ECONOMIC REVIEW

JUNE 1975

The Agency Houses

A People's Bank publication

ECONOMIC REVIEW

Volume 1 Number 3 June 1975

Published by The People's Bank
Research Department
48, Park Street,
Colombo 2, SRI LANKA.

CONTENTS

FEATURES

Kumari Jayawardena 24 Women of Sri Lanka : Oppressed or Emancipated ?

Paul Streeten 30 A Primer for Aid Recipients

COVER STORY

3 THE AGENCY HOUSES

COLUMNS

2 Diary of Events

13 The Economy

14 Tourism

16 Banking and Finance

18 Foreign News Review

20 Technology

21 Agriculture

22 Commodities

THE ECONOMIC REVIEW is intended to promote knowledge of and interest in the economy and economic development process by a many sided presentation of views & reportage, facts and debate.

THE ECONOMIC REVIEW is a community service project of the People's Bank. Its contents, however, are the result of editorial considerations only and do not necessarily reflect Bank policies or the official viewpoint. Signed feature articles also are the personal views of the authors and do not represent the institutions to which they are attached. Similar contributions as well as comments and viewpoints are welcome.

THE ECONOMIC REVIEW is published monthly and is available both on

NEXT ISSUE

- Milk Food — Necessity, Scarcity and Self-sufficiency.
- Path breakers in Third World thought.
- Global Reach — Multinationals.

COVER ARTIST

N. Somabandhu Vidyapathy has exhibited in Colombo, Moscow, Peking and Washington. He is a leading designer for ballet, drama, film and classical dance and among his better known murals are those that adorn the walls of the International Buddhist Education Centre in Burma.

43621

DIARY OF EVENTS

May	2	Bank of England increased its minimum lending rate from 9.75 to 10%.
	5	11th annual assembly of the African Development Bank opened in Dakar.
	6	UN Economic Commission for Latin America (ECLA). commenced its 16th Session in Trinidad.
	8	General Assembly of the Organisation of American States met in Washington.
	12	First session of the World Tourist Organization commenced in Madrid.
	13	Foreign Ministers of the Association of South East Asian Nations (ASEAN) met in Kuala Lumpur.
	15	U.S. Federal Reserve Bank cut the discount rate from 6.5 to 6%.
	15	Deputies of the Group of 10 met in Paris.
	19	Bangladesh formally changed the exchange rate of the takar against sterling from TK 18.9677 to TK 30, an effective depreciation of 58%.
	20	Ministry of Planning announced that the Government of Sweden will give Sri Lanka Rs. 55 million in aid for the year commencing July 1975.
May	20	UN International Tin Conference opened in Geneva.
	20	Switzerland cut its bank rate to 4.5% from 5%.
	20	1st Plenary Session of the South Asian Housing Ministers' Conference commenced in Colombo.
	21	Saudi Arabia and other oil producing countries pledged $ 500 million in Rome to the $ 1 billion International Fund for Agricultural Development.
	21	Hong Kong agreed, in principle, to the creation of a commodities exchange, the first in the Far East to deal in internationally traded commodities.
	23	Officials from 26 countries and heads of the world's main organisations met in The Hague to formulate ways of implementing UNs call for a new economic order.
	23	Co-operative Conference attended by over 1,200 delegates from the country's co-operatives network opened in Colombo.
	27-30	1st meeting of the Iran - Sri Lanka Joint Committee for Economic Co-operation began in Colombo.
	28-29	OECD Council held its annual meeting at Ministerial level in Paris.
	30	Italy reduced its bank rate from 8% to 7%.

THE AGENCY HOUSES

their past, present and possible future

In April this year, the six hundred and forty-one page report of the Commission of Inquiry on the Agency Houses was finally released to the public. The event was significant in many ways. It was a long awaited report. The Commission was appointed in June 1971 and their report completed 3 years later, in August 1974; and released in May 1975 — one of the longest gaps, between the date of appointment and final release of a report, in the history of Inquiry Commissions in this country. With the scope of the Inquiry so far reaching, so sensitive a subject being dealt with and so unresponsive a stand by those from whom information was sought the delay was not surprising. Speculation was mounting as to why the report was not being released. The cynics felt the delay was because the report was favourable to the Agency Houses; others thought it was too radical. Within days of its being put out for sale all copies were sold at the Government Publications Bureau, even though it was priced at Rs. 25|25. This was possibly an indication of the public demand for the report, unless a few bought up many copies of it.

The report documents in detail, the working of the plantation sector of Sri Lanka's economy, specially the manner in which it is controlled by the Agency Houses in Colombo. This entire issue has now come up stronger than ever before and the debate in the minds of various sections seem to grow. Speculation is ripe on the future of the Agency Houses — will they continue as they are or come to be closely controlled or be done away with altogether? So much for the thoughts of the future. It is necessary, however, to view their past and present functioning in order to assess how the Agency House services could best be performed in the future.

Black Man's Burden

The Europeans first came to Sri Lanka for commercial and business purposes, the Portuguese and Dutch being more interested in commerce rather than in agricultural production. Thus the spices such as cinnamon were gathered and transported to Europe in order to make their food tasty specially in the long winter months. It was the British who first conquered the entire country including the Kandyan area and the situation in which Sri Lanka finds itself today with reference to the plantation economy was determined by British rule during the 19th century. Britain replaced much of the traditional agriculture with more profitable plantation crops. Vast areas of land in the hill country were taken over by British planters at very cheap prices with the support of the British Government. Hundreds of thousands of acres thus passed from the explicit or virtual ownership of the people of the country, specially the Kandyan peasantry, to the British Plantation companies. In the Low Country a few families had become rich either in the service of the British Government, the plantations or through trade they bought up many acres for the cultivation of coconut and rubber. Thus in the second half of the 19th century a large scale land alienation took place, a sort of enclosure movement. The present land reforms are an effort to deal with some of the problems resulting from this earlier land takeover and the marginalization of the poorer indigenous population.

Coffee was the first crop that was introduced in this manner, but by the 1870s this had given way to the even more profitable and successful tea crop. The British acquired a taste for tea, particularly good quality black tea that Ceylon can produce so well. Even though large areas of rubber and coconut were planted tea was a favourite and even today nothing can oust its importance for the Ceylon economy for the British - Sri Lanka relationship. In order that the British housewife could regularly serve and enjoy her four o'clock cuppa, this country had to produce the tea leaves while sugar would come from the colonies in the Caribbeans. The imperial power was also used for bringing about half a million labourers to the plantations from South India. In 1827 there were 10,000 Indian Tamil estate population in this country. By 1946 the figure stood at 666,000. We nearly had a large influx of Chinese populations as in Malaya because it was cheaper to get down Indians from South India. The plantation industry also built new roads and railways, a modern harbour, a colonial administration and health services in the estate regions. Thus even today the system of roads and hospitals is far better in the Central Province than North Central Province or Lower Uva.

While the plantations gave Sri Lanka a regular source of foreign exchange and developed certain skills of cultivation and management it also distorted the economy by making us dependent on foreign countries for the import of essentials such as food, textiles and even light industrial consumer goods. An economy that was earlier fairly self-sufficient, though at a rather low subsistence level, was rapidly opened up to the world market economy.

Need for Agency Houses

The form in which British enterprise was established in the plantations was that of private companies, joint stock companies and individual holdings. The management on the estate was entrusted to the superintendent and officials subordinate to him. Between the owners who were often absentee land lords residing in Britain or in Colombo and the Superintendents on the estates, it was necessary to have some authority co-ordinating the running of the estates and disposing off their produce. This was the reason for the Agency Houses to develop.

"The first agencies of the plantation industry in Sri Lanka were the coastal agents residing and operating in Colombo, who performed various services required for the developing plantations, which the pioneer planter in the hill country could not attend to on his own. The processing of coffee, sales, the arranging of shipping facilities, procurement of supplies and the provision of credit were the early functions. With the accretion of larger functions around these coastal agents in Sri Lanka, as in Malaya, and with the development of a closer identification of agents with the planting interest, there came into being the first and the corporate bodies, the Agency Houses".

The system set up was one in which the whole network of relationships from production to consumption was owned and controlled by the British, the brokering, accounting, insurance, banking, wholesaling and retailing in Britain, and from there to the rest of the world. The British were superintendents of the estates, their Agency Houses in Colombo and London made the major decisions regarding management, buying and selling of tea. The economic system was one in which labour was very poorly paid and the management was top heavy and highly rewarded. The owners obtained high dividends. The consumers themselves in Britain got tea at a relatively cheap price: whereas goods imported from Britain were realtively high priced as British labour was paid much better wages.

Colonial System Continues

After Independence in 1948, apart from the ownership of some estates, the whole chain of control over tea continued as before. The Government has been able only to break into sections of it as in insurance, banking, shipping or packeting.

Since World War II and particularly after Independence and the socio-political changes that followed, the position of the Agency Houses have undergone considerable change —

(*a*) There has been a withdrawal of capital from Sri Lanka over a period of time.

(*b*) A Ceylonization of capital of some of the principal Agency Houses has taken place.

(*c*) The foreign interests based in Britain began to operate in Sri Lanka through the Agency of Sri Lanka's own nationals, sometimes operating as corporate bodies.

(*d*) Development in the 1950s of the new global phenomenon called "new mercantilism", "market imperialism" and "neo-colonialism". Through a wide nexus of controls and the intermediary of a well rewarded local elite the foreign capitalists were able to obtain the same returns or more than even earlier.

Significance of the Agency Houses in the National Economy

In assessing the role of the Agency Houses in the plantation economy it is also necessary to remember that Sri Lanka, despite several important strides in the direction of diversification of crops and the encouragement of 'non-traditional' exports, is still dependent for a large part of her national wealth and much of her foreign exchange earnings, on the three traditional crops, tea, rubber and coconut. The Agency Houses can be said, in consideration of all their activities taken together, to exercise a great influence over this most important sector of the country's economy. "Monopoly has developed in the Agency Houses themselves through mergers, the creation of affiliates and subsidiaries and the formation of inter-locking directorates," according to the Commission on Agency Houses and Brokering Firms.

The large Agency Houses have imposed a uniformity in practice on most of the smaller agencies. Most significantly on account of the levers created throughout the entire estate sector by inter-corporate share purchases made through captive investment companies, the Agency Houses together with the Brokering Firms have reached a position of well-nigh total control.

Over the years a concentration of economic power has grown among a few Agency Houses which control over 60% of the tea plantations. George Steuarts control 17.6% of tea acreage managed by Agency Houses; Whittalls 14.7%; Carson Cumberbatch and Leechman 14.9%; Consolidated Commercial Agencies 8.5%; Harrisons and Crosfield 6.1% and James Finlays 5.0%. These six control over 2/3 of the estates under Agency.

The table below from the Agency Houses Commission report shows the position of the Agency Houses in relation to the total acreage managed by them and the quantities of tea and rubber produced under their management in 1970 and also shows the significance of the Agency Houses in the National Economy.

Significance of the Agency Houses in the National Economy

	Tea	Rubber	Coconuts
Total produced ..	468 mil. lbs.	350.9 mil lbs.	2,447 mil. nuts
Produced by estates managed by Agency Houses ..	291 mil. lbs.	96 mil. lbs.	86 mil. nuts
2 as a percentage of 1	62.1	27.3	3.9
Gross National Product contribution by estates under Agency Houses	6.21	1.09	—
Total Acreage ..	597,499	568,960	—
Acreage under Agency Houses ..	279,845	119,207	—
2 as a percentage of 1	46.8	20.9	—

The figures given in relation to the Gross National Product although sufficiently high for the purpose of this argument, are nevertheless relatively less important. It is in regard to foreign exchange earnings that the position is one that has a large significance. In 1972, out of a total of Rs. 1,942 million earned by Sri Lanka's exports the earnings from tea amounted to Rs. 1,154 million and from rubber Rs. 265 million. Although the days of the

"Planter Raj" are over, there is little doubt that the private sector Agency Houses operating in Sri Lanka today and exercising an influence over this large area of the country's economy represents a concentration of economic power in a few hands.

BRITISH AGENTS

The Agency Houses were established by the British in Ceylon during the heyday of their imperial rule, for the benefit of interests in Britain. The maximum profit was to be obtained by transforming the economies of the colonized countries for the advantage of the "Mother country" — Great Britain. The natives in effect were to be given a minimum in return for their labour and resources whilst the British were to benefit from the control of production and distribution.

Functions

The Agency Houses were set up in London and Colombo and had responsibility for estate management including :

(*a*) control over the budget, cultivation methods, manufacturing processes, the appointment and supervision of the higher grades of the plantation hierarchy.

(*b*) secretarial and accounting services, credit and financial policy.

(*c*) procurement of estate supplies.

(*d*) advice on taxation, handling of exchange control matters, remittances of dividends and Head Office expenses to British interests.

(*e*) as insurance agents for firms.

(*f*) as shipping, transportation and storage agents.

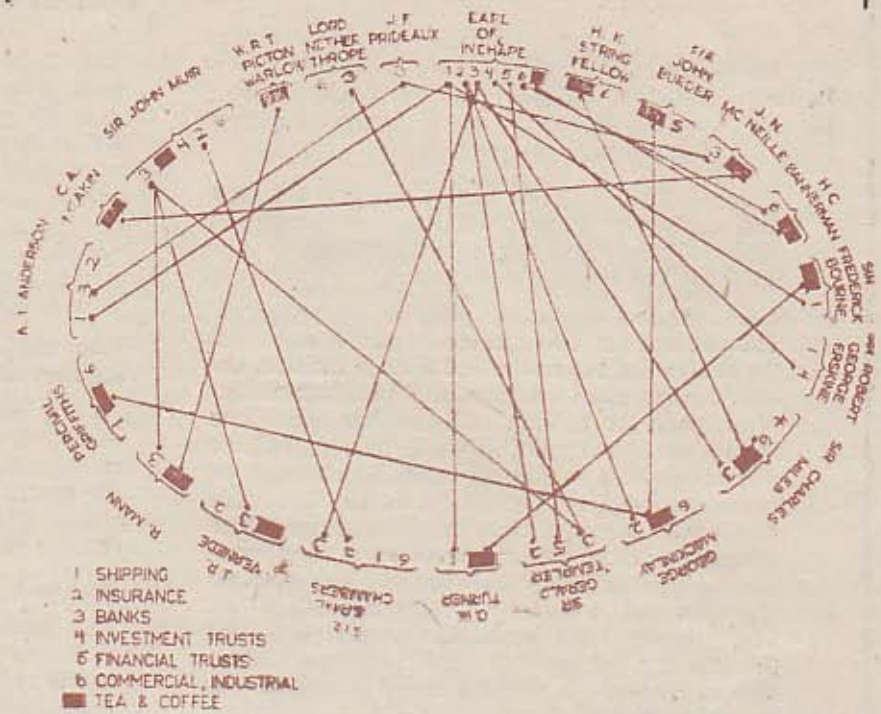
(*g*) management of Estates of rupee companies which asked for their services.

(*h*) other services to estates: in engineering, legal and technical problems.

While each of these functions was a necessary service, and there was an advantage in grouping them together under one "House," the manner and purpose for which they were rendered was to benefit the

Continued on page 8

INTERLOCKING DIRECTORATES IN BRITAIN.....

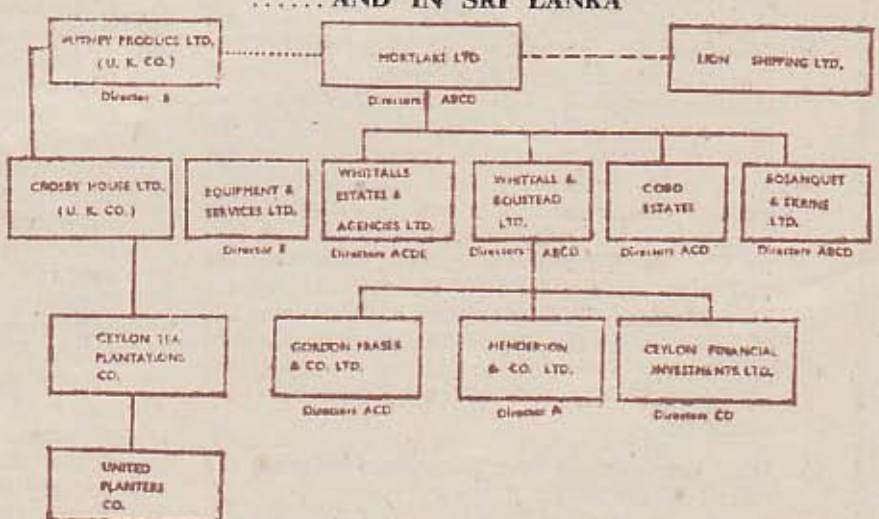


(Year : 1965)

One of the features of the tea trade has been a high degree of concentration of control through interlocking directorates in Britain and Sri Lanka. "Given this ramification in the ownership and control of the tea industry, there is a possibility of an alignment of interests of the financier, the producer, the broker, the transporter, the blender and the distributor. It is possible, however, that the views of the producer and those of the producing countries on important aspects of the industry (such as lowering production costs and seeking out the most profitable markets for its products) might diverge". (A. S. Jayawardena and Nalini Jayapalan, Central Bank of Ceylon).

The following two diagrams illustrate the phenomenon.

.....AND IN SRI LANKA



A	S. Cumarasamy
B	D. A. Neale
C	P. G. Uglow
D	J. D. N. Banks
E	R. Wijeratne
F	A. L. de Montfort

The dotted line indicates Companies linked through Directors only.

The broken line (- - - -) indicates Companies linked through relations of directors. Lion Shipping took over the agencies previously serviced by W. Boustead. The principal shareholder (9-7-67) is a very close relative of the Chairman of W. Boustead. (Agency Report p. 44, para 12).

(*Source : Registrar of Companies & S. Candappa, Centre for Society and Religion.*)

PLANTATION INDUSTRIES

The Minister of Plantation Industries, Dr. Colvin R. de Silva in an interview with the 'ECONOMIC REVIEW' on the Agency House Commission Report made the following points :—

Q. Agency House interests have expressed the view that the report of the Commission of Inquiry on Agency Houses is a very biased document. How far would you disagree with them ?

A. The characterization is unfair and undeserved. The research embodied in the Report is extensive, the analysis of the researched facts is incisive, the opinions expressed are direct and the recommendations made are radical. All this has been done from a consistent point of view, namely, that the plantations are a national asset which must be run in the national interest. I rather think that this is what the word "bias" signifies in the mouth of interests whose governing purpose is the generation of private profit and whose basic purpose has been and is to serve foreign interests which have through the plantation system exploited this country for one-and-a-half centuries. What they mean really is that the report is not written from the point of view that exploitation is natural and right but is written from the point of view that exploitation must be sought to be ended through public control. That is not bias in this time and age ; for, after all, that is the perspective of the Government itself.

Q. What is your view of this report ?

A. I believe the report to be quite thorough. It has dug reasonably deep into the matters it was concerned with and it has reached conclusions which flow from the facts that they have found. The Planters' Association characterises as "charges" the criticisms made in the report which to normal people would indicate a bias on the part of the Planters' Association. However, I do not see much point in entering into a developing controversy about the report and its recommendations. It is far more important to observe that we have in this report a valuable conspectus on well nigh all matters that concern the Agency House System—its development, its functioning and its relevance to the contemporary perspectives of our country. I should also add that the report was produced in the face of considerable non-co-operation.

Q. What repercussions have there been following the release of the report ?

A. I am told that certain recommendations in this report have had a depressing effect upon share values.

Q. Were there any apprehensions about the release of the report ?

A. The Cabinet considered it important that we publish the report inspite of some suggestions that, in view of the sensitive nature of the findings, we do not. The report could have been kept unpublished thus depriving the country of some very valuable information. It is necessary for the people to know what the Commission has said and this goes even for those interests abroad who could gain a wrong impression by distorted versions leaking out unofficially.

Q. What are your views on the possibility of implementing the recommendations in the report ?

A. As for implementation, this report is unique in that it expressly sets out a plan of implementation showing that the Commission always had in mind the practicability of the proposals in framing the report. The part on the replacement of the Agency House system is a novel feature.

Q. How necessary are the Agency Houses ?

A. The Agency House is a product of the foreign ownership system. You do not talk of an Agency House system in Britain. It arose historically as a necessary link in the chain of institutions to serve the plantations in Sri Lanka whose ownership and owners lay abroad. Even the Ceylonese companies handed over the running of their estates just because there was an Agency House system.

Q. A possible nationalization of the Tea Industry has evoked as much interest recently as the question of the Agency Houses. What relationship and eventualities do you foresee ?

A. If the State becomes the owner of plantations, the State's concern will be to find an appropriate form of organisation for running its own plantations. The organisations we have already developed in this country for running our publicly owned ventures will be available for choice. Several forms exist — for example, the Corporation form, the Government Department or the Co-operative. In this respect, we can say that the State Plantations Corporation is the Agency through which the State runs its plantations. The State Plantations Corporation had only 12 estates when I took over this Ministry, today it has over 90 spread over the entire plantation region and produces nearly 1/10th of the tea exported. It is establishing seven or eight regional offices from which the plantations in each demarcated region will be directly run. It is not so very difficult to fit a nationalised plantations system into such a framework. The somewhat elaborate framework suggested in the Report flows from that it contemplates the situation arising from the existence of a predominantly private sector in the plantations. This it does rightly because the question of nationalisation of the

MINISTER SAYS . . . .

plantations does not fall within its terms of reference.

Q. In the case of implementing the Agency House report and/or nationalization of the entire Industry can you guarantee existing criteria of efficiency ?

A. On the contrary such measures will tend to improve returns. Let me explain. With ownership in the State a thorough going rationalisation of the whole plantation system is possible and savings will result. We can achieve a higher level of efficiency in management approaches and techniques and in building up and preserving these assets rather than making profit the sole objective.

The State Plantations Corporation's regionalisation scheme, for example, saves transport costs; and by regrouping estates under a common state ownership, we will remove artificial boundaries. For example, the Estates—Vedamulla and Ramboda—which are adjoining estates, spread over 4,000 acres, can now be regrouped as a single one, saving tremendous overhead costs. In this respect the mere act of taking over foreign owned plantations and running them through the State Plantations Corporation will enable us to move immediately from loss to profit. Why? Because repatriation of monies for Head Office charges in London will then not be necessary. More foreign exchange has gone out in recent years as Head Office charges than as dividends of plantations.

Q. The report calls for swift action on its recommendations. What are your views on this ?

A. Deep going changes as envisaged in the report cannot be done suddenly. The country should have time to discuss the problem.

Q. What would you say is the next step ?

A. There is a tremendous body of opinion among plantation owners themselves, that the next logical step is to nationalize. Since November, 1973, we have given the plantation sector a package deal where we are pumping in Rs. 625 million over a five year period in order to render the estates more profitable. When I was in London in December last year, I said in a B. B. C. interview that we are injecting Rs. 625 million into the tea industry. The interviewer asked me "Why don't you take over?".

Q. What was your reaction ?

A. My answer was, "personally I agree with you, but my way as a Minister is never to anticipate the decisions of my colleagues; and to carry out changes in such a manner as not to interrupt the flow of a product so well established in the international market."

Q. Since we are on the subject of nationalisation what reaction do you foresee in the event of such a step ?

A. I do not think the British government or people or even the plantation interests themselves will be surprised if this government took a decision to nationalise. What is in their minds is adequate, prompt and effective compensation. The policy of this government has been nationalisation with compensation and not outright confiscation. Perhaps the current thinking of sterling interests themselves is being manifested by the increasing sales of their estates to the Ministry of Plantations. I welcome this new development because it represents abandonment of transactions abroad which I have considered not to be in the national interest. As a matter of policy sterling estates will gradually be bought up by a process of negotiation.

Q. In the event of implementation of the Agency House Report and/or nationalisation what will happen to those in employment now ?

A. My Ministry is taking over estates as going concerns and with the exception of an odd member or two of the management, we have taken over the total body of those employed. The labour force has been taken over intact. For purposes of terminal benefits the services under private owners are considered as service under us. In some cases we have even re-employed persons retrenched by the private owners or by Agency Houses upon their estates coming into our hands. We would certainly honour our obligations to present employees. I believe that there is in the estate sector a whole body of skills and expertise which should be availed of. It would be foolish not to do so. These talents are as much a national asset as the plantations themselves.

Q. In the implementation of either measure do you foresee a period of disorganisation and drop in production ?

A. In the way I contemplate the process of nationalisation, there will be no interruption whatsoever in the production process. There will not be even a shortfall in production or a disruption of the marketing process. We are geared to take overs. Take overs have become routinised.

Q. At what stage are we now on the report ?

A. Concrete proposals are now being prepared for consideration by the Planning Council before they are submitted to the Cabinet.

Q. The people affected are wondering what will happen ?

A. May be, they hope and believe that what will happen will not happen.

foreign owners. Hence they developed methods or modes of exploitation in regard to each of these functions. Exploitation was their goal, these services were means for it. As good businessmen they performed these tasks well to their maximum advantage. Being British "gentlemen" they made the exploited feel that their agencies were really serving the colonized people. They built up an educative system, a means of advertising and life styles within the country which softened the sensitivity of the native elite to the exploitation. The entire economic, political, legal, educational and social system of the country was adjusted to suit their priorities.

We can thus see how the power and profit of the Agency Houses and their masters increase with the combination of these functions under one House and a group of interconnected houses.

Estate Management

The Agency Houses and Tea Companies have been responsible for the setting up of the rigidly pyramidical and hierarchical system on the estates and in the industry at large. This is a pyramid of wide disparities in wages, life styles, opportunities and relationships. The plantation companies built up a highly stratified social system in the country. At the base of the pyramid was imported cheap labour from South India who were in semi-slave conditions, in labour camps. The labourers were paid a subsistence wage — just enough to survive, work and reproduce. The Indian labour was brought in and controlled by a class of middlemen *Kankany's* who were paid according to the number of workers reporting for work on an estate, who thus had a vested interest in making the harsh system work.

Above them are the subordinate staff of Tea-maker and clerks who had a lower middle-class status in the estates. They had quarters separated from the "lines" of the labourers. The supreme authority on the estate was the Superintendent helped by his assistants. His life style was that of the upper class in the country, his income among the highest of earned incomes. The

Continued on page 12

AGENCY

The Agency Section of the Plantation Association of Ceylon despatched a seven-page memorandum to the Prime Minister on May 20 refuting some of the "charges" made in the Report of the Committee of Inquiry on Agency Houses/and Brokering Firms.

The memo listed the following seven points as the main charges made against Agency Houses and London Principals.

(1) They are not efficiently managed.

(2) They permit the retention of foreign exchange from sale proceeds for periods in excess of the time stipulated by the Controller of Exchange.

(3) Their development programmes are geared only to meet private profit considerations and not the National interest.

(4) Remittance of profits and head office expenses have been given priority even at the cost of not incurring local items of expenditure deemed essential for development purposes.

(5) No free competition in the London Auctions: Collusive action between brokers and buyers alleged.

(6) With the impact of Sri Lanka's fiscal measures upon them, they had endeavoured more and more to earn their profits outside Sri Lanka than within it.

(7) Monopoly has developed in the Agency Houses through merger, the creating of affilates and subsidiaries and the formation of inter-locking directorates. Agency Houses, together with Brokering firms have reached a position of wellnigh total control of the plantation economy.

Taking up each of these seven charges the memorandum makes the following points.

1. Inefficient Management. The specific charges on inefficient management referred to shade trees, fertilizer application and accounting systems. The estates were acting on the advice of the T. R. I. regarding shade trees. Regarding fertilizers the State Fertilizer Corporation has not been able to provide supplies. Regarding accounting systems the Company's accounting systems in preparing of estimates to cover the "basic cost" with an element of profit—this was done in exceptional cases.

   Accounting policies applicable to estates managed by an Agency House varied from company to company.

2. Violation of the 4 months rule and delay in remitting the sale proceeds within this priod or within a 10-day period after payment has been made at the London end. "Where delays have occurred in regard to remittance of sale proceeds within a specific period, it should be borne in mind that such companies that had not complied with the terms of the undertaking may have had valid reasons to offer for the delay. The report states that in a large number of instances the account sales had not been certified by an Approved Auditor despite the undertaking given by the Agency Houses on behalf of Sterling Plantation Companies that there would be certification. The suggestion was made by the Department of Exchange Control that there should be such certification but it was not implemented because of the cost factor.

3. Development Programmes. It has to be understood that

a significant percentage of companies have not been able, over the past few years, to declare any dividend owing to losses incurred by them consequent on falling commodity prices and increased prices of input in order to maintain their holdings at reasonable agricultural levels and also provide for such levies as export duty which had to be paid regardless of profitability. Within these rather restricted and confined limits a detailed examination of the performance of these companies would show that they have perhaps in a greater degree than even the Rupee Companies undertaken factory development programmes as well as replanting programmes. The failure to keep to the percentages required of them in certain cases could, no doubt, be examined individually and explanations offered.

4. Remittances. It would be pertinent to point out that the total of Head Office expenses, taxation and dividends should be considered not as a percentage of net proceeds from sale of tea by Sterling Companies managed by the Agency Houses, as this would represent only the volume of teas which have been sent to the London Auctions but rather as a percentage of the total turnover from these Companies. Expressing Head Office expenses as a proportion of London sale expenses (as done in the report) distorts the picture by excluding sales at other centres. Head Office expenses which would be a little over 2% when considered against the total turnover, had necessarily to be incurred as long as Sterling Companies were permitted to exist. The monies remitted have been done with Exchange Control authority and with the due observance of all Government Regulations.

Referring to Charges 5, 6 and 7 the memorandum states "We can do no better than quote an in-depth report on the Marketing of Tea made by a Specialist Team on Tea Marketing appointed by the Consultative Committee of the Planters Association in India. The report was made in January, 1975 and dealt analytically with the functioning of the Indian and London Tea Auctions.

Referring to the lack of free competition at the London auction the memo states that the study team is of the opinion that the various charges of collusive under-selling by broker/buyer communications are without foundation and reflect ignorance of the mechanics of the system of sale through Auctions.

Referring to monopoly through mergers and inter-locking directorates the memo states that the team found no evidence of any international rigging arrangements to cut tea prices down and on the contrary found ample evidence that international market prices function, much as theory would expect inter-linked competitive markets to behave. In fact, the auctions (particularly an internationally linked system of auctions) represented the most natural and fair system of disposal and that it was more important to strengthen this system rather than to find alternatives to it."

The P. A. quotes the C. B.

Nearly two pages of the memo quotes the Central Bank report to back up their case. The memo states: "It will not be out of place to refer to the Annual Report of the Central Bank of Sri Lanka for the year 1974 which *inter-alia* states as follows:

"The decline in output in the plantation sector is a matter that needs urgent consideration. It could have very serious long-term implications for the availability of foreign exchange in particular and for economic growth, because at present the most serious hindrance to a higher rate of growth is the shortage of foreign exchange. There is, no doubt, that the major plantations will continue to be the largest potential net earner of the foreign exchange for a very long time to come. There are no indications that non-traditional exports, even gems, will effectively displace tea, rubber and coconut as the three major sources of foreign exchange. The country has had no problem in selling all the tea, rubber and coconut that it can produce. The difficulty is that it has not been able to produce more.

"The factors that contributed to the decline in production recently needs to be carefully studied and reviewed in the shortest possible time. Although it is difficult at this stage to clearly determine all these factors some of them are quite obvious. What is even more significant is that the major factors that have affected the fall in productivity have been strictly outside the purview of the industry and the industry itself has been relatively helpless. Since the early seventies a climate of considerable uncertainty has prevailed in the plantation sector with threats of nationalisation and to add to this, commodity prices have also been in a depressed state. As a result of this, there has been an element of neglect in most plantation properties because the level of investment to maintain these properties in good condition has declined. When prices rose in 1974, the industries were not in a position to step up production very sharply in order to maximise the benefits from the boom. In the light of this, the implementation of the Land Reform programme over a short period of time of two years has had the most adverse repercussions from the point of view of export earnings.

"The overall decline in the plantation crop sector could, therefore, be attributed to the sharp curtailment in expenditure and the climate of uncertainty that has prevailed in the last three years since the implementation of the Land Reform Scheme.

"The productivity in the plantation industries in the past has been very largely due to good management and there was little doubt about the quality of management of these estates in earlier years. Furthermore, it is in a climate confidence and certainty that the plantation industry would be in a position to plough back profits or increase their capital investments through credits from lending agencies".

THE COMMISSION REPORT ON . . .

Financial Transactions and Services

The Agency Houses Commission Report concludes that the manner of keeping accounts though quite useful in some regards does not permit an evaluation of the services rendered by the Agency Houses as such. The report suggests that the very high emoluments paid to Directors of companies and Agency Houses is far in excess of the services rendered by them. The same is said of the Head Office charges for work in London.

The charges levied by the Agency Houses from public rupee companies work out to about 6 to 7 cents for a pound of made tea. The expenses incurred by these principals by way of salaries and allowances of the marginal staff on the estates works out to about 10 - 12 cents per pound of tea. The agency charges are as much as half of these charges. Yet it is the managerial staff on the estates who do the bulk of the work. The Commission is of the view that the Agency House charges are exorbitantly high in relation to the services they perform. This becomes worse when compared to the poverty of the workers.

"In the midst of the general wail about both reduced margins and unprofitability on the part of the estates in respect of tea, the Agency Houses have not been slow to find new ways of increasing their earnings. A number of Agency Houses have recently taken to gemming. George Steuart & Co., Ltd., levies a handling charge of 12½ per cent on the alienation of gemming lands of their principals. In the course of years it has come about that the agency charges have grown proportionately higher and have become almost an incubus on the financial structure of many a plantation company. When the total position is considered, the small number of shareholders of the Agency Houses are seen to be among the principal beneficiaries of the plantation industries of Sri Lanka".

* * *

Management and the Agency Houses

The Report casts doubt on the managerial efficiency of the Agency Houses. The Commission which has reported on 19 tea estates and 20 factories, 11 rubber estates and 8 coconut estates concludes: "The above samples for each of the crops are small but the investigation of the agricultural and technical conditions of the estates in the sample was as intensive as it could be possible. Several witnesses who gave evidence before your Commission and others who submitted memoranda have referred to the short-sighted policies adopted by the Agency Houses towards estates under their management. They have stated that the concern of these firms is only in their own remuneration and the annual profits and that the maintenance and improvement of the estates have been by and large neglected and that they have been allowed to deteriorate further.

Some of the points made by the Commission are: In six of the 19 tea estates soil conservation measures were reported to be unsatisfactory. Terracing upkeep had not been done. There had been much curtailment on the clearing, desilting and recutting of drains. On one estate these operations had not been done for three years, on another for the last 5 years. On one estate all shade trees had been felled for firewood for the factory and not replaced. This estate required good stand of trees since several areas of it are windswept.

In eight of the 19 tea estates application of fertiliser was unsatisfactory. Nitrogen application was very low and inadequate in seven of them and had fallen over the years.

Forking and pruning in the 19 estates were reported satisfactory except in three of them. In one estate no forking had been done for several years and at present it is placed on a phased basis to be done when finances are available. In another estate forking had been suspended for the last eight years.

The rate of replanting has been reported inadequate or slow in respect of 9 estates of the total of 19.

Reporting on the condition of tea estates, the Commission concludes that considering both agricultural conditions and manufacturing facilities, only six out of 19 estates could be described as being agriculturally sound with well-equipped factories. In two of the estates agricultural conditions were good but manufacturing facilities were inadequate. Since inadequacy in factory capacity could be corrected quickly through capital investment these two estates could be added to the earlier six to make a total of 8 good estates which could be said to be in a good condition.

Of the remaining 11, four estates were in a very poor condition since they are poor or neglected in agricultural aspects and in manufacturing facilities.

Some of the points made by the Committee on the 11 rubber estates examined are :

Nearly half the number of rubber estates examined adopted the short-sighted policy of intensive tapping which is detrimental to long term yields, an understandable practice under boom conditions, when prices are unusually high. The result of this policy, was a slowing down of the rate of increase in yields, and its eventual decrease which may have in turn contributed to the increase in the cost of production per unit. In the face of adversity, the estates seem to have withdrawn into a purely defensive position and adopted a negative approach towards the problems before them.

MARKETING OF TEA

Four big international British-based combines control the purchases at the London Auctions and the retail sales in Britain and elsewhere. London auctions are the most important wholesale market for tea. Here the buyers act mainly through the 9 members of the Tea Buying Brokers Association. S. S. Smith account for 50% of the purchases principally for Brooke Bonds, Mendan Tea Co. 18% for Typhoo, G. Harrison & Co. 18 - 20% for Lyons. Together they account for over 85% of total purchases. There is no free competition in the London auctions due to such a paucity of buyers in whose interest it is to reduce the buying price. Four major buying brokers operating on the London auction handle close on 100% of all teas bought at the auction. London prices influence in a very large way the world prices of tea.

The big buyers also control the retail market in Britain. Brooke Bond OXO Ltd. owned by the giant multi-national corporation Brooke Bond Liebig Ltd. had an estimated market share of 42% of all retail sales in the U.K. Typhoo owned by Cadbury Schweppes Ltd., Lyons Telky Ltd. owned by J. Lyons Co. Ltd. and the Co-operative Tea Society, 17% and 14% respectively. These four firms accounted for about 88% of the British market. There is a similar oligopolistic situation in the retail tea markets of U.S.A., France, Australia and Japan. Liptons/Unilevers control 44% of sales in the U.S.A., 34% in France, 33% in Japan. Bushells/ Brooke Bond control 59% of sales in Australia. These are further inter-related with coffee and cocoa marketing. The net result is that these firms have the power of keeping down the price paid to producers of tea, while they charge a high price to consumers.

As Edith Bond says in the "State of Tea"—

"It is not surprising that the real price of tea for the producer is declining significantly. Between 1961 and 1972 the average annual auction price per kilo of Sri Lankan tea in London decreased from 50.9 per kilo to 45.5 pence per kilo, and in Colombo increased marginally from Rs. 4.25 per kilo to Rs. 4.39 per kilo. This has benefitted the British, who pay a little more for tea now than they did 10 years ago.

Trade or Aid ?

Although Britain continues to exploit tea and the tea pickers in Sri Lanka, she recognises that Sri Lanka is a developing country by giving it aid. In 1972 Britain "aided" Sri Lanka to the sum of almost £ 4 million less loan repayments of £ 300,000. But aid ties a country to certain conditions and terms which are not always favourable to the country as a social, political or economic unit. The concept Britain helping Sri Lanka with 'aid' becomes an illusion when one realises that the price paid to Sri Lanka for the tea it produces is declining. If Sri Lanka had continued to receive the price paid in 1962 for its tea, then in 1970 alone it would have received an extra £ 24 million in valuable foreign exchange. Over the period of nine years from 1963 to 1971, the loss of foreign exchange earnings calculated on the same basis of the price received in 1962 was approximately £ 110 million. If Britain had continued to pay Sri Lanka the same price that it paid in 1962, it would have to pay an extra £ 38.7 million for its Sri Lanka tea between 1963 and 1971. Figures for British Aid to Sri Lanka are not available for 1963 but between 1964 and 1971 Britain 'aided' Sri Lanka by £ 24.9 million. Only a fair price for tea will enable Sri Lanka to pay a living wage to its workers and become for the first time partners in development with Britain".

On the other hand the selling price of tea retail varies from Rs. 8/- to Rs. 15/- or Rs. 16/- in the different countries. The working of transport, blending and packeting is much less than the production. Yet the producer country gets only Rs. 2 - 3 and the actual plantation workers about 80 cts: per lb. of tea.

Another device by which the country is deprived of valuable foreign exchange is the sending of tea from sterling companies in Sri Lanka to London instead of selling at the Colombo auctions. The prices at the London auctions are surprisingly lower than at Colombo auctions. Some Agency Houses such as Whittall Estates & Agencies have been sending much tea to London Auctions on the instructions of their London Agent, Putney Produce Ltd. Here the Agency Houses Commission estimated that the country lost Rs. 149,755 from Jan.-May 1973 on the sales from five estates. A further study of 109 invoices of teas sent to London from Crosby House Group by Whittall Estates & Agencies during Jan.-May 1973 involved a loss of Rs. 334,901 in foreign exchange. The average loss was about 80 cts. per lb. of tea.

From these the Commission drew the conclusions that—

(1) There has been a definite foreign exchange loss suffered by the country.

(2) The objective served by what is happening now is the building up of profits at some point outside this country rather than within it.

(3) As the result of lower price fetched by the estates/ companies the profitability of the concerns has been falsified.

(4) The Government has been deprived of the tax revenue as well as FEEC income on remittances.

(5) The reduction of the liquidity of the companies has increased the dependence on local borrowings and overdrafts.

Government Corporations replacing functions of Agency Houses

Over a period of years some of the functions of Agency Houses have been taken over by the following State Organisations in Sri Lanka.

- Tea. Rubber and Coconut Research Institutes.
- Ceylon Insurance Corporation — takes over insurance work.
- Fertilizer Corporation — has now a monopoly of import of fertilizer.
- Shipping Lines — a part of the transportation by sea.
- Freight Bureau — distribution of freight.
- Bank of Ceylon and People's Bank — Banking, foreign exchange transfer.
- Consolidated Exports — enters packeting and sales in foreign countries too.
  (In 1973 accounted for nearly 1/8 of Sri Lanka Tea Export.)
- Petroleum Corporation — supplies oil and agro-chemicals.
- Building Materials Corporation and State Engineering Corporation-handles building operations
- State Trading Corporation — importation.
- Plywood Corporation — Tea Chests.
- State Plantations Corporations —Management of Estates.

company directors and Agency House Directors ruled from Colombo and London. Their salaries and perquisites were several times more than that of labourers and subordinate staff.

The Commission reported—"The rigid class division that exists on the estates can be seen in the most dramatic form in the glaring disparities in the housing provided to the management, the staff, and the workers. The pattern is identical on all estates, and conforms to the traditional 19th century class stratification which was introduced by the British. The pattern of 'bungalows' for the management, 'quarters' for the staff and 'lines' for the workers has been preserved in all estates and Agency Houses have not made any attempt to alter this traditional policy with regard to housing".

Being the world's leading tea trader and exporter for nearly a century Britain built up a complex of planting, financing, transporting, blending, packeting and retailing firms which came to dominate the world's trade in tea. This complex of functions and services were built up by the 'Giants' in the plantations industry through a wide network of Holding Companies and Agency Houses. These Agencies soon performed services vital for the plantation industries; and the geographical spread of interests intimately associated with Agencies into the principal producing centres enabled them to gain wide control over the world's production and marketing of these commodities. In the case of tea, for instance, this has caused problems where the Agency Houses acting as representatives of tea estate Compnies had also to act on behalf of overseas buyers.

The activities of Agency Houses in this country, over the years, have revealed these same tendencies. The Agency Houses Commission has gone to the extent of showing how these Houses have attempted to increase their profits at any cost (see Box page 10). Even in the actual sales of the end product the prevailing system has resulted in foreign exchange losses to this country (see Box page 11).

With the field appearing less open for British interests, the migration to East Africa was also stepped up (see 'Tea Drain'). Meanwhile Sri Lanka has kept adjusting to the situation and encouraged as many of its own State Institutions to handle the services performed by the Agency Houses.

In recent years the feeling has kept growing stronger, particularly among the two major producer countries, Sri Lanka and India, that the world's tea trade is not as competitive as it is generally made out to be. They were convinced that the producers have not realised the prices they would have in a more competitive market. Intervention by the F.A.O. and a resultant Commodity Agreement has somewhat eased the position but efforts at arriving at a "floor price" where producers will receive a minimum price for export teas has yet not met with the co-operation of the East African producers whose relationship with the Agency House interests is very clearly interlinked. Once again, the migration of tea to East Africa is proving a blow to Sri Lanka's interests.

The whole issue has surfaced strongly in recent weeks with the findings of the Commission of Inquiry on Agency Houses and Brokering firms being made known; with the exposures on British T. V. showing the living conditions of tea estate workers; and with fresh pressures from trade unions pushing the Government towards the take-over of the estate sector as envisaged in its programme.

THE TEA DRAIN

When Independent Sri Lanka and India began to take in more as taxes, and when the companies felt in secure in these countries they began to m ove assets to East Africa.

A effort was made by the sterling interests, principally those engaged in the industry in Sri Lanka, to develop plantation assets in East Africa. Soon after the institution of Exchange Control in Sri Lanka it was noted that some of the profits repatriated by the British estate owners from Sri Lanka and held by Sterling Companies in the U.K., were being employed for plantation development in East Africa. Negotiations on this matter by this country proved fruitless. The flight of capital occurred, partly through the transfer of moneys realised from the sale of plantation assets here — some of these being considered to be of low profitability. It also took the form of a transfer of funds that could have been considered to be a part of working capital employed here, the replacement being made by local bank overdrafts. A number of British concerns linked with the tea plantation industry in India and Sri Lanka have strong links with the tea plantation industry in East Africa.

Consumption Expenditure

Some important changes have taken place in the level and composition of household consumption expenditure in recent years. Historically, the private consumption expenditure in this country has been heavily import-oriented. Even as late as the mid-sixties nearly one-third of the consumption expenditure was on imported goods and services. Today, the import component has fallen to around 13-14%. This marked shift in the consumption pattern took place in the background of a reduction in the import volume of consumer goods in the face of a deteriorating foreign exchange situation and the expansion of import substitution in industry and agriculture. During the last five years alone the import volume of consumer goods has fallen by about 40%. On the other hand during the same period the private consumption expenditure on locally produced goods and services has more than doubled. The decline in the import content in local consumption would have fallen much more if not for the substantial foreign loans and aid that flowed into this country since about the mid-sixties. These resource flows have primarily served the purpose of maintaining the essential food imports at socially accepted levels.

The fact that over 86% of the consumption expenditure has now been directed towards locally produced goods and services has some important implications for the economy. For one thing, a given increase in investment or government expenditure will now lead to a greater increase in money incomes than in the past, since the amount that leaks abroad (through imports) out of a given amount of consumption expenditures is now considerably lower. This also means that imports can no longer be used as an important buffer to absorb inflationary pressures generated by such internal factors as budgetary deficits.

While the total consumption has shown a marked shift away from imported goods, the total import bill has been somewhat sluggish in moving towards a similar pattern. Consumer goods have accounted for nearly 50% of the total import bill in 1974 compared with 55-60% in the mid-sixties. Food and drink have continued to absorb over 60% of the total consumption expenditure and this conforms to the pattern in a typical developing economy.

Apart from the above changes, there has also been a sharp increase in the overall level of private consumption expenditure in recent years. It has nearly doubled during the last five years. There has been a particularly sharp increase since 1972 rising from Rs. 9,773 million in that year to Rs. 16,700 million in 1974 — an increase of 71%. On a per capita basis, the consumption expenditure has risen from Rs. 750 to Rs. 1247 during 1972-74, an increase of 66%. In 1974 alone the increase was of the order of 35%. However, the bulk of this increase reflects merely an increase in monetary terms (the rise in the price level of consumer goods) rather than an increase in physical consumption (in real terms). The Colombo Consumers Price Index (which grossly underestimates the actual price increases) has recorded an increase of only 23% during this period. The consumption expenditure on locally produced food items has recorded sharp increases primarily due to the rise in prices. The total consumer expenditure on locally produced rice, for example, has moved from Rs. 700 million in 1972 to Rs. 2,187 million in 1974—an increase of 200%. The expenditure on coconuts and other food crops has shown an increase of over 150%.

INVESTMENT

How has Sri Lanka fared in regard to investment in recent years? Unfortunately there are no reliable and comprehensive data to make a meaningful assessment of the country's performance in this sphere. The only available data are from the national income estimates of the Central Bank. These data are, however, only rough estimates and there is every reason to believe that they underestimate the extent of capital formation in the country. Where capital formation takes the form of imported plant, machinery and equipment, reliable estimates are usually possible. However, in an economy where the rural sector predominates, a sizeable amount of capital formation takes place in the form of improvements to agricultural land, minor construction works and all sorts of other ways which are difficult to estimate and hence are not fully reflected in the capital formation figures. Hence, the available data are heavily biased in favour of activities which use imported capital equipment and locally produced steel, cement, etc. What do the available figures reveal ? The gross domestic fixed capital formation (at current prices) has risen by about 35% during the period 1972-74. This increase was, however, in large part a result of the rise in the prices of investment goods. The import price index of investment goods has risen by over 70% during this three year period. While the Five Year Plan (1972-76) envisaged a gross investment rate of 18-19% of the Gross Domestic Product during the Plan period, the actual performance during 1972-74 (on the basis of the available data) has ranged from 15-17%. Investments in planting, replanting, land development, machinery and plant in particular have recorded a decline and the investment in transport equipment has shown only a marginal increase. The reasons are found in the decline in the rate of replanting of tea, rubber and coconut lands and the decline in imported investment goods owing to the foreign exchange crisis. The volume of imports of investment goods has declined by 43% during 1972-74. This clearly shows that substantial foreign capital and aid flows that Sri Lanka has received in recent years have not enabled the country to raise the level of investment through greater imports of investment goods.

Of the total gross capital formation in 1974, over 40% was on account of building and other construction works. The share of agriculture, fisheries, forestry and land development was only 13%. The public sector (the government and corporations) accounted for nearly 40% of the total capital formation in 1974.

TOURISM

The Loss of National Treasures

In our May issue we drew attention to the serious problem of the loss of our antiques. In the meantime, a three-man committee has been formed to draft changes in the Antiquities Ordinance. This consists of the Commissioner of Archaeology, the Director of Museums and the Commissioner of National Archives. The 'plunder of antiques' has now become a major national issue. It is worth reviewing the question from a historical view-point.

The destruction and the theft of historic works of art form a long chapter in the history of the colonial encounter. Extensive damage done to sacred places and national monuments in Sri Lanka, especially in the maritime region, by the Portuguese and the Dutch is well-recorded in our annals — as well as in those of these foreign invaders ! This loot and destruction, as well as other atrocities, are still fresh in the popular memory too, even though they happened centuries ago. Pieces of sculpture and parts of old sacred buildings can be found embedded in the walls of "Dutch" forts and other "colonial" structures.

Plunderers from the Past

The British, on the other hand, seem to have a different reputation. Lieut. Fagan is supposed to have "discovered" Polonnaruwa. Governor William Gregory is said to have had an "enlightened" policy about antiquities. Hugh Nevill collected Sinhala folk poetry and many other things besides, such as sculptures and palm leaf manuscripts, and H.C.P. Bell is considered by some to be the "father" of Ceylonese archaeology.

When we go beneath the surface of all this, however, the truth is somewhat different. Fagan was carrying out a "pacification" campaign in the North Central Province soon after the War of 1818. Gregory's collection of Ceylonese antiques and its subsequent dispersion is an outstanding question that needs researching. We know that one of his predecessors, Governor Robert Brownrigg, had the dubious honour of being the man who took one of the great masterpieces of Asian bronze-casting, the great Tara image, out of Sri Lanka. This magnificent, nearly 5ft. high image is today one of the treasured masterpieces of the British Museum. As a book by a former Keeper of the British Museum observes, this statue had been found and picked up by Brownrigg "in the jungle as he toured the island near Trincomalee". As for Hugh Nevill it is sufficient to note that his collection of Ceylonese sculpture and palm leaf manuscripts forms the bulk of the British Museum collections of Ceylonese material. The largest Ceylonese collections outside the country are in the British Museum, the Victoria and Albert Museum and the Boston Museum of Fine Arts. Most of this represents the fruits of "enlightened" colonial activities.

H. C. P. Bell worked in Sri Lanka for over 20 years and his achievement is considered the corner-stone of Ceylonese archaeology. Yet, his assistant, John Still, considered him a dangerous destroyer of historical evidence and labelled him in no uncertain terms: "a licenced curio-hunter"! Walisinghe Harischandra, the patriot, who was the architect of the major conservationist project to declare Anuradhapura a religious and archaeological reserve, spent much of his life fighting H. C. P. Bell. He once brought a case against Bell who had ordered 10 cartloads of stone remains from Anuradhapura to be sent to the Public Works Department to be used as road metal !

Bell's work in Anuradhapura, Polonnaruwa and Sigiriya is typical of many such colonial archaeological campaigns — large-scale, "sensational" and highly destructive of valuable archaeological material. A good example of this is Bell's responsibility for the destruction of the Tivanka Temple murals at Polonnaruwa. These 12th and 13th century wall-paintings were the largest collection of ancient paintings in Sri Lanka. They had been preserved in perfect condition for nearly 700 years when Bell excavated the shrine. Within years careless exposure to sun and rain had destroyed the paintings completely. In short, the record of British colonial policy with respect to Ceylonese antiquities can be summarised in the words of a recent study of colonial archaeology by an Asian historian : "On balance, they destroyed more than they preserved, and what they preserved they mostly carted away : that, in brief, is the history of colonial archaeology".

Current Export Wave

The current wave of the "export" of antiquities is a new chapter in this story. What is unfortunate is that this traffic now depends entirely on those Ceylonese who are involved in it. In the past those who helped the British could at least plead that they worked under the compulsions of colonial authority. Today the monetary rewards from the high prices which our antiques fetch in foreign circles and the persistence of

many old ideas from colonial times about our historical relics, are the main factors which encourage a handful of our people to play a treacherous role. Four standard arguments are put forward by those who are either apologists for the traffic in antiques or who refuse to oppose it :

—there are more important social and economic problems in our country than the loss of a few old bits and pieces, so why bother about it ;

—anyway, the most important pieces have already been sent out and what is left behind is almost worthless ;

—our people don't appreciate the value of these things and don't look after them properly, so it is much better that they are sent abroad because in those foreign countries they are preserved and well looked after;

—antiques earn foreign exchange and encourage foreign visitors.

It is obvious that these arguments are spurious. But even if they had some validity, the over-riding consideration should be the long-term damage to our cultural relics and historical resources. The damage that has already been done scarcely justifies continuing negligence.

One of the principal reasons for the indifference of many who should know better is our failure to make a correct appraisal of the cultural and historical remains of the last two or three centuries. It was often under colonialist influence that we were encouraged to think that the richness and brilliance of our civilisation was a thing of the distant past. Our scholars have perpetuated the theory that what followed after Polonnaruwa in the 12th century was "a period of decline". Thus, almost all our research and investigations have been concentrated on the early periods and little or no attention paid to the works of the 18th, 19th and 20th centuries. Since Ananda Coomaraswamy's *Mediaeval Sinhalese Art* in 1908 no substantial studies of our living arts and crafts have appeared. At least two Ph.D. theses by our scholars on the history of this subject lie unpublished on the shelves of foreign university libraries.

The main fields in which the loss of antiques is very serious are bronzes and brassware, palm leaf manuscripts, coins, ivory carvings, old jewellery, old plate and glass, furniture, sculptured and painted woodwork and, finally, vintage cars.

Programs for Action

The problems in each of these fields are slightly different. With regard to some of the smaller portable items such as bronzes, coins, jewellery and manuscripts, the age and value of the objects are fairly easily recognisable but control is much more difficult. They can easily be carried away in a "tourist's" suitcase or handbag. Only strict conditions of sale and sustained publicity campaigns in tourist centres against illegal trafficking, combined with the ready availability of modern reproductions and contemporary arts and crafts, can bring about a fundamental change in the present situation — which is, of course, one of an open passage for all small antiques.

Other items such as old plate and glass, foreign coins and vintage cars are all of foreign origin. Before they can be fully controlled we need both a flexible policy and the development of local expertise in these fields. Thus, there may be a good case to be made out for the systematic export of vintage cars, many of which cannot be properly maintained here. It is essential that we retain a selection of models for a transport museum while perhaps selling off the rest at prices which reflect their real value in foreign vintage car markets. The gap between local prices and those in foreign salesrooms constitutes an actual loss in potential foreign exchange earnings. The position with regard to old plate and glass and coins is very different. Though not local antiquities, they have an immense historical value in that quantitative studies of such material are very useful in determining past trading patterns and commercial relations. Thus a policy of keeping the best items and releasing the rest for export is scarcely helpful.

Furniture constitutes a special case. The most sensational losses (and prices!) have been in this sphere where control is relatively easy. One of the most obvious reasons for the failure to control this traffic has been the failure of historical appreciation. The attitude prevailing among some scholars, that furniture was brought to Sri Lanka by the Portuguese and the Dutch, is as misguided as the views of those who believe that these are all dispensable as they are foreign colonial remains. Ceylonese traditions of furniture and woodwork go back in a documented form at least 1500 years. The fact that our carpenters brilliantly adapted European models or skilfully imitated them in the last few centuries of our history is only a testimony to their skill and craftsmanship. Moreover, a great deal of purely Ceylonese design concepts remain submerged in this "colonial" furniture, while quantitative studies of the furniture of all kinds provide invaluable historical insights into living patterns and socio-economic structures right up to the early decades of the 20th century.

Clearly a very broad policy on antiques must be evolved. This should include not only new legislation and tighter methods of control but also a complete re-appraisal of what is historically valuable. The development of popular awareness through education and propaganda and the establishment of local antiquities registers are vitally necessary. The registration of dealers, the encouragement of local collections and the formation of small provincial museums should be combined with a renewal of craft skills and the reproduction of antiques for sale and export. Incipiently, much of this is already being done. It only needs systematisation and encouragement. In the final analysis, the preservation of historical relics is itself a historical question.

Bank Nationalisation

Nationalising the commercial banks is one of the main election pledges of the present government, and this commitment has been acknowledged and recognised from time to time by Ministers and other responsible Government spokesmen.

Even though the Government has not nationalised the Banks as yet, it is clear from statements by government spokesmen that this commitment is expected to be honoured within the next 2 years. The Government appears to be actively engaged in removing the economic and political constraints which have so far held up this measure. In the circumstances, the crucial question with regard to bank nationalisation is not whether it will take place, or when, but whether the Government has made adequate preparations to ensure the success of the takeover when it comes. This question is worth examining in some detail.

First of all, it must be appreciated that banking and finance constitute the very life-blood of any economy, be it planned or free-enterprise, socialist or capitalist. Therefore, the takeover of this sector should not be attempted in a haphazard manner.

Secondly, the objective of bank nationalisation is not simply one of transferring the ownership of banks from private individuals or groups to the state. Banking is a high-profit industry, and there is no doubt that one of the desired benefits of nationalisation is a transfer of such profits from private pockets to state coffers. However, the main objective of bank nationalisation is to take direct control over the entirety of this vital sector so that its resources can be used single-mindedly for the realisation of the Government's economic policies by using its full potential purposefully to bring about the radical changes in the economy needed to make the transition to socialism.

Thirdly, it is now inevitable that when the nationalisation of the banks takes place it will be almost at the tail-end of the Government's term of office, and after a considerable portion of the Government's economic programme has been launched. If circumstances had permitted the Government to implement its programme in the logical order dictated by the need for maximising returns, bank nationalisation should have been one of the earliest measures to be implemented. This was not to be, and now there is very little time left for bank nationalisation to make its contribution to furthering the Government's economic objectives. This handicap must be overcome by careful and detailed planning of the operation so that, when nationalisation does take place, a well integrated nationalised banking structure can immediately be set up and activated. Otherwise, the first few years after nationalisation will be taken up in working out a viable banking system, and the Government's term of office would have expired before bank nationalisation could have had any effect on the economy.

Transition

This is not the occasion to set out in detail the nature and scope of the preparation that should be made to ensure a smooth and quick transition from our present basically free-enterprise banking system to a nationalised banking system fully geared to supplying the needs and meeting the challenges of an economy which is undergoing a radical transformation towards socialism. That job must be tackled by a competent task-force devoting itself full-time for the purpose. It is therefore proposed to only briefly examine the main areas which should receive the attention of such a task-force.

It is important to recognise that the concept of a nationalised banking structure is quite different from the concept of a state-owned banking system. As observed earlier, the nationalisation of banking must be viewed primarily and overwhelmingly as one of the important means of making the economic transition to a socialist society. This cannot be achieved by a mere change in the ownership of the existing banks. This is well borne out by the experience of the nationalisation of the Bank of Ceylon in 1961. It will be recalled that this nationalisation measure came as a surprise announcement in the Budget Speech of that year and no plans had been made for any changes in the Bank's operations subsequent to nationalisation. In the event, it turned out that the nationalisation was merely a take-over of the share capital of the bank by the Treasury from the private shareholders, and the bank continued its operational policies with hardly any change for almost a decade. One of the most important tasks to be completed before the impending nationalisation takes place is to work out, in as much detail as possible, the post-nationalisation transformation to be made in the operations of the new banking system. If no radical operational changes are made immediately after nationalisation, due either to a lack of preparation or the absence of an appreciation of its need, then it is inevitable that the nationalised banks will not only fail to make their due contribution to the implementation of the Government's programme, but will also discredit the very concept of bank nationalisation, and even some parts of the Government's overall programme itself.

Organisational Set-up

Another aspect of this distinction between a nationalised banking structure and a set of state-owned banks is the organisational set-up of the nationalised banking structure. The banking system we have today in Sri Lanka is a colonial, political and economic inheritance which has been tinkered with from time to time by successive Governments in the post-colonial period. The strictly colonial elements in this set up — the Exchange banks—ceased to cater to

the needs of the country as early as the 1930's, and this resulted in the agitation which ultimately led to the establishment of the Bank of Ceylon to cater to the needs of the emerging Ceylonese business community. In later years it was found that even the Bank of Ceylon had failed to adapt itself to the changing needs of the economy in the post-colonial era, and this realisation led to the establishment of the People's Bank with a special responsibility to cater to the needs of those sectors of the economy which had been neglected by the banks until then. It is therefore not surprising that the hotch-potch which the banking system is today is quite incapable of meeting the challenges posed by the radical economic changes that are currently taking place. Careful thought must therefore be given to the organisational set-up of the nationalised banking system which will replace the present arrangements after the banks have been nationalised. In this area we have much to learn from the experience of India where the large indigenous banks were nationalised without adequate preparation in 1969. As happened when the Bank of Ceylon was nationalised, the only change that was immediately effected was the transfer of ownership with the official Custodians replacing Boards of Directors that became defunct. The banks continued to operate as before nationalisation, competing with each other and going their own individual ways. It is only now that some co-ordinated national policy is being implemented in the banking sphere by the nationalised banks in India. Even so, they have still not worked out an organisation set-up to maximise the contribution which a nationalised banking structure can make to the economy.

Among the important matters which have to be considered and decided in the organisational sphere is whether the present banks will continue as separate units of a nationalised system or whether they will be merged into a few large groups. It is well known that the Minister of Finance sees much merit in having competition between different units within the state sector, particularly in the financial field. Therefore it must be assumed that there is no question of a single monolithic banking institution being set up after nationalisation. But the question remains as to the number of competing nationalised banks that should be set up, the extent to which such competition should be permitted, and the areas in which such competition should take place, and to what extent wasteful competition can be avoided so as to conserve resources which are obviously very much in short supply.

Public Sector

Another aspect which should be examined and decided before nationalisation is the relationship between the nationalised banking structure and the rest of the public sector such as the State Corporations and other public institutions. For some time now Government policy has been directed towards ensuring the profitability of the State Corporations by enforcing financial discipline on them mainly through the two state banks to which they have been directed for their financial needs. While much progress has been made in this direction, the lack of a defined relationship among the state financing institutions, State Corporations, and the various high-level governmental authorities which determine and sometimes dictate policy of the State Corporations, has prevented the state banks from making their full contribution towards the realisation of this objective. The existence of a nationalised banking system will provide an opportunity for associating the Banks in the discussions preceding decisions on overall Government economic policy, and to make available financial expertise to the Government at its highest levels. This can be done only if careful thought is given to this aspect in the pre-nationalisation plans.

Expansion of Trade

Finally, there is the contribution which the nationalised banking system can make to the expansion of the foreign trade of the country and the improvement of the terms of trade. There is a considerable amount of international trading expertise available in the banks, but until now this source has hardly been tapped by the Government for the furtherance of its international trading objectives. There are numerous occasions when commercial banking advice taken during the negotiation of various trade agreements and before making decisions on large tenders for the supply of commodities could have resulted in far more favourable terms for the country. Such an association of banking expertise with the Government's trade negotiators and policy-makers has not been possible because, until now, even though there have been two state-owned banks, they were not considered to be part and parcel of the governmental machinery. Some significant changes have taken place in this area in recent times due to the pressure of the state-owned banks themselves, and there is an increasing tendency for consultations to take place. Unfortunately, so far these consultations have taken place mainly for the purpose of mounting rescue operations. The national interest demands that such consultations should take place at a much earlier stage, and the opportunity for the establishment of a nationalised banking structure should be taken to place such arrangements on a regular footing.

As stated earlier, the purpose of these observations is not to provide a blueprint of arrangements for the nationalisation of the banking system, but to make a case for the establishment of a competent task-force to prepare such a blueprint. Unless immediate steps are taken to set up this task-force the government is bound to be severely handicapped in the implementation of this vital economic measure.

FOREIGN NEWS REVIEW

BANGLADESH

Bangladesh last month adopted a "Sri Lanka fiscal measure" by demonetizing the 100 Taka note ($ 12.50). Three days were given for deposit in state banks. Those depositing below 800 Taka will be refunded ; and between 800 to 1,800 60% will be refunded. Those who deposit over 1,800 Taka will receive their money only after an inquiry into their source of earning, but will receive 8% security bonds for the moment. It is expected that over Ta 300 million will not be refunded thus removing nearly 13% of the money in circulation. The Taka soon afterwards was devalued by 58% against £ sterling. The official rate is Ta 30 to the £ as against Ta 18.96% earlier. The blackmarket rate is Ta 57.60. The devaluation was in response to IBRD, IMF demands caused by falling jute prices.

INDONESIA

The Indonesian state-owned oil combine, Pertamina, was hitherto seen as a symbol of Indonesian economic prosperity. It was advertised as a weapon in the thrust of the Suharto regime's commitment to private enterprise. It led the way in Indonesians "economic miracle". Its chief executive Ibu Sutowo is considered the architect of all its advances. The complex has a monopoly of Indonesian oil and natural gas exploration and distribution, and has interests in steel, aviation petrochemicals, fertilizers and even in rice production. With the announcement that Pertamina was faced with short term debts of over $ 650 million and long term liabilities totalling an even greater figure, the miracle seems to have soured. Increasingly the so-called "Berkeley Mafia", a group of US educated technocrats, who are considered the brains behind Indonesia's bloody coup d'etat in 1965, are taking over the running of Pertamina. Pertamina was always dependent of foreign bank credits but IMF and the Inter-Governmental Group for Indonesia, a consortium of Western nations, oppose such loans. The squeeze may be a part of the financial squeeze on OPEC countries. The U.S.A. has been attempting to neutralise or disband OPEC as became obvious in the April Paris talks initiated by French President Giscard d'Estaing and some observers attribute the squeeze by US banks to this tendency. The type of lavish capital intensive development projects that Sutowo favoured did not directly touch Indonesia's problems of the peasant masses. The Berkeley Mafia have not suddenly become socialists but it seems they are keen on containing the rising discontent in the countryside. The final story will not be revealed now but the financial collapse of Pertamina which rode high on the price of oil at $ 12 a barrel appears to be a salutary lesson for other Asian countries planning to develop and modernise on similar unrealistic lines.

BRITISH COMMONWEALTH

Among the announcements at the Commonwealth Prime Ministers' Conference in Jamaica, there was one surprise. British membership of the EEC, they said, had in no way prejudiced Commonwealth interests. This will help the British Prime Minister in his attempt to get a referendum victory of the British people to stay in the EEC. But the fact remains that Asian Commonwealth exports to Britain have suffered, and, with the withdrawal of Commonwealth preferential tariffs in June 1977, will be even further affected. Under the Lome Convention (see ER April issue) the African countries have managed to introduce some preferential treatment, but no such agreement applies to the Asian Commonwealth. The loss of preferences is to be replaced by a generalised system of preferences (GSP) but this is considered insufficient compensation by Asian Commonwealth countries. However, Asian countries outside the Commonwealth like Indonesia and Philippines are enthusiastic about the EEC since they have profited from the enlarged market.

SUEZ CANAL

After the closure of the Suez Canal in the Six Day War in 1967 the number of ships calling in Sri Lanka ports has drastically declined. In addition, the cost of exports and imports have been subjected to shipping surcharges. The opening of the Canal may not necessarily remove the surcharge, or reduce rates much, since the tolls charged will be much higher this time by the Canal tolls but it is nevertheless expected to bring more business to Sri Lanka in the way of bunker fuel income, repairs, etc. The Ceylon Shipping Corporation and Dockyard Management Services is ideally placed to deal with the new developments but despite the local capacity a self-reliant programme is not very much in evidence. We are planning to collaborate with Hongkong financiers in dockyard building and still intend to import trawlers rather than build them here. Despite all these problems the opening of the Canal will bring many advantages to Sri Lanka.

NAMIBIA

The Security Council request to South Africa to withdraw its illegal administration in Namibia (South West Africa) by May 30 has been rejected by Mr. Vorster. The South Africans claim that they are ruling Namibia with consent of the Namibia people. They have claimed that they merely administer the territory under the UN Mandate and Trusteeship Council as distinct from laying claim to the territory. This distinction blurs the fact that Namibia is one of the richest countries in Africa with massive deposits of iron, coal, gold, uranium and other important minerals. The South West Africa People's Organisation (SWAPO) led by Sam Nujoma has challenged this baseless claim by

Vorster and has won many significant battles in Namibia against the South African occupiers, particularly around the Caprivi strip. There is little doubt that the majority of the Namibian people support SWAPO and the South Africans are determined to delay the transfer of the territory to the Namibian people by holding rigged elections with the collaboration of tribal chiefs.

ANGOLA

The three liberation movements in Angola, namely MPLA, FNLA and UNITA have been feuding ever since the overthrow of the fascist regime in Portugal. The conflicts, however, existed even before but have escalated recently with the nearing prospect of independence. The MPLA were supported by the Soviet Union till 1973. The FNLA is said to be strongly supported by the Republic of Zaire and the USA. UNITA has been a small movement till recently, but has received the support of Anglan whites in addition to some of the black middle classes. It is difficult to say how the conflict will be resolved by November when formal independence is due, but for the moment the sectarian and tribal loyalties formented by foreign interference seems to have taken priority. The problems are complicated by Angola's massive wealth in oil, diamonds, iron and gold. The increasing intent in the politics by foreign powers is related not merely to political or ideological affiliations but to the access to the massive resources of strategic raw materials.

SOUTH VIETNAM

The spiralling inflation in South Vietnam during the Thieu years was a direct result of a country whose exports consisted of a mere 5% of its imports. The massive doses of U.S. aid pumped into South Vietnam created a totally distorted and parasitic economy. The new regime will obviously refrain from dependence on foreign aid except perhaps in crucial areas of reconstruction of the war torn economy and will follow the Hanoi example of self-reliance. The South Vietnam Government in trying to follow this path is due to nationalise all foreign holdings. France will be the country most affected by a nationalisation programme. French control of rubber production and export is almost total. The French also have interests in beverages, rubber products, tobacco, pharmaceuticals among other interests. French investments in South Vietnam total around 1000 million francs.

BRAIN DRAIN

A recent development in the brain drain problem may be of interest to Sri Lanka doctors. The British Government has announced that there is going to be a control on foreign doctors entering Britain. As the *Economic Review* pointed out on an earlier occasion one aspect of the brain drain is that the underdeveloped countries seem to be caught in the dilemma of providing expensive professional training to various persons who then emigrate. This results in an indirect subsidy of the poor countries to the rich ones. The present decision of the British Government is explained on the basis of linguistic and competency tests required by the General Medical Council in Britain. The General Medical Council's reason seems language difficulties and difference in social structures between Britain and India. The move has angered the overseas doctors' association in Britain which represents about 10,000 Indian doctors already working in Britain; and about 1,000 Indian doctors migrate to Britain annually. The British produced a mere 2,600 doctors in 1974. With the introduction of these new curbs and the withdrawal of full registration for India, Pakistan and Sri Lanka as a result of the recommendations of the Merrison Committee, it is possible that migratory patterns on the part of our doctors may develop in Africa.

IRAN

The ebullient Shahensha of Iran after successfully bidding for shares in Pan American Airways has now made a bid for a 10% holding of the giant British Petroleum Company (BP), as a part of an attempt to acquire a stake in the British oil industry. BP is the largest company in Britain and the seventh biggest oil producer in the world. Last year its profits amounted to £495 million. Burmah, another British oil company, is also discussing with Iran the sale of a bigger share in a two major North Sea oil fields. Burmah has been plagued with financial problems for the past few years. Labour members of parliament are bringing pressure on the Government which already holds 49% of BP to acquire the 20% holding of the Bank of England in BP which is now being hawked to the Shah. The Iranians, however, have more than a sentimental interest in BP since it was formally called the Anglo-Iranian Oil Company whose interests were nationalised by Mossadeq in Iraq. The chances of Burmah selling 75% shares in its two North Sea oil fields are extremely high since it has a project expense of £130 million over the next three years to develop the two fields. The tendency so far has been for Middle East oil money to find its way to Western European banks for short-term lending. Increasingly, however, there is a move by Middle East countries to acquire interests directly in Western industrial concerns. The financial control commanded through the banks is less irksome to European Governments as distinct from the publicity aroused by the industrial acquisitions. The nationalist sentiment expressed on such occasions when viewed from the standpoint of developing countries like Sri Lanka seem rather flippant since the major areas of production and development in many developing countries are almost totally in the hands of foreign interests.

Fuel and Fertilizer

The cost and availability of fertilizers is a matter of serious concern to the Asian farmer. Moreover, while artificial fertilizers will continue to be used for many years to come, excessive dependence on them is found to have a serious effect on the natural fertility of the soil. In countries like China increased application of chemical fertilizers went hand in hand with the traditional utilisation of compost and other natural fertilizers. In Japan, on the other hand, the use of chemical fertilizers has been excessive and now a policy of greater reliance on organic fertilizers is being adopted.

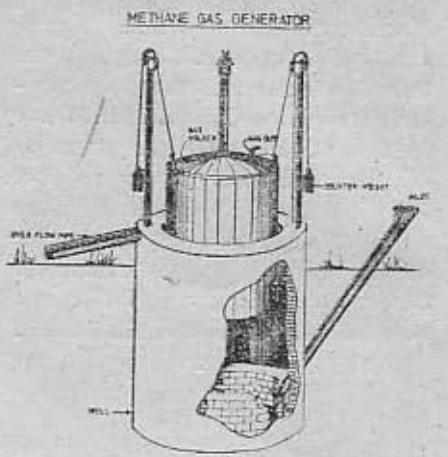
Our farmers also face a problem with regard to fuel. Firewood is becoming scarce and is costly and a conservationist attitude would regard the burning of our trees for fuel as a wasteful depletion of our natural resources. Kerosene is similarly expensive and is an imported commodity consuming valuable foreign exchange.

In Asia, cattle dung has traditionally been a source of either fuel or fertilizer and this dual potential is now being exploited on a large scale in the villages of India by means of a Methane Gas Plant. The plant can utilise cattle-dung, piggery or poultry droppings, night soil, animal carcass and agricultural waste, converting it into manure rich in nitrogen and humus, as well as generating a high quality fuel gas. The fully digested slurry has a nitrogen content of over 2% which is a substantial increase (over 25%) on the nitrogen content of dry manure. It is most profitably applied directly to the land by mixing with irrigation water or can be used for the rapid fermentation of compost. The odourless, innocuous gas consists of 55% methane and 45% carbon dioxide. It has a high thermal efficiency (60%) as compared with that of dung cakes (11%) and can be used for cooking, lighting or running engines.

The plant consists of a fermentation tank or digester — a well of masonry work below ground level — and a floating steel drum which fits like a cap inside the mouth of the well, collecting the gas generated by the digester and rising and falling according to the volume produced. Dung is mixed with water (in the proportion 4:5) in a surface trough and the mixture flows into the digester through a connecting pipe. As the well fills up, an equal quantity of slurry is discharged through an overflow pipe. The accumulated gas is released from the steel drum *via* a pipe provided at its top (gas out pipe) and leading directly to the required energy points — kitchen stove, gas lamps or gas engine. (See illustration).

The smallest plant producing 30 cu. ft. of gas requires a minimum of 2 head of cattle to maintain it in daily use. Five head of cattle, producing a daily average of 45 kgs. of fresh dung, would feed a gas plant of 60 cu. ft. in volume, sufficient to provide cooking fuel for a family of at least five members. (It is estimated that the average daily consumption of gas per person in a family is about 12 cu. ft. In community kitchens less quantity of gas may do the same amount of work). Of course, the more animals available, the bigger the plant. The Methane Gas Plant may be located close to a dwelling place as there is neither danger of explosion, nor is there any unpleasant odour produced. In fact, we have seen it operating immediately outside rural kitchens.

This plant is now being manufactured in India where it is used by thousands of farmers, technical assistance and credit facilities being available for collective and individual purchase. While our own cattle population has been depleted in recent years, with the growth of larger farm units and the development of animal husbandry, such a device could be readily and economically adapted to local conditions. The main problem in the Sri Lankan context would be the manufacture of the steel drum and the methane



gas cookers. The use of cheaper materials such as compressed wood fibre and glazed earthenware could also be explored.

About a year ago, a Methane or Soba ("natural") Gas plant was produced in Sri Lanka by workers/officers of the Industrial Development Board. They estimate cost of production to be about Rs. 1,600/- for a gas holder of 65 cu. ft. capacity. This could be cut by half if the well is sunk in firm soil, requiring no reinforcement. The plant, which may be seen functioning in the Board's premises at Katubedde, Moratuwa, is fed chopped creepers and other vegetable matter (1 lb of waste matter producing 3 cu. ft.), and generates a high-speed gas which can boil a litre of water in 5 minutes (*i.e.* faster than a kerosene stove or wood fire). The IDB has also manufactured a specially adapted burner for more efficient utilisation of the gas, costing in the region of Rs. 20/-.

The Methane Gas plant is ideal for our conditions, where vegetable matter rather than cattle dung is abundantly available. The plant could readily be adopted by the new cooperative farms or made available to small farmers with the aid of credit purchase schemes. A few pilot projects, initiated by agricultural extension service units or the Industrial Development Board, could break down initial resistance to the adoption of this most practical and efficient recycling machine.

Imported Wheat Flour Hits the Local Farmer

Reports coming in from various parts of the country since last month clearly point to a situation where the farmers who responded to the call to spear-head the food production drive are now saddled with their products. Kurakkan, maize, sorghum, sweet potatoes, etc. are now witnessing a drastic reduction in their prices. This time, it is mainly the imported wheat flour that hits the farmer.

The story begins with the commencement of the massive food drive when everybody with authority went round the country-side pleading and exhorting the farmer to grow more food on every inch of land to face the food crisis which manifested itself in the shortage of items like flour and rice. In the face of rising world market prices for food commodities, shortage of foreign exchange to purchase food, the continuous inability to reach target paddy production due to adverse weather conditions etc., the farmers' response in growing substitutes was almost beyond expectations. Then things took a different turn, when imported wheat flour was made readily available in the city and the village.

The logic behind the unrestricted supply of wheat flour since early last month (400,000 tons of imported flour at a cost of Rs. 938m. in 1974 amounted to a little over 25% of the total export earnings for that year) may have been the need to bring down the cost of living, especially in the urban areas. The negative impact of this measure on production has however been felt even in the remotest chena. Further, it has not only tended to discourage the producing farmer, but has also reconverted him to a consumer of this semi-processed easily prepared food.

When flour was in restricted supply, the local substitutes fetched high prices. This not only proved to be an incentive to the farmer, but also paved the way for local food items to enter even the expensive eating houses in the cities and to make some impact on the eating habits of the population. Even the casual observer would have noted the farmer's response to the food drive and the demonstration of his ability to feed the nation, given sufficient incentives and support. But the unrestricted distribution of flour through the open market has reversed the situation. Kurakkan which fetched Rs. 120/- a bushel three months ago now fetches only Rs. 20/- according to reports, while the guaranteed price is Rs. 28.00. The price of sweet potatoes has come down from -/70 cents to -/30 cents a pound. Maize which at the beginning of the year fetched Rs. 85/- a bushel has been subsequently reduced to Rs. 78/- and later to Rs. 60/- and the guaranteed price is Rs. 34.50 and the co-operatives or the Paddy Marketing Board have not so far bought any substantial amount of them. The black-marketeer today collects maize at the rate of Rs. 15/- a bushel.

The net outcome of this situation is that some farmers who cultivated large extents of land with crops like sorghum are sometimes allowing them to perish on the fields and others who have cleared land for chenas have stopped cultivation of similar crops. Further, food production in the home gardens and back-yards have apparently suffered the same fate.

Policy choices presented in the build up to this situation would have been by no means easy and no policy can be decided to suit all sectors and all people. It is essential, however, that such decisions be evaluated carefully, specially as to the balance between consumption in urban areas and production in rural areas.

"Bare-Foot" Bankers for the Village

The Chairman of the Bank of Ceylon has recently stated that his officers manning the Bank branches at the Agricultural Service Centres would become bare-foot bankers for village areas. This certainly will be received with open arms by the farmers. The "bare-foot" symbolises meeting the farmer at his level, absence of red-tape and formalities in their relations, in what has hitherto been a strictly commercial transaction. The experience so far has, however, been that the institutions meant to serve the farmer supported mostly the more prosperous elements of the village, overlooking the majority of tenants and small operators. The more prosperous the farmer is, the less he requires the service of the bare-foot bankers too. Will the new bankers be able to cater to the less privileged and the more needy of the village ? For the latter of course credit alone is not adequate and the role of the banker will have to be a more fruitful and a productive one. The success of the new bare-foot bankers will no doubt be judged by their ability to discover a more meaningful and productive role in rural agricultural development together with the existing rural banking machinery under the People's Bank.

Co-operative Farm—the Rational Settlement

Recent co-operative farms, where thousands of rural youths have taken to collective agriculture as a profession have proved to be the most progressive form of settlement that the country has evolved.

Often the private sector estates here are held up as models of well managed agro-business concerns. This is a carefully and deliberately developed myth subtly used to defend private enterprise economy. Although one may justify such a view on narrowly construed assumptions it is incorrect to compare these estates with co-operative farms which are conceived and conducted on an entirely different philosophy unless the comparison on those premises themselves are required.

Some of the pernicious features of the "estates" are rarely focussed. The decision making process in the estates is autocratic. Large numbers of employees have no voice in the affairs of the estates. The environment of management in the estates is oppressive from the view point of large numbers of estate employees

They are condemned as the human raw material to be consumed in the process of production. The economic system under which the estates exist is exploitative. The economic activities of the estates have by and large been narrowly exclusive in the sense that the rural communities are either not benefited by or integrated with the estates. Furthermore, the economic expansion of estates has often been at the expense of the development of the neighbourhood. The dualistic socio-economic environment created by the growth of private estates has led to problems of a national and international scale.

In the co-operative farms management is participative, *i.e.* the members of the co-operative farms themselves decide on the social and economic policies. Initially the management committee will have some representatives from other institutions but subsequently the entire committee will comprise of settlers. A number of working committees on Finance, Planning, Agriculture etc., enable the average member to influence the crucial decisions. An autocratic managerial hierarchy is absent. Every member works in the co-operative farm on an equal basis and the farm belongs to the members.

Socially the co-operative farms develop communities collectively dependent on the land for economic sustenance and also culturally and socially interacting to make life meaningful. As the members are drawn from neighbouring villages and areas there is no imminent danger of non-integration or conflict with the communities.

On the economic front some farms perform well and create surpluses. Where farms were started on marginal lands or where there have been planning errors and managerial problems the farms are making losses. While making profit in an accounting sense is not the only objective of co-operative farms their social and human objectives should be given consideration in evaluating them or comparing them with estates.

COMMODITIES

New Export Pattern Emerging

A significant shift is taking place in the pattern of Sri Lanka's exports. The concerted efforts, in recent years, towards diversification of the country's export sector appear to be bearing fruit. A fourth leg, namely that of non-traditional exports has now been added to the famed tripod of tea, rubber and coconut on which the country's economy appeared to stand unshakably over the past few decades.

Tea, Rubber and Coconut exports accounted for as much as 90 per cent of the country's exports upto 1967. Today these traditional commodities account for only 70 per cent of our total exports. Over the seven years between 1967 and 1974 (see Table I) non-traditional exports have come to contribute a larger share than either rubber or coconut, with tea only 9 per cent ahead. The fall in the share of tea in total traditional exports is not due to a fall in export earnings from tea. In fact, earnings increased from Rs. 1,261 million in 1973 to Rs. 1,360 million in 1974. But, the rate of increase in the value of the non-traditional exports (especially petroleum products) and also coconut products were much higher and thus caused a fall in the share of earnings from tea.

TABLE I

Percentage Composition of total exports 1967-74

	1967	1968	1969	1970	1971	1972	1973	1974
Tea	63	57	55	55	59	60	48	39
Rubber	17	16	22	22	16	14	23	21
Coconut Products ..	10	16	12	12	14	14	6	10
Total ..	90	89	89	89	89	88	77	70
Non-traditional products ..	10	11	11	11	11	12	23	30
Total value of exports in Rs. million	1,690	2,035	1,916	2,033	1,947	1,942	2,620	3,503

Largely responsible for the surge in the non-traditional export earnings by 1974 were the very much higher prices received for petroleum products (including bunkers and aviation fuel supplies); precious and semi-precious stones and jewellery ; spices and essential oils of spices; and other industrial products, particularly readymade garments, batiks, sea foods, fatty acids and edible fats, footwear, wood products and Portland cement. Table II below shows the movement in earnings of some selected industrial and agricultural exports over the last four years.

TABLE II

Selected Industrial & Agricultural Exports (Rs. Mn.)

	1971	1972	1973	1974
Petroleum products (including bunkers and aviation fuel supplies)	87	89	138	351
Precious and semi-precious stones and jewellery ..	4	12	153	133
Selected industrial export products	n.a.	n.a.	86	160
Spices and Essential Oils	35	40	71	88

TEA

Rising Trend Continues

Sri Lanka's export earnings from tea continued its upward trend into April too. Foreign exchange earnings for the first 4 months of this year were over 100% more than in the first 4 months of 1974. The total of all tea exported in the first 4 months of 1974 was 98 Mn. pounds at a value of Rs. 296.2 Mn. as against 109 Mn. pounds at a value of Rs. 625.8 Mn. in the first 4 months of this year. Exports of black tea in bulk were largely responsible for this phenomenal rise in earnings. 98 Mn. pounds has fetched a value of Rs. 564 Mn. this year as compared with 92 Mn. pounds bringing in only Rs. 276 Mn. during the same period last year. Packeted tea exports have also increased more than 200% in value and 100% in quantity. Libya which is the major buyer of packeted tea had purchased Rs. 35 Mn. worth while other new buyers from the oil rich states include Saudi Arabia — Rs. 4 Mn.; Muscat and Oman — Rs. 5 Mn; and Kuwait — Rs. 1.5 Mn. Further details in the table above right.

SRI LANKA'S TEA EXPORTS

	1974 Jan.—April		1975 Jan.—April	
	Quantity Mn. lbs.	Value Rs. Mn.	Quantity Mn. lbs.	Value Rs. Mn.
Black tea in bulk ..	92.3	276.5	98.5	564.0
Packeted tea ..	5.5	17.8	10.3	59.7
Instant tea ..	.2	1.9	.2	2.1
	98.0	296.2	109.0	625.8

RUBBER

Declining Markets

Export earnings from rubber have decreased considerably in the opening months of this year, as compared with prices fetched early last year. Earnings during the first 4 months of this year have fallen to Rs. 160.9 Mn. as compared with earnings of Rs. 268.8 Mn. in the first 4 months of 1974. In 1974 the value of exports from rubber reached the record level of Rs. 738 Mn. The previous highest was Rs. 592 Mn. in 1973. The 25% increase in earnings in 1974 was wholly due to the increase in the average f.o.b. price by 56%. Compared with 1973, when production was 341 Mn. pounds, production in 1974 reached a record low for the 70's of 300 Mn. pounds. The volume of exports in 1974 fell substantially as a result of this declining production. The prices of natural rubber soared with the onset of the energy crisis and the subsequent sharp increase in the price of crude oil. Having reached peak levels in the last few months of 1973 and the first quarter of 1974 prices have fallen continuously thereafter.

SPICES

Cardamoms Hold Firm

Of all the spices exported from Sri Lanka only cardamoms have fetched higher prices in recent months. Other spices particularly cinnamon, cloves, pepper, nutmeg and ginger have earned much less in the first 4 months of this year as compared with the same period in 1974. Total export earnings from spices from January to April 1974 were Rs. 32.7 Mn. as compared with 22.3 Mn. in the first 4 months of this year.

Total earnings for all cinnamon products declined over this period from Rs. 14.9 Mn. in 1974 to Rs. 10.7 Mn. this year. 1974 was a boom year for cinnamon chips, cardamoms, pepper and cloves. Pepper particularly which had earned less than 1 Million in the previous two years brought in Rs. 12.9 Mn. in 1974; while cloves also fetched Rs. 10.1 Mn. in 1974 as compared with less than 1 million in the previous 2 years. The export value of unit prices for pepper, cloves and cinnamon quills showed marked increases varying from 60%—90% more when compared with 1973 prices.

According to Produce Brokers' reports cinnamon quills, cloves and mustard have been receiving progressively higher prices from dealers, over the last two months, for quality No. 1 of these products. Cinnamon Quills moved up gradually from Rs. 4/- a pound on April 4th to Rs. 5/15 per pound by May 21st. Cloves, over this same period, have moved up from Rs. 31/50 per pound to Rs. 34/- while Mustard moved up from Rs. 1/75 per pound to Rs. 2/10.

SUGAR

Further Fall Forecast

World market prices of sugar continued their downward plunge into May this year. By June 3 prices had reached a record low of £ 153 per ton. The fall over the past six months, from early December last year to date, has been nearly £ 500 per ton. At the end of November last year the world market price of sugar had reached its highest ever point of £ 650 per ton.

Sri Lanka has so far not made any purchases on the falling prices. Stocks now being disposed of are those purchased at the beginning of January this year when world market prices were considerably higher, in the region of £ 500. A recent United Nations gift of 10,000 tons of sugar to Sri Lanka and local production have supplemented the country's supply upto the end of September, 1975. Our next purchases are due to be made in October.

The leading French sugar brokers SUCREES ET DENREES has forecast a continuous fall in sugar prices over 1975. Their reasons are that in 1974/75 production was higher than consumption for the first time in five years, the result obtained to the detriment of consumers, who showed more price resistance than expected because of the general recession. Surpluses brought forward from 1974 were enough to currently depress the market. Together with this there were new crops in South America and unsold stocks in India. The built up stocks caused by inability of Northern Hemisphere cane producers to sell all their crop was another reason. Also, according to marketing authorities, some sellers may be tempted to dispose of their production as soon as possible rather than risk a large beet crop in October further reducing prices.

Women of Sri Lanka: Oppressed or Emancipated?

Kumari Jayawardena

This is International Women's Year and the several discussions that have been held on the subject have been mostly general ones. In this article an attempt is made to place the level of exploitation of women in Sri Lanka in scientific perspective. Kumari Jayawardena teaches in the University of Sri Lanka and among her publications is Rise of the Labour Movement in Sri Lanka.

Are women in Sri Lanka exploited and oppressed and in need of emancipation ? Or does the question of women's liberation not arise in this country because of our religious and cultural traditions and because we have the first woman Prime Minister in the world ? These are among the questions that women's organisations and trade unions in Sri Lanka have been discussing at meetings to celebrate International Women's Year. Attempts to discuss such questions in the absence of comprehensive research about the role of women in society or their status can only be tentative and impressionistic. Detailed studies must be made into the specific problems of women workers in the urban, rural and plantation sectors and into the role of woman as wife, mother and worker, before a more definitive analysis can be made of the positions of women in Sri Lanka.

Moreover, in discussing the problems facing women in Sri Lanka, we must recognise the fact that all women do not as a whole belong to a separate homogeneous class, subject to the same forms of exploitation and oppression. There are class differences between unskilled women workers in the plantations, paddy fields and factories who receive unequal pay, and the professional middle-class women who receive equal pay with men and have an economic independence denied to the poorer women. Apart from the differences in social strata, there are also cultural, religious and regional differences between women. For example, it is difficult to compare the secluded Muslim women of Kalpitiya, the Jaffna women from orthodox Hindu families, and the rural Sinhala women from areas where strong feudal relationships prevail, with the women of the urbanised elite and the militant women in the trade union and political movements.

However, while accepting all these limitations which arise in any discussion on the position of women, one can yet venture the view that in patriarchal male-dominated societies, women occupy a subordinate status and are *subject to varying degrees of discrimination, exploitation and oppression.*

It was Charles Fourier, a 19th century Utopian Socialist who first pointed out that the degree of the general emancipation of any society can be measured by the degree of the emancipation of women in that society, and Socialist thinkers from then onwards have shown that the real liberation of both men and women cannot be achieved in an economic and social system based on the exploitation of the working people.

In writing of India, Ashok Rudra has remarked that "Indian society has all along been a male-dominated society, where the woman's place has been primarily confined to the home, her role limited to procreation, upbringing of children, and catering for the needs of men folk by way of creature comforts . . . . . women's position was considerably higher during the Vedic period . . . . but *during no historic period did women enjoy equal position and status with men.*

This picture would be broadly true for Sri Lanka with the addition that the influence of Buddhism made for a greater degree of freedom for women. But, in spite of periods when the country was ruled by queens, and in spite of the liberating influence of Buddhism, society at all stages of history has been male-dominated; working women toiled in the fields and the women of the ruling classes lived idle and parasitic lives.

The advent of imperialism to Sri Lanka radically altered the economic structure of the country, imposing capitalist forms of production on a feudal agricultural economy. The growth of plantation capitalism after the 1830's, the development of transport and the emergence of Colombo as the commercial centre of the export economy had repercussions on the role of women. The expansion of education, including female education in the 19th and 20th centuries also led to the entry of numbers of middle-class women to professions such as teaching, nursing and secretarial work. With the transition to capitalism in the 19th century, women and girls who had earlier laboured in semi-feudal conditions as unpaid family workers began to be recruited as a source of cheap wage labour for the tea and rubber plantations where they earned 25 cents a day, (men received 33 cents), for work on the roads (12-36 cents a day) and in plumbago stores and coconut fibre mills, and as unskilled workers in shops and factories for 50 cents to Re. 1/- a day, and as domestic servants (for food and a pittance of about Rs. 3/- a month). It was a transition from one form of exploitation under feudalism to a new form of exploitation as wage labour under capitalism. However, women for the first time entered the labour market as wage workers, earning their living in money terms, thereby gaining a certain degree of economic independence and sharing (as Angela Davis has pointed out) "the deformed equality of equal oppression".

The question of the extent of the exploitation and the nature of the oppression of women in Sri Lanka today has to be considered in the context of a society where there is uneven economic development and varying degrees of social progress. In spite of the existence of a public sector spread over many areas of economic activity and the implementation of land reform, the economy of Sri Lanka is primarily a capitalist one with certain remnant semi-feudal characteristics. In the plantation sector which is still closely linked to imperialist interests, labour-management relations are semi-feudal. In the industrial sector, which is still relatively weak, there is a work force of wage workers some of whom have links with the countryside. In the traditional agricultural sector, semi-feudal and petty bourgeois modes of production and class relations co-exist and overlap with each other.

This article briefly examines the economic base of the exploitation of women in the three key areas of the economy —the plantation, industrial and agricultural sectors — where women form a source of cheap labour for owners of the means of production, in addition to their work in the fields (and in the home) as unpaid family workers. The article will also indicate that this double exploitation is maintained by an elaborate institutional and ideological superstructure of laws, practices, traditions, religious beliefs and social customs geared to ensuring a continuous supply of cheap female labour and to maintaining women in a subordinate social status.

THE ECONOMIC BASE OF EXPLOITATION

Plantations

Women in Sri Lanka form 48.7% of the total population. Of the female population 17% are employed and of the total work force 26% are women. These rates are affected by the high rate of participation (53.8%) of women in plantations. According to the Socio-Economic Survey of 1969/70 the percentage breakdown is as follows :—

	Urban Female	Rural Female	Estate Female
Employed	10.4	11.1	53.8
Housework	54.2	55.3	27.1
Students	30.7	29.5	17.1
Unemployed	4.7	4.1	2.0

This shows significant differences between estate women and women in the other two sectors. On the plantations as much as 53.8% of the female population is employed, whereas the figures for urban and rural women are 10.4% and 11.1% respectively. However these figures are probably an underestimate for they do not take into account the unpaid labour of women in agriculture.

In no sector of the economy is the exploitation of women less disguised and more blatant than in the plantation sector, which from colonial times has inherited a high rate of exploitation combined with a rigid, military style of organisation and management. There are 300,000 women working on estates forming nearly half of the estate working population. The women are almost wholly (93%) occupied in the plucking of tea, which is considered unskilled manual work. The estate women are among the *lowest paid category of workers* in the island and they receive lower wages than the men workers on estates. The daily rates of pay are Rs. 5/93 for men and Rs. 4/52 for women, and they are only paid for days on which they work which can range from 3 to 6 days a week. The average monthly wage of estate women workers today is about Rs. 90/- a month.

On the question of estate women workers Tissa Balasuriya has stated: "These are one of the most exploited groups of women in the whole world. The cup of tea depends on them, the Ceylonese upper classes live on them ; big multinational companies like Liptons and Brooke Bonds have grown rich on their exploitation for well over a century. They are about half the work force that earns the foreign exchange of Rs. 1,500 million out of our total Rs. 2,000 million foreign exchange earnings".

Estate women workers also work longer hours than other categories of workers including men workers on estates. This is because the women have to spend from 1 to 1½ hours (after they clock off from

the field after 8 hours work), in carrying the leaf to the factory and queuing up while it is weighed. This time is not counted in the hours of work.

Moreover, the health and educational levels of estate women are deplorably low and well below the national averages. For example, whereas the maternal mortality rate in Sri Lanka was 1.5 per thousand live births in 1969, the estate rate was 2.7. Infant mortality rates were 52.7 per thousand live births in 1969 whereas on estates it was 110 and is today probably much higher due to the present food crisis. The high infant mortality rates which have always been more than twice the national figures are due to the gross anaemia and undernourishment of the estate mothers. The illiteracy of estate women also constitutes a major source for concern. The illiteracy rate for women on estates is as high as 51.8%, that is, double the rate for men on estates (26.8%).

Industry

With the growth of industrialisation in Sri Lanka there have been more employment opportunities for women in this sector as semi-skilled and unskilled labour. Women form a high proportion of the labour force in the textile and garment industry, in tea processing and the manufacture of primary rubber and coir fibres, in the beedi and tobacco industries, in the manufacture of industrial chemicals and food (including biscuits, chocolates and sweets), and in the match, footwear, brick, toy, and soap industries.

In all these industries women workers are paid less than men workers. Where industries come under the Wages Boards, the wage differentials for men and women are laid down and published each month in the Labour Gazette. The discrimination against women workers is perpetuated in two ways; either the jobs in each industry are demarcated into male and female sectors and labelled Class 'A' and Class 'B', and the women workers who are relegated to Class 'B' are paid lower rates, or this fiction is dispensed with and a straightforward division is made into "male workers", "female workers" and "young persons", and different wage rates are paid to each of these categories. Below are a few examples (in trades governed by the Wages Boards) of discrimination in wage rates :—

	Men	Women
Brick & Tile Manufacturing	5.90	4.84
Coir Mattress & Bristle Fibre Export Trade ..	4.73	4.42
Match Manufacturing	5.20	4.75
Plumbago Trade	6.44	4.37
Rubber Export Trade	6.25	5.95

Agriculture

Women's organisations and political associations among women have largely tended to be urban based and little activity has been carried on in the rural areas. Nor have any studies been done on the nature of oppression and exploitation of women of different segments of rural society. The women of the landless and poor peasant families labour in the paddy-fields with men, but there is a certain division of labour, women being traditionally confined to work involving transplanting, weeding, winnowing and harvesting and excluded from ploughing, sowing and work in the threshing floor.

In areas where old beliefs persist that women are "unclean" certain tasks connected with paddy agriculture (such as work in the threshing floor) are not allocated to women in the belief that yields would go down.

Women of the middle peasantry are confined to work indoors rather than in the field, although seasonally they may supervise the work of others in the field. There is a tendency to preserve status by not relying on the manual labour of the women in the family, but on hired daily-paid labour.

Women form a significant proportion of wage labour in paddy cultivation ; their rates of pay vary from district to district ranging from Rs. 3/50 to Rs. 5/- a day (with lunch) depending on the demand for labour and the customary rates of pay in the areas. However, one factor is universal and that is that women doing such work receive Rs. 1/50 or Re. 1/- a day less than the men. Women wage workers in the countryside are from families of landless peasants, or those whose land holdings are too small to provide them with an adequate income.

In the traditional agricultural sector, apart from paddy cultivation, women are also employed in highland cultivation (coconut, chillies, vegetables, spices, etc.). Here, too, women of the family or women wage workers do many of the difficult tasks connected with this type of cultivation and, in the case of wage labour, the pay is less than that paid to men workers. In rural areas, women wage workers are also employed at lower wages in industries and occupations such as the production of bricks, coir, beedies, stone cutting and in construction.

In all three sectors (plantation, agricultural and industrial) the main demand of women workers should be for equal wages; they should also press for better canteen and medical facilities and for modern creches and infant schools, which would help to relieve these workers to some extent from the double exploitation as wage workers and housewives to which they are subject under the present economic system.

THE SUPERSTRUCTURE

In Sri Lanka — where the three sectors of the economy are partly based on cheap female labour, and where in certain echelons of society, social status is measured by the non-participation of women in productive work — a superstructure of laws, institutions, ideology and culture have been evolved to justify the prevalent exploitation and to rationa-

lise the unequal social status of women and the discrimination that is practised against them.

The laws of the country affect the position of women in several ways. There are many legislative enactments which give certain privileges to working women (maternity leave and benefits, canteen, creche and rest room facilities) but these are not always strictly followed by employers. While the larger industries adhere to the maternity benefits provisions, the canteen, creche and other facilities are in most cases deplorable or non existent, even in the best run work places. There are also other restrictions on hours of work, on night work (with certain exceptions) and on overtime, which are in keeping with enlightened legislation in other countries. But on the key issue of equal pay for equal work, the wages board legislation of the country enshrines the reality of discrimination between men and women.

The other types of laws that affect women are the personal laws of the Roman-Dutch, Kandyan, Thesavalamai and Muslim Law systems which govern inheritance, marriage, divorce and allied problems. Studies must be made of these laws in order to determine where women are at a disadvantage in respect of property, succession, divorce, payment of alimony and the custody of children.

Discrimination against women is especially prevalent in employment and is perpetuated by both employers and the government. Even though access to secondary and higher education is freely available to girls, the highest unemployment rates in the country are to be found among girls and women. In several types of government employment there is open discrimination against women; it has been stipulated by circular that only 20% of available vacancies in the clerical service and 10% in the administrative service are to be filled by women. The extent of this discrimination can be seen in the results of the last examination for recruitment to the administrative service.

Certain occupations are traditionally regarded as male preserves. Women are not employed in the armed services, in transport (road, rail and harbour), postal delivery and sorting, in electricity, gas and water services and (except in one or two cases) as engineers, surveyors, machinists, and electricians. There are only a few women in higher level government posts, in the diplomatic service and in top management posts. As a recent report has shown, in the training courses conducted by government departments and corporations for management, technicians and trade apprenticeship "women are initially excluded, chiefly because no women are employed in those fields", but short courses are conducted for women in certain government departments in home economics, needlework and for weaving instructresses, typists and telephone operators. Even in the Department of Labour girls are excluded from all the vocational training courses except tailoring. By thus restricting women to the "traditional" fields and denying them access to technical and management training, the vicious circle of discrimination against women is perpetuated.

Women workers tend to be concentrated in occupations which have a high cheap labour potential such as plucking tea leaves (93%) women, stripping tobacco leaves (90%), weaving, spinning and garment industries (75%), packing, labelling and beedi manufacture (60%), rubber growing and agriculture (40-50%), and coconut growing and coir manufacture (30-40%). They are also found in the traditionally 'feminine' occupations such as nursing and midwifery (94%), teaching (54%) and telephone operators and typists (40-50%).

Within industries too there is a marked sex differentiation, with women being employed mainly in unskilled, routine, repetitive jobs (weaving, spinning, plucking, picking, sorting, labelling) and in skilled jobs not requiring very high mechanical, technical or intellectual skills (clerical, sales assistants, secretarial).

The culture and mythology of oppression

The economic exploitation of women and their relegation to a subordinate status is maintained and fostered by strong traditional and cultural attitudes towards women which originated in patriarchal and feudal societies, and which have been perpetuated through an elaborate mythology of modern-day superstitions directed against women. There are, in many instances, traditional prejudices and obscurantist views which are reinforced by capitalist ideology. For example, the view prevails that women can never be given equal rights with men because of biological, physiological and emotional differences. These differences are said not only to prove the inferiority of women but also to act as the basis for the division of labour, and the demarcation of "spheres of influence", between man and woman.

In classical Sinhala literature (influenced by the Indian tradition) the emphasis of the ruling class was on woman as an object, a thing of beauty and an ornament, whose purpose was to serve, entertain and amuse. Woman, whose main virtues were servility and beauty, had to conform to a given stereotype (face like the moon, eyes like blue lotuses, hair like black clouds, breasts like swans and hips like chariot wheels) and possess the five attributes of beauty—pancha kalyana, (hair, teeth, skin, flesh and youth).

Today, this "pancha kalyana" feudal attitude to women is used by the capitalist mass media to perpetuate the concept of woman as a mere commodity—either as a source of cheap labour or as a play-thing. For example, at a time when successful anti-imperialist liberation struggles with women participating alongside men have been waged in Asia, it is interesting to note that the mass media of the capitalist world is busy projecting and perpetuating myths and fantasies about the traditional "Oriental Woman". In the airline advertisements (including Air Ceylon) she is portrayed as beautiful and servile, whose only function is to serve male passengers: "Visions of warmth and laughter...our girl, gentle hostess in her sarong kebaya, she will care for you as only she knows how" (Singapore Airlines); "In Malaysia girls are taught the gentle ways of womanhood — among them

the art of providing graceful service; Its a tradition you will find on MAS" (Malaysian Airline Systems); "She never forgets how important you are. He certainly didn't expect her to sew his button back on, but she did" (Japan Air Lines); "The resplendently buoyant — yet prudently tender smile uniquely modest, traditionally oriental" (South Korean Air Lines).

This picture by the well known Bengali artist Jemini Roy depicting Sita being consumed by fire at the death of her husband illustrates the social position of women in early India.

Apart from the mystique about oriental women which the airlines of the world resort to, we find that the mass media in Sri Lanka is used to reinforce traditional prejudices about women and inculcate false values and attitudes to women.

Many myths concerning the alleged inferiority of women and their traditional social role are fostered by the press, films, radio as well as in text books and magazines. These myths fall into several broad categories. First, biological differences between men and women are used to put forward false propositions that women are mentally and physically weak. Such views are based on unscientific assumptions that women have less brains than men, that they are inherently emotional and irrational, that they are by nature dependent, and that they are physically fragile. Second, on such false assumptions of physical and mental inferiority (which have always been used against oppressed groups), certain other myths are deliberately created: that women being inferior cannot claim equality with men and that equal pay cannot be given because women are incapable by definition of equal work. Third, the mass media is deliberately used to create a whole mythology that the only permissible roles for a woman are those of wife and mother. Connected with this are the well worn legends that woman's place is in the home, that housework is "women's work", that women who work outside the home lose their so-called femininity and that women are neither interested nor capable of involvement in political, economic and social activities.

How is the mass media used against women ?

In our newspapers, pictures of women are used to attract attention in advertisements to a whole range of products such as radios, tyres, furniture, and shoes, thereby reducing women to the status of an eye-catching object in order to sell other commodities. The same is true of beauty contests organised and sponsored by business firms and by newspapers whereby women are degraded and reduced to the level of cattle, in order to advertise and market various products. Recently a "Miss Sri Lanka" beauty contest was advertised in the papers as follows "Calling all you beautiful dolls".

The so-called women's pages of our newspapers also direct the attention of women to personal questions like love, marriage, family, and ornamentation (jewellery, hair-styles, cosmetics) and consciously deflect their attention from social and political problems. This same attitude is seen in the weekly papers (*Tharuni*, *Vanitha Viththi*) which specifically cater to a large readership of youg women. In a typical recent issue of *Tharuni*, the contents included a feature story on "Our beautiful air-hostesses", astrological marriage predictions, fashions for the New Year, and an article entitled "I would like to be beautiful". There was not a single story or reference to women at work, or women in any kind of intellectual, political or community activity.

Sinhala and Tamil songs on the radio are also a form of propaganda to promote certain stereotype attitudes to women. The songs range from crude 'bailas' mocking working women ("Our grandmothers were not typists") to pop songs about the modern 'pancha kalyana' who demands and extorts clothes, perfume and jewellery from a man, who in turn is proud to be seen with a well-adorned woman.

The most degrading attitudes to women are reflected in the recent spate of vulgar Sinhala films whose crude titles are indicative of the content. (සුකිරි කෙල්ල, රත්තරන් අම්මා, ඔන්න මාමේ කෙල්ල පැනපි, ආවා සොයා ආදරේ). In such films a woman is portrayed as a devoted wife and mother sacrificing herself for husband and son, or as the doll-like girl friend of gangsters, mudalalis and play boys.

Women in Sinhala films are alternately slapped, pushed around, pampered, showered with jewellery and clothes, taken to night clubs and birthday parties or worshipped in a shameless hypocritical way as a long suffering "golden mother".

These attitudes to girls and women are inculcated from infancy and a cursory glance at any of our school text books will leave the reader in no doubt about the place of woman. In the Grade 9 Sinhala reader, a section from *Kavyasekera* is included—"(Advice to a Daughter")—which urges a woman to spend her entire time in serving her husband and his family and in looking after his property and belongings. Taking another school book (English Book 4) at random we find the following examples :

"Mrs. Perera is cooking rice",

"Mr. Perera is working",

"Gunasiri is a mechanic",

"Somalatha is a dressmaker",

"Leela is sweeping the kitchen",

"Ranjith is repairing his bicycle",

For the school exhibition "some boys will make model aeroplanes, spaceships, ships, trains, buses and motor cars. Some girls will make teapoy covers, tea cosies, tray cloths, cushion covers, paper flowers, shell ornaments."

In a country where nearly 30% of the work force are women, Mrs. Perera is portrayed cooking, sewing, sweeping and making endless cups of tea for Mr. Perera, who having returned from work is reading a book, while his daughter is sewing, but his son is playing with an engine. In all our text books women are never portrayed doing intellectual or mechanical work, reading books or going out to work.

Signs of hope

In discussing Sri Lanka, we must emphasise certain positive aspects which favour the emancipation of women. The fact that the country has the first woman Prime Minister, that there have been and are women Ministers and Members of Parliament, that there are a few women University Professors and that some women hold leading positions in government service and in certain professions (especially legal and medical), that all the radical political organisations in this country and the trade union movement have had their share of militant, courageous women activists — all these are no doubt incentives to other women in the present struggle to achieve equal rights.

One of the most hopeful signs is the high educational standard among girls today. With the advent of free education and education in Swabasha girls have availed themselves of all opportunities for education. For example of the total enrolment of students in grades 1-12 (for 1970) 48% of the students have been girls. What is more remarkable are the figures for the higher grades. In grades 9-10 (in 1970) there were 56% girls in the Arts and 41% in the parallel Science stream. In grades 11-12 the figures were 59% girls (Arts) and 36% girls (Science). The other remarkable development of the past decade has been the increase in girls at the University level (24% in 1961 and 42% in 1972). In some faculties like humanities, social sciences and education the women out-number the men (53% in 1973) and the proportion of women in the science and medical faculties has increased significantly.

What does this mean in terms of the status of women ? In traditional societies, the ignorance, illiteracy and lack of educational opportunities for women were weapons used to keep women in a slave-like subordinate status. In a country where the women's literacy rate is among the highest in Asia (71% today compared to 10% in 1911) and where women have equal access to schools and universities, it will be difficult to continue to deprive women of equality in other fields.

But inspite of the hopeful position in education, women and girls in Sri Lanka are also subject to various forms of dependence and subjugation based on attitudes and practices of a feudal era. These include the dowry system, arranged marriages and a ready acceptance of the superior status of father, husband, and son and the subordinate roles of mother, wife and daughter.

The psychological problems and anxieties of women in Sri Lanka have yet to be studied, but from a cursory survey of attitudes of girls from rural homes one finds a multitude of fears and superstitions about devils, ghosts and spirits with malevolent influences over women, along with fears of rejection by parents, relations and society if any deviation is made from traditional norms of conduct. Some of these fears are of course inter-connected; the belief that certain devils possess women more than men is linked with taboos on women going out late, or leading an independent life. As in most patriarchal societies, this is also connected with a rigid code of female chastity.

Changes in the economic structure of the country, the introduction of collective forms of ownership and greater industrialisation will sweep away feudal attitudes to women and bring women into public life on an equal footing with men. One will then find that the great untapped source of productive and creative talent of the women of the country will be harnessed into all activities connected with the transition to Socialism.

A Primer for Aid Recipients

Paul Streeten

The 1950's and '60's were the hay-days of development "aid", when both donors and recipients sincerely believed in the overall good of aid. Since then aid has been seen often as a sop thrown to the developing after cheating them on the terms of trade. This article by Paul Streeten wittily illustrates the aid relationship. Paul Streeten is a well known writer on development problems and is now a professor at the University of Oxford.

"Because I am witty you must not imagine I am frivolous, and I will not imagine that because you are pompous you are therefore serious".

— *Sidney Smith to a bishop.*

This short guide is written for aid recipients who wish to find their way through the political and bureaucratic jungle of donors' prejudices, myths, idiosyncracies and more sensible requirements.

The kings of Siam are said to have ruined obnoxious countries by presenting them with white elephants that had to be maintained at vast expense. In the modern setting this can be achieved best by tying a high-interest loan, called, "aid", to projects and to donors' exports and to confine it to the import content or better still some part of it, of the project. But even untied aid on soft terms can be used to promote projects of a white elephantine nature, because capital grants do not cover the subsequent recurrent expenditure which the elephant inflicts on his owners. Receiving aid is not just like receiving an elephant but like making love to an elephant ; there is no pleasure in it, you run the risk of being crushed and it takes years before you see the results.

Economists have correlated aid received per head with a number of characteristics of the recipient country. Valuable lessons can be learned from this exercise. If you wish to maximise aid received per head, you must become a very small country. If you are a member of a Federation, break away. If you have an irrendentist movement, encourage it. You must register a low temperature in the cold war, belong to NATO, CENTO, SEATO and as many other military pacts as possible. You must have a regime that declares that it is favourable to private enterprise. The fact that the public sector is in fact much larger in the countries that preach the virtue of private investment than it is in yours is quite irrelevant. You must attempt to get a high score on the check list of performance criteria — except when it comes to population policy when it is non-performance that counts.

The final incidence of much aid is such that it benefits the donor, not the recipient. Aid, by raising demand for the exports of donors and by reducing demand for the exports of recipients, while increasing their supply, tends to improve donors' terms of trade. Salaries of expatriate managers, technicians and administrators flow back into the countries from which they come. The CBI never fails to point out how private investment overseas generates a stream of demand for components, spare parts and materials from the investing country. Tied loans are extended for goods at uncompetitive prices, but have to be repaid, with interest, in convertible very hard currency. Charity therefore may begin abroad, but sometimes ends up at home.

If aid is not given to benefit pressure groups in the donor countries, it is given to undo the harm done previously. According to a news item in *The Times* (16th Feb. 1966) :—

"Vice-President Humphrey of the United States announced a $50m. loan for Pakistan to reduce pressure on the national economy caused by the suspension of American economic assistance".

Much and a growing amount of aid is given to finance repayments of past loans and interest payments on them. Gross figures for aid have grown, while the only relevant figure — the net transfer of resources, has declined.

A simple test is this : whenever an overseas firm comes to you for a concession with the promise that it will raise your exports or encourage import substitution, and therefore be splendid for your balance of payments, check carefully what story it has told the authorities guarding the foreign exchange position in its mother country. Often you will find that the very same firm received permission to spend money abroad on the ground that the investment would strengthen the balance of payments of the capital exporting country. It may be the same firm that promises in its company report to export more from Britain, which also promises you to import less from Britain.

Many forms of aid received turn out, on closer inspection, to be aid given. Aid is, for this and other reasons, a three letter word. Donors may lend you at 8 per cent and you hold sterling or dollar balances at 4 per cent. Aid from donors' surplus capacity means that you, the poor, are helping to reduce unemployment and to raise profits in the countries of the rich. The acceptance of food aid helps the party in power in the donor country to keep the farm vote, sometimes at the expense of your indigenous agriculture. Purchases of fertilizers keep important branches of the chemical industry in business. Aid-tying enables producers to raise prices

against you and to acquire a captive market. Sending young and promising men to be trained helps donors to staff their hospitals, factories and universities with the best of your brains.

Always look a gift horse in the mouth, for it may turn out to be Trojan. Or, as Ernest Bevin used to say, when you open the Pandora Box, it's full of Trojan 'orses.

Many donors have promised to provide "financial resources..... of a minimum net amount approaching as nearly as possible to 1 per cent of (their) national income". (UNCTAD Recommendation A. IV. 2). You must beware lest they will hit this target not by inflating aid, but by deflating their national income. The British Government has said "we shall hope.....to be in a position to increase our aid to foreign countries....." (Cmnd. 2736, paragraph 5). The hope may be realised as a result of the break-up of the Commonwealth.

Much of what donors call "aid" is really aid to their own citizens. This does not only cover loans and equity investment yielding handsome rates of return, though tabulated by the Development Assistance Committee of O.E.C.D. as "aid". (It is rather as if, when buying a share of I.C.I. I enter the transaction as a charity). In addition to this, aid covers part of the compensation paid to former colonial civil servants for loss of career when they retire when a country attains independence. Aid covers compensation to individuals and companies who had claims to money, property or land in newly independent countries, which these countries did not meet. Compensation of British farmers in Kenya and the British South Africa Company in Zambia is counted as aid. If exporters, over-eager to sell, have acquired debts which cannot be repaid, and if their foolishly incurred debts are paid off by the British taxpayer, the payment is called aid to developing countries. Those who lost the war and pay reparations are also encouraged to count these damages paid to developing countries as aid.

There are a few simple rules which may help you to get aid.

First, potential donors have to be identified and their peculiarities and idiosyncracies have to be studied, so that proper requests can be made and the right types of representative be sent out. In order to make the right impression on aid agencies their motives and methods must be studied. Send out, for aid negotiations, representatives who resemble the donors, or rather resemble the image that donors have of themselves. The representatives should speak the same language, literally and metaphorically, appear to accept the same values and have the same manners as the donor. To appeal to Englishmen, he must show commonsense, be able to engage in small talk, not to be too serious, too clever, too articulate or too learned, laugh at the Englishmen's jokes, which will suggest that he has a sense of humour, not be too successful with women and not have oily hair. To appeal to Americans, he must be frank, manly, unpompous, good at facts and figures and appear professional. To appeal to Germans, he should be hard-working, keen on private initiative and capable of formulating ideas in a coherent philosophical system with numerous categories, spelt out in long words with classical derivations. (A subsequent primer will be devoted to what appeals to Russian and Chinese donors). The more the representative approaches the image that each donor nation has of itself, while remaining properly deferential, the better his chances of success. It is useful to know the jargon : always say, and, more important, write : "absolute increases in income and income per capita are highly positively correlated with initial levels of income and income per capita" when you wish to say : the rich get richer. It is also useful to be familiar with the latest intellectual fads. To those who are impressed by the need to reform agriculture and limit population growth you must present programmes of land reform, large fertiliser purchases and cost/benefit calculation of the marginal sperm diverted. Others, eager to embark on thorough evaluation exercises, will be impressed if you can produce an evaluation of evaluators. Whatever you propose to do, be ready with an evaluation.

But to send out acceptable negotiators, who can play golf, or drink beer or be prepared to picnic, and who can talk of the trade matrices, systems analysis and gaps is not enough. They must be well-briefed, documents must be ready on time and letters must be answered.

Amongst the projects, some of the best ones will stand little chance of success, while some of the worst most. Agricultural, fishing or forestry projects may show low rates of return, sometimes long delayed, but can make large contributions to the economy as a whole. They will not be very popular with donors. Projects with a small import content make good use of local resources but, because of the local cost theology of donors, will not attract much foreign aid. Large residential universities, preferably on fertile agricultural land, planetariums, auditoria and other monuments to which labels can be attached, may have no (or negative) development impact but are dearly loved by donors. Administrative buildings, police houses and even, in some cases, prisons may be essential but to ask for them is a pretty hopeless quest.

In matching projects with your donors, you must also pay attention to their balance of payments position. It is easier to persuade surplus countries to finance the domestic content of a project than deficit donors. Projects with a high import content should therefore be sold to those with balance of payments deficits. Make good use of the skills which donors can supply. It is not much use asking a catholic country for the pill, or one without a chemical industry for fertilizers, however important both pill and fertilizer may be. There is no point in asking for a project which requires for its execution managers whom the donor country is not able or willing to release. It is useful to employ knowledgeable aid consultants, preferably men who are familiar with the procedures of donors.

You do not have to know whether aid is given for military, altruistic, Machiavellian or profit-seeking reasons. But it is a great advantage to know something of the power games played in the corridors of the officers of the donor country and of the bargaining between different Civil Service departments concerned with the distribution of aid. If the

recipient can add his weight at a crucial moment and at a crucial point in the process of decision-taking into a balance of consideration and power, he may be able to make a substantial difference. Such knowledge may have less to do with merits of a case than with the idiosyncracies of ministers and their senior officials and with the state of bargaining on quite different fronts.

You must try to maximise the number of donors and aid channels. Although this adds to your administrative work, it makes it possible to play one against the other and to encourage them to compete. The larger the number of channels, the greater the number of vested interests and therefore the larger is likely to be the flow of aid. Always oppose efforts to co-ordinate, streamline, or integrate aid-giving activities and institutions. More difficult is the creation of the right kind of political climate. To the Americans and to the Germans, you must convey the impression that you are helping yourself; then Uncle Sam and Onkel Michel may wish to push the car you have started. To the World Bank and other donors, you must present consistent national plans. National planning, irrespective of the plans of other nations and sometime inconsistent with these plans, is the modern equivalent of 19th century laissez-faire. You may be forced to repeat and perpetuate myths, such as that your borrowing is only for import of capital goods, that it is only for projects that yield exportable goods, or for projects that "pay for themselves"; that all the money will be spent on the donor's products, and on his chosen projects, etc. Most important of all, you must perpetuate the myth that you will "take-off" within a specified period and that all aid will then come to a happy end.

If you have a good agricultural engineer or a good expert on fisheries, and you wish to do him a good turn recruit him for a U. N. technical assistance programme and ask for a similar expert from another underdeveloped country. Admittedly, both will be less effective in the foreign land, but their multiple salaries will be untaxed and paid for mainly out of rich countries' U. N. contributions. The more swapping of this type you can engineer, the higher the standard of living of your experts, though admittedly their contribution to development is reduced.

It is useful to know the prevailing mythology of aid.

There has been a good deal of discussion of the harm done by project and procurement tying. No doubt, a combination of these two forms of tying can greatly reduce the value of aid of recipients, and either of the two by itself can be harmful. But success either in project tying or in procurement tying is limited, the limitation depending on a number of factors such as the stage of development of your country, the volume of your trade with the donor, etc. Project tying is limited by the fact that the donor's money only apparently finances a high priority project, while in fact it would have been carried out in any case with funds which are now freed for some low priority activity. Similarly, the possibility of switching always exists with procurement tying. Free foreign exchange earned through exports can be diverted to purchases from other countries, while the tied loan is used to buy what would have been bought in any case.

Another myth is the notion that, to achieve development, aid-financed imports must be capital goods. It is, of course, true that many underdeveloped countries cannot produce capital goods themselves, or only at excessively high costs. But the development problem is how to feed the workers who do the construction of investment goods, while consumption levels generally are very low. And to finance this surplus by importing food from abroad may make as great a contribution to development as importing the capital goods.

It is also said that you should borrow only for projects that yield exportable goods. Even where balance of payments relief is the main consideration, the whole balance of payments position must be considered. Any contribution to domestic production which, directly or indirectly, reduces dependence on imports, is just as useful as the production of exports.

It is further said that you should borrow only for projects that "pay for themselves" so that revenue collected is sufficient to service the debt. But again, it is not the revenue collected from the aid-financed project but the total public revenue position that matters. If taxation from other sources can be raised sufficiently, there is no reason why a non-self-liquidating project, such as many agricultural or educational projects, should not be undertaken.

The donors' jargon of "taking off" into self-sustained growth serves psychological and political needs, but not analysis. As long as it is merely a rationalisation of donors' hopes to be rid of aid before too long, no great harm may be done. Even then, it may be better to educate opinion gradually by getting it to accept not only the permanent justification of capital flows across national boundaries, for there is no reason why each nation should be self-sufficient with respect to its capital requirements, but also towards the international solidarity which would enable it to envisage the possibility of an international system of taxes and subsidies on a pattern which has become generally accepted within advanced nation states. But the notion of "take-off" can carry misleading implications for current policy. It may give the impression that there is something inevitable or very easy in sustaining growth, once a critical point has been reached. Even when we adhere to the aeroplane metaphor, we must remember that crashes can occur. There is nothing automatic in sustaining development once certain savings and investment ratios have been achieved. Equally, "preparing the runway", by gradually building up local institutions, skilled and honest administrative service, an entrepreneurial class interested in building large-scale enterprises and in producing rather than trading, a reform-minded peasantry, etc. may be an essential pre-requisite for development, but show slight or no returns in terms of the ratios normally used to indicate distance from "take-off". There can be a good deal of development without any growth just as there can be growth without development. The metaphor taken from aeronautics can be adapted, but it is usually wiser to touch down from motoring or flying analogies and to ask who does what to whom when and why. Eschatology is no substitute for policy.

ECONOMIC REVIEW

Price 2/-

The contents of *Economic Review* may be quoted or reproduced with due acknowledgement.

Printed at Ceylon Printers Ltd., 20, Sir Chittampalam A. Gardiner Mawatha, Colombo 2.