible such absorptions. The degree of built-in-flexibility (defined as $\Delta T/\Delta Y$, where T-Tax revenue, Y-GNP) reflects the magnitude of such self-generating changes. If the built-in-flexibility character of the tax system is to be fulfilled this ratio should exceed unity. But it is obvious from Table 2 that this ratio has remained

below unity at a range between 0.140 in Ceylon during the period 1960/61 to 1970/71. The improper performance of tax receipts in achieving the 'built-in-flexibility' is mainly due to the structural characteristics pertaining to the tax system such as limited coverage of tax base, relatively low income elasticity of personal income tax, etc.

Table 1 IMPACT ON DISPOSABLE PRIVATE INCOME

	Rs. Thousand Million
Private Income...	17.0
Less: Direct Taxes (at 1970 Rates)	-1.0
Disposable private income	16.0
Less: Private savings at a 'normal' rate (15% of disposable income based on past experience)...	-2.5
Amount public will want to spend	13.5

Source: ILO, A Programme of Action for Ceylon (1971)

The inelastic behaviour of tax receipts in relation to GNP should be eliminated by making discretionary changes (i.e. increasing the existing tax bases and the introduction of new tax measures) in the tax system. Such changes should be made, however, under the assurance that they would not hamper private savings and investments.

Current Expenditure Measures

Transfer payments granted by Government to "private current accounts" have been largely responsible for the increasing tendency of private disposable income in the past as shown in Table 2. The ratio of transfer payments in respect of "private current accounts", to individuals' direct tax payments reflects the positive or negative impact on private disposable income. This ratio should generate a negative impact on disposable income (i.e. ratio VI) in order to maintain the purchasing power at manageable levels. In contrast, the second column of Table 2 shows that the ratio exceeds unity

Table 2: Tax Revenue in Relation to GNP and Direct Tax Receipts in Relation to

	Transfer Payments	
	(1) $\Delta T/\Delta Y$	(2) Tr/Td
1961/62	0.321	8.859
1962/63	-0.105	8.556
1963/64	0.26	6.584
1964/65	0.378	5.302
1965/66	0.140	5.376
1966/67	0.19	5.540
1967/68	0.070	5.165
1968/69	0.101	6.592
1969/70	0.111	5.650
1970/71	0.015	6.021

Identifications:
T—Tax Revenue
Y—GNP at factor cost prices
Td—Direct tax receipts
Tr—Transfer payments to private current accounts
A—first difference
Contd on page 13

Britain's moves against inflation

When Britain bids farewell in the next few weeks to the prices and incomes freeze that began in November it will not be to relax the stance against inflation but to adopt a statutory framework of the greatest firmness and comprehensiveness.

Further consideration of the details of the Government's proposals for phase two due under the planned legislative timetable to take the place of the standstill at the end of March for incomes and end of April for prices—reinforce this strong impression formed when the Prime Minister announced the new programme.

The central strategy for phase two is to control home-generated inflation at its source by setting statutory limits on wages, prices, profits margins and dividends. When phase two ends in autumn, it will be succeeded by a third phase of restraint, voluntary if possible, but with statutory machinery in the background for three years. This is a widespread feeling that criteria in phase three will be fairly stiff.

Incomes Control

Pay increases for any group of workers will not be allowed to exceed £1 plus four per cent of the group's wage bill, exclusive of overtime, over the previous year. Settlements cannot operate until 12 months after any previous wage increase for the same group. The pay increase limits apply to all wages and salaries from shop floor to boardroom, and there is an absolute limit of £250 a year on any rise.

Manufacturers will only be allowed to increase domestic prices to meet unavoidable cost increases, usually those resulting from rises in the cost of imported raw

materials. Pay increases which do not comply with the policy will not qualify. Where there is a fall in costs due to increased productivity this will have to be reflected in the price. Profit margins will not be allowed to exceed the average percentage level in the best two years of the previous five years. Prices must be reduced if the profit margin is exceeded, export prices and profits will not be controlled.

Prime Aim

Dividend increases will be limited to five per cent of the previous year's level. This is one of the several provisions intended to convince the public of the fairness of the Phase Two policies. Fairness is a prime aim. The £1 plus four per cent wage formula will give proportionately higher benefits to the lower-paid. In addition, a scheduled rise in school meal charges will be deferred, proposed increases in local authority rates will be monitored by the Government, and the level at which rent rebates are given to poorer tenants will be raised.

The Phase Two measures, like the "freeze", have been greeted encouragingly by the business community and the general public. Despite some fairly predictable trade union opposition, they seem likely to command enough general support to work effectively.

The effect of the ceiling on wage rises should, according to widely accepted arithmetic, be to limit the average increase in earnings to annual rate of around eight per cent. This rate of increase will be offset by an increase in productivity, probably of the order of

3-4 per cent to give an annual rate of wage inflation of 4.5 per cent.

Import Prices

On its own, this would result in domestic price inflation at a rate of about two per cent a year, while other factors like the introduction of VAT, could add a further two per cent. The joker in the pack is the possible rate of increase in import prices through world inflation and the sterling float. During the past year the rate of increase was nine per cent per annum, and continuation of this level would increase the domestic price level by just over two per cent a year.

During the period of operation of Phase Two, therefore, price inflation should be contained to an annual rate of about six per cent. Set against the prospective increase in earnings, this would leave the average Briton with real living standards improving at an annual rate of two per cent.

The rate of earnings and prices increase indicated by these figures would bring Britain down to, or slightly below, the levels of inflation expected in most major European countries this year. They would cut by around half the rates of inflation reached last autumn, and, following the effects of the freeze, they should substantially lower the inflationary expectations which prompt large percentage wage claims.

Key role

A key role in the control system will be played by a Prices Commission and a Pay Board, which will operate a Price and a Pay Code embodying the new policy. But the Government will deal directly with some prices.

The three year span for the legislation which sets up the two agencies and gives them their powers would give the public some assurance that any failure by Government, trades unions and employers to set on foot effective voluntary arrangements for the third stage would not result in the return of accelerating inflation at the end of a successful phase two.

Ever since the talks between the Government has both sides of industry failed to achieve a voluntary programme in the autumn, the message from the Government has been firm and clear: inflation at anything approaching the levels reached last year cannot be allowed.

Growth rate

Confidence that the rate of inflation will be dramatically reduced is critical to many aims of British economic policy, particularly the continuing reduction of unemployment and growth of capital investment. While some of industry's hesitance last year to take on new commitments, either in stocks or new plant, stems from the fact that there is still much spare capacity in Britain, fears that accelerating inflation would jeopardise the Government's five per cent annual growth target also retarded the growth of business confidence.

Slowing cost-push inflation should leave Britain with good prospects for a substantial rise in exports. Unless there is a further fall in the sterling exchange rate which should now be justifiable on inflationary expectations the delayed advantages from the effective devaluation of around 10 per cent brought by the float since last June should begin to show increasingly in overseas trade from around mid-summer.

in line with the proposals for the international monetary system. The U.S. proposals would have nations would have to act when international reserves are inappropriately low and remained a specified period deficit nations have similar obligations. One way the adjustment would be frequent but small changes of its currency. would not be the price. The surplus could also choose measures, or other that would not be a liberal trade order.

The surcharges used in the past applied to imports from all nations.

Congressman Henry S. Reuss has, in effect, suggested that the United States Governments should make use of such a sanction if it is not possible to move ahead quickly in the International monetary reform negotiations.

In a recent he said "If necessary and I do not believe it would be the United States should be prepared to use the ultimate weapon of an import surcharge against any country whose Central Bank succumbing to its export lobby, intervenes in the market to support the dollar at an over-valued level. such a surcharge should be calibrated carefully to the amount needed to neutralize the currency intervention..."

This statement, however is only the opinion of one member of Congress, no U.S. official has publicly embraced the policy suggested by Mr. Reuss, although Herbert Stein, Chairman of the Council of Economic Advisers did tell Congressman Reuss a few days earlier that the United States was considering what further action it might take to speed the adjustment of the U.S. balance of payments deficit.

* The U.S. dollar has since been devalued by 10 per cent and the yen has been allowed to float.

U.S. reform proposals rest what sanctions are as a last resort to reluctant nation to restore balance. The might include convertibility prior to its excess reserves of SDR Special Right allocations, the words of the proposals. The IMF (International Monetary Fund) authorize other to impose general taxes or surcharges the country concerned' surcharge it should, would differ from separate surcharges by countries in of payments difficul-

Opportunities for small Industrialists:

Uniformity of individual batches is important and can be achieved by drawing up specifications for the entire working cycle. This would indicate the temperature of the rolls, temperature of batch, compounding sequence, time taken for each ingredient to be worked in, and total mixing time.

Preparation of Blanks

From the ready for curing compounds, blanks have to be prepared by suitable methods. The following methods are in use:

Sheeting on calendar (The preferred method)

Sheeting on compounding mill.

Hose formation by extrusion.

Profile strip formation by extrusion.

Sheeting on compounding Mill

Optimum temperature for each compound should be determined because excessive temperature on mill rolls could cause blistering in the sheets or may even cause premature vulcanisation. The required thickness of the sheet is obtained by nip adjustments of two rolls and by continuously checking the gauge of the sheet.

The sheet, off the mill is wound on to a liner preferably after a period of cooling.

Satisfactory results can be obtained by doubling the sheet when a fresh sheet is placed on to the already rolled sheet. The second sheet here has to be warm. Air bubbles and other defects are avoided by this method.

Normally soft cotton fabrics are used as liners in winding the rubber sheets. A special difficulty in sheeting out on a mill is the fact that most compounding mills operate with friction speeds only. There is then a likelihood of air getting trapped in the sheets. The remedy is to even out speeds by driving the faster roll at the time of sheeting with an additional less powerful motor, thus reducing its speed.

Rubber to Metal Bonding

Excellent adhesion between rubber and spindle is decisively important to satisfactory performance of rubber covered rolls. Good rubber to metal bonding is ensured by bonding with chemical bonding agents and bonding by means of an ebonite base layer.

Preparation of Metal Cores

Generally metal cores are supplied roughly machined and if new, protected by

anti-corrosives, grease etc. They have to be carefully cleaned. For this purpose it is advisable first to expose the metal to steam at about 120°C for several hours.

If metal cores have grooves and cuts they should be machined off before steaming. Cores that are defective should be rejected. Cleaning applies both to new cores as well to cores for rebuilding.

The cores are then sand blasted or cleaned with a steel wire brush in order to produce a fresh surface. They are next cleaned in a solvent - e.g. Trichlorethylene.

Rubber Rollers for machinery (part 2)

Cleaned cores should never be left out too long as re-oxidisation may result. Another method of cleaning the core is by pickling, i.e. treating with acids, caustic solutions or special pickling chemicals. The metal cores are immersed in a pickling bath for sometime. Immediately after removal they are rinsed in plenty of hot water and dried. They are then rinsed in solvent as above.

Bonding (Chemical and Ebonite)

The cleaned cores are coated with a thin film of bonding agent - either by dipping or spraying.

As most bonding agents are without tack one or two coats of additional assembling solution could be applied. If these are used they should be carefully dried as solvents may cause blisters.

Bonding the cover to metal with the aid of an ebonite stock is sometimes preferred specially when the roll has a thick covering and is subjected to dynamic stresses.

Here the cores are cleaned as above and 2 to 3 coats of ebonite solution applied after each coat has dried. Then a sheet of ebonite 1 to 2mm thick is applied with the aid of a hand roller until thickness reaches about 4/1 of the thickness of the cover.

The milled sheeting of cover stock is carefully piled up on a bench. The cover is wrapped around the roll in its entire thickness - preferably beginning with an oblique cut. As the roll is built on, it is well rolled with the hand roller to prevent air trapping.

The building up of the roll in the chemical bonding operation is the same as above where the sheet is applied direct to the bonding agent on the metal core.

Vulcanisation

The rolls are now cured - either in moulds in hot air, or steam in autoclaves. When the cure is carried out in open steam, only wrapping down the roll with tapes to obtain the required pressure to prevent sagging and porosity is necessary.

The wrapping should be wound very tightly from the centre to one of the ends, back to the other end and then to centre again.

Narrow wet cotton tape (about 20mm) should be used for the first wrapping. Several more wrappings are

made tightly, this time with broader tape.

For wetting purposes a chemical wetting agent can be used to prevent tapes sticking to rolls.

If curing is done in an autoclave it is advisable to blow out the autoclave with steam at the beginning of the cure. It is also recommended that the autoclave be heated before curing begins and that the rolls be removed from the autoclave immediately after the curing cycle as wet steam may accumulate when allowed to cool - which in turn may be absorbed by the rolls.

The recommended temperature for Natural Rubber compounds is about 140°C and the time would vary between 30/60 minutes. The time has to be established through experiment and test and depends on such factors as the thickness of the roll, metal core, wrappings, curing system, bonding agent etc.

The rolls after cure are allowed to cool, unwrapped and normally ground down to as smooth finish and to the required thickness.

Rolls Without Cores

Rolls of this type depending on the overall thickness are either extruded or drawn into mandrels, or are built on mandrels from rubber sheets, and cured in autoclaves similar to the manner described above. The tubing is removed from the mandrel by means of compressed air, the tubes are then cut to the required size.

Formulae Guides

- Pickling Solution
Sodium dichromate 1.5 pounds
Concentrated Nitric Acid 1.5 pints
Dip 1 to 2 minutes in warm solution
- Ebonite Base

Smoked sheet	100	Napthenic Process Oil	5
Mineral rubber or pine tar	10	Sulphur	2
China Clay	50	DEG	0.5
Magnesia	5	MBTS	
Sulphur	45	DPG	0.25
DPG	2	Titanium Dioxide	10
	212	Lamp Black	0.5
			264.90

3. Compound for roll covers (suitable for rice hullers)

Smoked sheets	100
Peptising agent	0.15
Stearic acid	1
Zinc oxide	5
Antioxidant (Nonox BL)	1
Coumaron Resin	5
Silica	30
FEF black	60
Mineral oil	5
CBS	1

4. Compound for textile rolls (grey)

TMTD	0.5
Sulphur	1.5
	210.15
Smoked sheet	100
Peptising agent	0.15
Stearic acid	1
Zinc Oxide	10
Antioxidant DDA	1
Antioxidant MB	0.5
Silica	25
Hard clay	100
Coumaron resin	8

PROFITABILITY STATEMENT

	Rs.
Sales	
Revenue on 7,275 pairs of Rollers at Rs. 60 per pair (after allowing 3% for damages)	436,500
Variable Costs	
Raw Materials	
90,000 lbs. of compound mix at Rs. 1.30 per lb.	117,000
1,875 lbs. of bonding agent at Rs. 20.40 per lb.	38,250
14,550 metal cores at Rs. 7/- each	101,850
300 Gals. Solvent Trichlorethylene at Rs. 3.25 per gal.	975
	258,075
Packing materials	750
Wages & E. P. F.	17,000
Electricity	3,600
B. T. T. at 5%	21,830
	301,255
Contribution.....	Rs. 135,245

Fixed Costs

Salaries & EPF	29,430
Rates, Taxes & Insurance	1,200
Maintenance & Repairs	3,000
General Expenses	2,400
Depreciation	
Buildings at 2 1/2 %	1,600
Machinery & Equipment at 10 %	10,400
Furniture & office Equipment at 20 %	400
	12,400
	48,430
Net Profit before tax.....	Rs. 86,815

EVALUATION

- Return on Capital Employed 31.8%
- Payback period on Total Capital 2.8 years
- Fixed Capital 1.8 "
- Break-even point 156,300/-
- Profit/Volume Ratio 3
- Percentage of Net Profit to Turnover 19%

THOUSAND DAYS OF THE U.F. GOVT: (21.2.1973) A Special Supplement



Achievements during the first 1,000 days



Mrs Sirimavo Bandaranaike P. M. and leader of the United Front.

The Government has a considerable amount of achievements on record during the first 1000 days of its administration.

At the very outset the United Front Government had to review the economic situation and seek remedies to overcome a crisis in this sphere. The Five-Year Plan of the Government was aimed at overcoming this and working according to a socialist pattern for the prosperity of an independent Sri Lanka.

In the sphere of constitutional development the outstanding achievement is the drafting of the new constitution and the birth of the Republic of Sri Lanka.

Among the numerous Bills passed during the period under review the laws relating to the Ceiling of Land Ownership and productivity could be considered the most noteworthy.

Socialist Pattern

These laws lay the foundation for a socialist pattern in Agricultural

food items such as chillies and other home garden items. The larger scale of passion fruit cultivation and the projects in cotton growing and sericulture will no doubt result in foreign exchange savings.

In the sphere of trade the setting up of the State Trading Corporation has saved the consumer from falling



At Hambantota, Matara and Amparai 300 young farmers were given tractors

development The Paddy Marketing Board Act, Agrarian Research and Training Institute Act, Rent Act, Compulsory Savings Act, Registration of Persons Act and the abolition of Fidei Commissa and Entails Act may be mentioned as some of other important Bills passed during the period under review.

Under the Srimala-Sastri Pact nearly 40,000 persons of Indian origin have been repatriated.

The State Plantation Corporation now manages 21 estates and 4 tea factories. Out of these 9 estates have been purchased from private firms.

The Divisional Development Councils set up throughout the Island affords opportunities to our youths to find gainful employment in agricultural and industrial pursuits.

The inauguration of the Production Year on the 8th of January 1973 by the Prime Minister has given an impetus to the cultivation of our basic

on easy payment basis with the help of the Tractor Corporation and the People's Bank.

a prey to the racketeers and crafty businessmen.

Nearly 25,000 employees of the co-operative department have benefitted from the new wage structure introduced by the Government. The establishment of nearly 250 rural banks in the Island has helped the co-operative movement by providing much needed credit facilities.

Foreign Exchange Earnings

Paranthan Chemicals, Oils and Fats, Ceylon Ceramics, Mineral Sands, State Gem, Lanka Plumbago are some of the corporations earning foreign exchange for the country. During the period under review a large number of persons have found employment in State Corporations.

During the period under review the Ministry of Irrigation Power and Highways and institutions thereunder have forged ahead with the major development

(Contd. on Page 10)

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Thursdays	—	State Gem Corporation Regional Office, 200, Main Street, Eheliyagoda,
Wednesdays	—	Embilipitiya

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State Gem Corporation,

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Achievements during the first 1000 days

(Contd. from page 9)

Projects and has made headway in several new ventures envisaged in the Five-year Plan. The Uda-Walawe Multipurpose Project has given birth to a 1000 acre cotton cultivation. This is the first time that a large extent cotton cultivation has been started in our country. The cultivation also has 400 allottees in possession of their lots.

The Mahaweli Basin Development Project. The Maskeliya Power Project Stage II and the Development of the Lower Uva Area are some of the major projects that have shown a steady progress during this period.

Education

The most far reaching achievement during the 1000 day period in the educational sphere has been the new programme of junior secondary education in grades 6 to 9. The Ministry's aim at the important stage in the educational system is to impart a technological awareness social consciousness and a cultural identity to students.

A beginning has been made by providing a new curriculum from Grade VI in 1972 which will be successively adopted every year upto Grade IX. The results of this new programme was very encouraging especially in the rural sector. The provision of teachers for teaching science, mathematics and English in grade VI has been specially beneficial to the rural students. The pre-vocational programmes

have developed an active interest among the teachers, pupils and parents. Technical Education with new curricula to suit the development needs of the country have been organised and is progressing satisfactorily. During the period under

review the intake of teachers to the Training Colleges have increased from 4,000 to 10,000 and the Ministry of Education has found employment to 17,000 teachers.



Ceylon Shipping Corporation is the proud owner of 5 vessels now. These vessels are Lanka Rani, Lanka Kalyani, Lanka Sagarika, Lanka Kanthi and Lanka Devi.

improved and the Local Authorities Special Provisions Act was brought into force. Housing and slum clearance

With the formation of the UF Government a successful effort has been made to shift the burden more to the rich people. The Government has put a limit of Rs. 2000/- an expendable income for each taxpayers family. A person may earn any amount but the limit to family expenditure is 2000/- per month.

Public Service

In reviewing the work done by the Ministry of Public Administration, Local Government and Home Affairs it could be noted

Some important bills passed.

Protection of Tenants (Special Provisions) Act
Foreign Exchange Amnesty Act.
Employees' Provident Fund (Amendment) Act.
State Gem Corporation Act.
Compulsory Savings

Act.
Paddy Marketing Board Act.
People's Committees Act.
Prevention of Social Disabilities (Amd.) Act.
Land Development Amendment Act.
Registration of Persons (Amendment) Act
National Savings Bank Act.
Business Undertakings (Acquisition) Act.
Court of Appeal Act.
State Film Corporation Act.
National Apprenticeship Act.
University of Ceylon Act.
Students (Higher Education) Loans Fund Act.
Agrarian Research and Training Institute Act.
Rent Act.
Co-operative Employees Commission Bill.
Criminal Justice Commission Bill.
Abolition of Fidei Commissa and Entails Act.

Contd on page 13

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Ministry of Finance at work:

New concepts of budgeting were introduced after the UF government was formed last year. Programme Budgeting was introduced to a majority of the Ministries. The idea behind this is to give in exact detail monies voted for each and every project. This helps cut down costs and recurrent expenditure, as well as enables the public to know how much money is exactly spent for the various projects. Earlier a block grant was allotted to different projects and the legislature nor the ordinary citizen was aware how public money was spent.

In the latest budget development with particular reference to the expansion of the export sector was highlighted.

Department of Inland Revenue: Up to the formation of the UF Government the burden of taxation lay heavily on the non-affluent but now a successful effort has been made to shift the tax burden more to the rich people. The Income Tax Department has put a

limit of Rs. 2000/- as expendable income for each taxpayer's family.

A person may earn any amount but the limit to family expenditure is Rs.

NEW BUDGETARY CONCEPTS

2000/- per month. The balance will be invested in the Compulsory Savings Fund for a stipulated period and it will be returned to the owner later. A ceiling on wealth was introduced with the capital levy. Any person whose capital is beyond Rs. 200,000 is levied a tax ranging from 3% to 25%. The piece of legislation as described by economists will within the next few years see to a distribution of wealth concentrated in a few hundred people in the country.

Customs Department: Urgent steps were taken to streamline Customs procedure to cut down delays and facilitate tourist traffic. A Parliamentary Committee has just handed over a report to the Minister suggesting ways and means of streamlining the

activities of the Customs Department. These recommendations are expected to be implemented during the course of the year.

Excise Department: A scheme to train toddy tappers has just been launched with

the assistance of the Coconut Research Institute at Bandirippuwa. There is a job potential of 5000 under this training scheme. A more liberal scheme to open liquor sales points was adopted and statistics clearly indicate that this has helped to battle against the sale and manufacture of 'Kasippu'.

Valuation Department: A new effort was made after the formation of this government to get the valuer play a more dynamic role in the development effort of the country. Steps are being taken to set up an Institute of Valuers.

Bank of Ceylon: A determined effort was made to make the Bank of Ceylon which up to recent times served the needs of the affluent classes be of better service to the ordinary people of the country. The

emphasis has been to assist local production. The bank started a scheme to finance a small rural industrial project in every electorate in the country. The Bank of Ceylon will finance the varied activities that are contemplated by the Co-operative Farms that will be set up in the estates taken over by government in the Kandyan areas. The Bank will also invest much money for the development of trawler fishing in the South West coastal area. This will be a

programme in association with the Asian Development Bank. **Peoples Bank:** The People's Bank has given top priority to foster the Co-operative Movement. Under the reorganised co-operative scheme this Bank will be the major credit providing institution to service the co-operative movement. Many new branches of the Bank have been opened and now there are 120 branches of the Bank all over the island.

(Contd on page 12)

'KARMANTHA'

A monthly publication of the Industrial Development Board of Ceylon published both in Sinhala and Tamil. Contains information of use to small industrialists. Among the fields covered are-

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Ministry of Labour & workers' benefits

Over nine lakhs of workers have benefitted by wage increases during this period. Of this seven lakhs belong to the Plantation Sector.

Wages Board decisions pertaining to better working conditions have been made to thousands of other workers while Remuneration Tribunals have been established in respect of a large number of trades.

Wages Board decisions that took effect from 9.1.1970 and 1.11.1970 brought a daily wage increase to 8,000 workers in the Tea Export Trade and 4,000 workers in the Engineering Trade.

In 1972 five categories of workers were given wage increases:—

- 1 Garment Manufacturing Trade 8,000 workers

- 2 Coconut Industry 25,000 workers
- 3 Spirits and Vinegar Industry 8,000 workers
- 4 Match Manufacturing Trade 1,000 workers
- 5 Rubber export Trade 3,000 workers

In July 1971 the collective agreement between the Employers' Federation and the Trade Unions affiliated to the Partners of the United Front Government were signed.

Managers and Assistant Managers of Cinemas now get increased salaries due to the Wages Board Decisions.

5,000 workers engaged in the Tyre and Tube manufacturing, Tyre re-building, Rubber and Plastics good manufacturing trade also draw increased wages among other benefits.

A re-classification of the categories of workers in the Printing Trade brought about a wage increase to 12,000 workers.

A new wages board for the Nursing Home Trade was set up for the betterment of over 2,000 workers.

A number of or Remunera-

tion Tribunals too have been established in respect of, workers in various trades

such as Laundrymen, Hotel workers, Textile Shop workers.
Contd on Page 13

MINISTRY OF FINANCE AT WORK

Contd from page 11

A scheme to finance small industries has just come into operation.

National Savings Bank This new Bank was started to give a new impetus to Savings. The Post Office Savings Bank, the Ceylon Savings Bank and the National Savings Movement went to form the nucleus of the new Bank. Several new schemes have been started to popularise the habit of Savings among the people, particularly the younger generation. Two outstation branches have just been opened and progress of work at these places has been very encouraging. The NSB gives the highest rate of interest for its fixed deposits and is the only Bank in Ceylon with a government guarantee for its investors.

The State Gem Corporation: The Gem Corporation commenced business activities in July 1972. At the end of 1972 it has purchased gems to the value of nearly 11 1/2 million rupees. During

this short period, the State Gem Corporation exported gems to the value nearly 4 1/2 millions (without FEECs) and this amount is four times the value of what was officially exported by Sri Lanka in 1971. This Corporation has proved that it will be one of the biggest foreign exchange earners for the country. Steps have already been taken to put the gemming industry on a scientific footing. Special emphasis is being given to better the lot of the poor gem miner whose lot had been neglected for decades.

The National Lotteries Board: From December 1971 to December 1972 the National Lotteries Board credited to the Consolidated Fund over Rs. 10 million. This money has been usefully devoted for the various development projects of government. During the past 1000 days a concerted effort was made to cut down waste and streamline the organisational structure of the National Lotteries Board.

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WORKERS' BENEFITS...

Contd from page 12

While the existing labour laws were amended new laws were passed to safeguard the interests of the workers.

The Trade Unions Amendment Act enables public service trade unions to affiliate and federate with the another.

The Employees Provident Fund Act was amended bringing every employer who employs even a single employee within the scope of the act.

The Estate Quarters (special provisions) Act now enables a workman living in estate quarters to continue to enjoy the right of occupation of the quarters with his dependents upon the termination of his services until he is ejected on a Court order.

The Termination of Employment of Workmen Act compels the employer to seek the approval of the Commissioner of Labour prior to such terminations.

A new set of closing orders enabling business to be done from 8.00 a.m. to 7.00 p.m. were introduced for the convenience of the consuming public.

A comprehensive charter of workers' rights will soon

be introduced while action is being taken to establish a National Wage Structure.

Achievements...

Contd from page 10

In accordance with a request made by the Ministry of Planning Divisional Development Councils were set up throughout the Island. Committees were also set up within a selected local authority area. Nearly 1,600 committees kept a vigilant eye on irregularities in Government Departments, Co-operatives, Corporations, Schools and other institutions.

Since the United Front Government came to power more benefits have been conferred on the workers than in the entire lifetime of any previous Government. Under the labour laws passed more than nine lakhs of workers have received enhanced wages. An agreement has been concluded between the Employers' Federation, the Government and the trade Unions and as a result 75,000 workers have been benefited.

Price stabilisation...

Contd from page 7

Hence, there seems to be an immediate need to curtail transfer payments, provided that no measures are taken to enhance direct tax payments.

The expansionary impact of the current expenditure on the economy could be reflected more clearly through a 'multiplier approach'. As depicted in the second column of Table 3 it is obvious that the current expenditure, mainly comprising the payments on purchases and transfers, has had a substantial expansionary effect on the economy.

In view of the above aspects there appears to be an immediate need to make a substan-

tial decrease in current expenditure.

The lengthening of the Government debt as a stabilization policy has been treated widely in recent times. Since shorter the Government debt the closer it gets to money and becomes more liquid, a policy of shorting debt may tend to increase the purchasing power and subsequently the price level. From the point of view of price stability, therefore, the debt may be lengthened.

This study reveals that fiscal policy could be treated as a significant price stabilization technique in the context of an economy where employment opportunities are expanding considerably under a planned strategy.

Table 3 Government Current Expenditure Multipliers

	Purchases 2 Multiplier	Transfers 3 Multiplier	Total Current expenditure Multiplier
1962/63	0.882	0.615	0.715
1963/64	1.428	1.845	4.132
1964/65	1.811	1.197	2.590
1965/66	1.212	1.165	2.325
1966/67	1.340	1.254	1.862
1967/68	1.182	1.851	9.900
1968/69	1.245	1.754	2.096
1969/70	1.490	1.169	3.030
1970/71	-0.655	-0.695	-0.376
1971/72	1.446	1.628	5.780

1/ Multipliers shown in the Table are calculated on the basis of the following formula

$$\text{Government Current expenditure multiplier} = \frac{1}{1-c}$$

Where c = $\frac{\Delta \text{ current expenditure}}{\Delta \text{ total receipts}}$

2/ Current expenditure component on purchases of goods and services.

3/ Current expenditure component on transfer payments.

4/ Total current expenditure comprises purchases of goods and services and Transfer payments.

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THE ECONOMIC TIMES

Editorial Department
Phone 34221
Friday 16th February 1973

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

WHAT INHIBITS DEVELOPMENT

The failure to implement effectively the country's development plans has been the bane of successive Governments. Plans cannot succeed without the resources needed for their execution. The crux of the problem is that our foreign exchange resources are woefully inadequate. And this thwarts or throttles all attempts at achieving a faster rate of economic growth.

What is needed today is investment and more investment, for without investment there could be no production. This is a truism as much as it is a stumbling block.

Sri Lanka's economic problems, and their causes have been stated and re-stated over the years by economists and planners that it would now seem superfluous for another recount. But it is tragic that still the tendency is to do much talking—more in terms of self pity than in positive action.

In addition to a worsening of the country's terms of trade, our three primary export products are experiencing lean times, particularly coconut, where there has been a severe shortfall in production due to the severe drought, this means that the volume of exports too would suffer. The prospects of increased export earnings are therefore extremely bleak.

However unpalatable it may be foreign aid is the main source of finance. Our planning experts are apparently blind to all other sources and they are presently making a frantic effort to obtain as large a dose of foreign aid as possible. The success of the Five Year Plan now depends almost entirely on the quantum of foreign aid that will be released by the Aid Club. This is the unfortunate situation in which the country is now plunged into.

Domestic savings which is an important source of finance has been assigned a vital role in the plan because ultimately the level of investment depends on the level of savings. But doubts have been raised, particularly in private sector circles, that the development strategy of the Government discourages savings. It is argued that the ceiling on income and the redistribution of income actually reduces the capacity to save. Be that as it may, the responsibility then devolves on the public sector to generate a surplus to offset the shortfall in private savings that may be experienced. It is precisely the inability of the Public sector to create this surplus that has caused the present predicament.

As we have pointed out in our earlier comments the efficient utilisation of scarce foreign exchange resources is of paramount importance. Foreign exchange saved by eliminating waste is as important as foreign exchange earned. Corruption and efficiency must be rooted out forthwith if the nation is to survive. In this connection the recent comments of Mr. Ronnie de Mel M.P. sums up the primary causes for the catastrophic economic situation obtaining today:

"There is no magic either in the private sector or the public sector. There is no magic either in Ten-Year Plans, Six-Year Plans, Short-term Plans, Long-term Plans or even crash Plans which crash even before they start. The magic is in implementation, in management, in administration and in efficient, incorruptible leadership and that is where the country has failed miserably for the last twenty five years since independence"

ADB loan for local sugar project.

The Asian Development Bank (ADB) has approved a \$ 2.8 million loan (approximately £ 1.7 sterling, for a sugar industry project in Sri Lanka.

The project to be located in the South-Eastern part of the country will cost about

\$ 4.8 million, the local currency cost of approximately \$ 2.0 million will be met by the Government.

The bank loan will cover the foreign exchange costs of machinery, equipment, spare parts, imported materials and consultant services.

The loan from the bank's special funds resources will bear interest at two percent per annum and will be repayable in 20 years after a grace period of four years.

The loan proceeds will be lent by the Government to the state-owned Sri Lanka Sugar Corporation.

Ministry of Plantation Industry

1,000 days of activity

This Ministry was established in May 1970 for the development of plantation—scale perennial and export—oriented crops. The Ministry works through three departments and Six Boards and Corporations.

Coconut Development Authority

The Coconut Development Authority was established to function as an overall co-ordinating body. The Coconut Board, the Coconut Fibre Board, the Coconut Research Board and the Department of Coconut and Cocoa Rehabilitation were brought under the Authority. Four Boards were set up under this Authority to deal with cultivation, research, processing and marketing.

The British Ceylon Corporation and its allied concerns were taken over by the State under the Business Acquisitions Act in February 1972, and its management was entrusted to the Coconut Development Authority.

The Coconut Pest which threatened the entire Coconut Industry last year was brought under control by using the Biological Control Method which was found to be most effective of all the methods.

Minor Export Crops

A new Department of Minor Export Crops was established in January 1972. A comprehensive development programme for 13 minor exports crops is being implemented.

Sericulture

A central Sericulture Station was set up at Pallekelle under the guidance of an F. A. O. Consultant.

UNDP/FAO—Agricultural Diversification Project

This project is to assist the Government in the designing of a long term programme of diversification of uneconomic tea and rubber lands. State Plantation Corporation

This Corporation now manages 21 estates and 4 tea factories. Of these 9 estates have recently been purchased by the Government from private firms.

TEA

The Ministry is adopting a policy of purposeful intervention to ensure that tea

estates, which are almost wholly owned by the Private Sector, are maintained and developed in the national interest.

RUBBER

As Sri Lanka does not wish to be left behind in the progress made by other countries in the manufacture of new forms of Rubber such as block rubber, the five year plan envisage the establishment of five block rubber factories during the period.

Research

Very high priority has been assigned to research and experimentation on all crops covered by the Ministry.

Control of Transfer, Acquisition and Fragmentation of Estates.

The Estates Control of Transfer and Acquisition Act No. 2 of 1972 came into operation on 18th February 1972. All transfers of estates or parts of estates over 100 acres or parts of estates which were 100 acres on 1. 1. 62 required the approval of the Minister of Plantation Industries.

For Advice and Understanding

A family's day isn't complete without the feeling of security that a father's homecoming brings. But have you made their future secure also? If you should die, would this mean a double tragedy for them—in which personal grief would be followed by financial hardship? By planning for the future, a man can make life better for his family and for himself. Providing for them puts his mind at rest. Providing something extra for retirement gives him much more to look forward to. Why not talk these questions over with someone who understands these problems, and can help you to do what's best? Turn to the Insurance Corporation of Ceylon, No. 267, Union Place, Colombo 2. It will be glad to help you.

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