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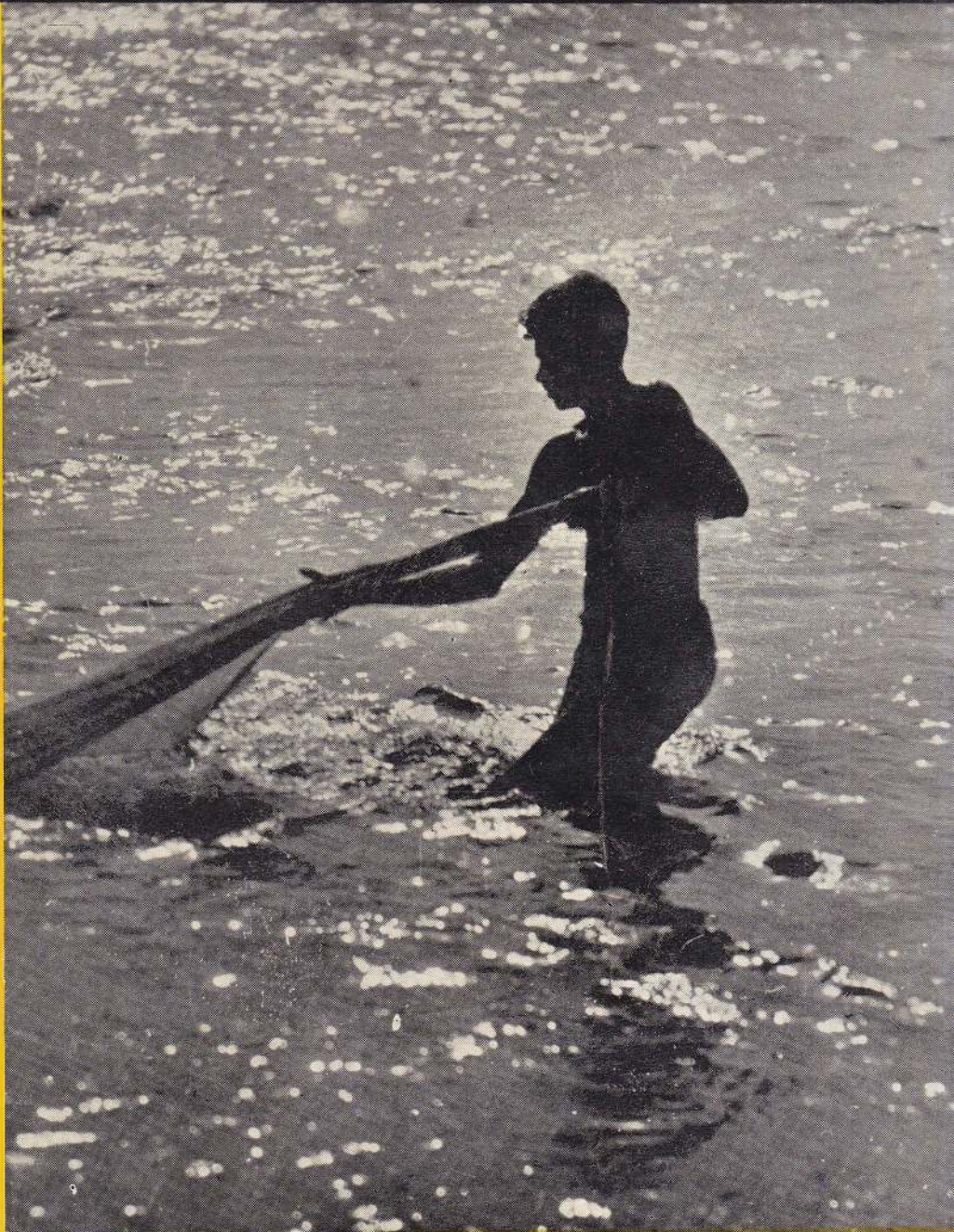
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**OCTOBER, 1954**



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The Rt. Hon ble Sir John Kotelawala, K. B. E.





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## **The Prime Minister's Address to the Indian Council of World Affairs at New Delhi**

*WE reprint below in full the text of the speech made by the Prime Minister, the Rt. Hon. Sir John Kotelawala, at the Central Hall in New Delhi to the Indian Council of World Affairs on January 18 this year. Though not a complete statement on foreign policy it will, we think, be read with unusual interest in view of the Prime Minister's forthcoming visit to the various capitals of Asia, Europe and America.*

Friends,

I am overwhelmed by the thought that the intellectual elite of India should have done me the honour of assembling in the central hall of this august Assembly to hear my views on matters that concern us all.

Asian affairs have loomed large in the present-day world with the emancipation of India, Pakistan, Burma, Indonesia and Ceylon, the disturbances in China, the situation in Viet Nam and Korea, and the outbreak of terrorism in parts of Malaya. Asia has been the heart which has pumped the blood to keep the rest of the world alive for longer than one can recall.

She has placed at the disposal of the rest of the world her immense natural resources, which unfortunately Colonialism exploited for the benefit of the West without adequate thought

for the development of the East. Is it a wonder, therefore, that the world's richest continent should also be the one in which humanity is most impoverished, and the level of economic life is lowest?

Friends, Asia, the world's heart, is diseased. Whenever there is an ailment, many remedies are suggested, some drastic, others futile, and most of them beyond the means of the patient. Modern Asia has had the eyes of the world's doctor-nations focussed on her for some time now. Their remedies cannot be expected to cure the ailment completely. Indeed, the patient's desire to get well is as important as the efficacy of the remedy. It is time that Asia looked to herself for some measure of deliverance.

### **Asia's Wealth**

MORE than half the world's population centres round Asia in one-fifth of the world's square area. The wealth of Asia that fed the world can surely be developed to sustain a large proportion of its inhabitants on a higher standard of life than is unhappily their lot today.

No internal development in Asia is possible so long as there is mutual fear and distrust amongst neighbours, all of whom have the same problem of fighting the battle of disease with





The Prime Minister, the Rt. Hon. Sir John Kotelawala, addressing the gathering at the meeting of the Asian Council of World Affairs in New Delhi

the ammunition of better sanitation and drugs, the war on under-nourishment with the bullets of greater productivity, the use of fertilizers and improved strains and methods, and combating the menace of houselessness and slum-dwelling by well-planned housing operations.

Yes, my friends, we have a common battle-front on our very doorstep to engage our attention and while we delay in facing it, the ugly form of Communism rears its head above us. The internal forces I referred to are for Government policy to try to influence: where it fails, it encourages Communism.

General economic development and closer co-operation between Asian countries, which

is the answer to the politics of Asia's unrest, depends for its success on some measure of political stability. This stability can only be realized through progressive reforms and giving the people the direct benefits of any program of development.

#### **A Food-deficit area**

BEFORE the War, Asia produced more food than she consumed, though consumption was at low levels. Now with the rise of more than ten per cent. in population, this great agricultural continent of Asia, where consumption levels are lower still, produces less food than is consumed. The world's greatest concentration of



population which is also potentially the most explosive politically, is at this very moment a food-deficit area.

Looking at Asia from the angle of foreign trade, the position is no better. In fact, it makes one feel more desperate. Pre-war Asia had a favourable trade balance, despite Colonialism. After the war, large trade deficits have piled up, due to the effect the war had on the production and export of Asia's staple products, the competition she has had to face from the synthetic bogey, and last but not least, due to the blood and plunder that accompanies the Communist hot war in some of Asia's most productive areas.

The spectacle is dismal enough to need the attention of Asia's leaders and the concentrated

effort and fullest co-operation of every man, and woman. The problems of Asia are our problems. They can be solved only if we make an honest attempt to solve them and let the rest of the world see that we have made a move-on without waiting for them to come in and do it for us.

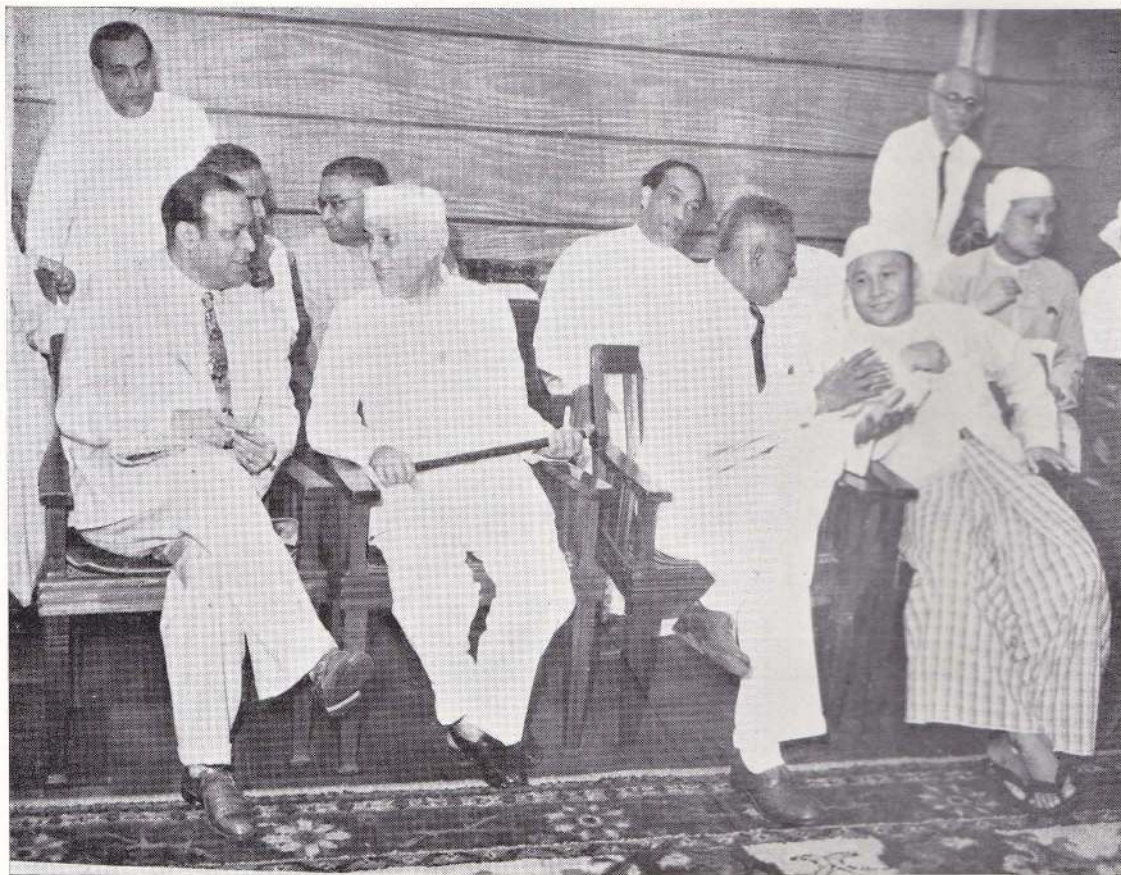
### **Need for Co-operation**

THE future of Asia cannot be built up on free give-aways, foreign gunboat visits, and by the mass concentration of armed strength. The economics of distrust and war is the economics of waste. Wars have been fought since the beginnings of history and no brave new world has yet materialized ; it never will through the

Amongst the distinguished gathering during the Premier's address to the Indian Council of World Affairs was the Prime Minister of India, Shri Jawaharlal Nehru







A picture taken during the Asian Premiers' Conference in Colombo early this year. Mr. Mohamed Ali, Shri Nehru, the Prime Minister of Ceylon and the Burmese Premier, U Nu. The other Asian Prime Minister who attended the Conference was Dr. Ali Sastroamidjojo of Indonesia

road of battle. Large armies or military expenditure, in the context of Asia's economy today, are therefore a dead-weight which no country can afford. They can only be paid for at the price of economic development and human misery.

It is for Asia's leaders, therefore, to remove any possible sources of misgiving and distrust through full, frank, friendly and free discussion.

It is, therefore, that I suggested shortly after I assumed the office of Prime Minister of my country that a start be made by calling a conference of the Prime Ministers of Indonesia, Burma, India, Pakistan and Ceylon, to remove

any obstacles that may exist towards progress, friendship, amity and the fullest co-operation among these neighbouring nations. It is not necessary that the national characteristics of these five countries should be effaced in our efforts towards cohesion in thought and action for the development of South-East Asia. Indeed, the special national characteristics of these countries are a great asset in facing up to the obvious difficulties that one must necessarily encounter.

Nationality, to my mind, means nothing if it is not backed up with a spirit of loyalty and devotion to the country whose nationality one





A recent portrait of His Excellency the Governor-General, Sir Oliver Goonetilleke, G.C.M.G., K.C.V.O., K.B.E.



claims. Patriotism is one of the main forces for the survival of our freedom, which must be protected at all costs against foreign interference in our affairs, whether it be through Communist activities or in any other manner.

Communism in Asia, which owes no loyalties to anyone but to the International Movement, unfortunately thrives because, in our democratic way of life, we honour the liberties of our citizens. Communism is entirely foreign to the religious, cultural and social traditions of our people. In facing it too, South-East Asia can achieve more by acting in concert than by the efforts of individual nations.

### Asian Opinion

IN the United Nations and in other world bodies, one sometimes hears of an "Asian bloc", probably because the weight of Asian opinion has more than once influenced the trend of debate in those Assemblies. Public opinion in Asia triumphed in the case of Indonesia's struggle for independence. If unorganized co-operation between Asian countries has proved itself effective in the past, how much more so would a better plan of co-ordination of our policies help to stabilize the very delicately balanced international set-up of today? With the world divided into two camps, the emergence of an Asian bloc, if I may use that phrase, which both sides may respect and heed, may well be the only means of averting a third world war.

It is time we realized that Asia cannot afford to have foreign policies which are a drag on domestic development. The reaction to my suggestion in many quarters has left no doubts in my mind that upon the co-operation of Asian countries hangs the fate of Asia. Your own great Prime Minister was one of the first to welcome my suggestion and give it his whole-hearted blessing and support. His support and the support of other leaders bring in the goodwill of the millions who inhabit their lands, whose thoughts lie in the direction of internal development and peace.

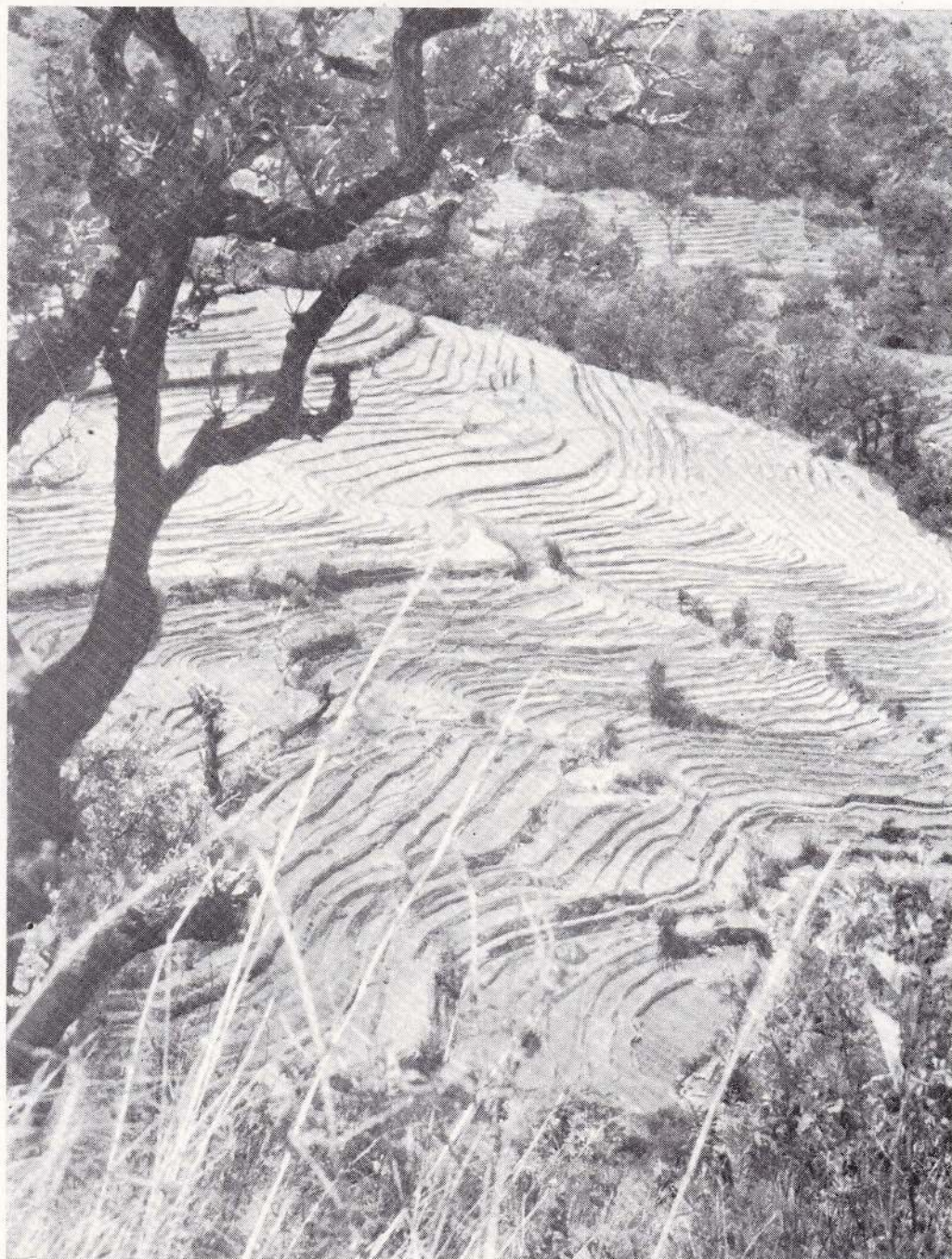
The idea of an Asian Prime Ministers' Conference was born out of Asia's present plight and Asia's needs. The tradition of centuries of close co-operation, cultural, religious, racial and trade connections pointed to this as the obvious goal of South-East Asian statesmanship. The voice of six hundred million people is the voice of a quarter of the globe. The hand of Colonialism no longer exists to gag them or bludgeon them into action which is not of their liking. South-East Asia is not bankrupt of men, material, resources or leadership. Her people are quite competent to decide freely for themselves what they will or will not have.

The need for friendly relations with countries outside this region cannot be over-emphasized—but those relations, in the context of the freedom of South-East Asia, must be in keeping with the dignity that is attached to the fraternity of free nations of the world. To those who wish to help us from outside the region there will always be a welcome but it must be a welcome by someone who is master of his house. The free nations of South-East Asia look to one another to help maintain that dignity, the national independence of each sovereign state, and the forces of democracy which are the bulwark of the future.

With Jawaharlal Nehru in India, Mohamed Ali in Pakistan, U Nu in Burma, and Ali Sastroamidjojo in Indonesia, the fate of South-East Asia is in safe hands. They are men who have risen to leadership because leadership was their due. The great potentialities of the nations they lead, their own personal stature in the world is safeguard enough, if we require safeguards, that given their co-operation, the problems of South-East Asia will be solved. I shall throw the full resources of my country and my own personal efforts to assist them in their task.

What we shall discuss when we meet is as yet in the womb of time; but of this I am assured—that our Convention will be a demonstration of our Asian conscience and of our awareness of the perils that threaten once more to engulf us.





Terraced paddy fields



If some goodwill materialize from the meetings of South-East Asian Prime Ministers, as I know it must, that will be the satisfaction that I shall have derived for the crystallization of that idea.

At this point, friends, I could stop and you would perhaps go away with the thought that I have conveniently refrained from any reference to the problem which concerns India and Ceylon. You know the matter is on the tapis and I know, as my kind hosts, you would not wish me to acquire in your country a reputation for rash utterances. Suffice it to say that we Ceylonese are imbued with the spirit of that resplendent son of India, Gautama Buddha, that ocean of Karuna, who in innumerable lives sacrificed himself for the good of others and so attained Nirvana. Both as Buddhists and as Ceylonese we do not wish to harm anyone. I personally am deeply distressed at any individual suffering, and it is to alleviate this that I have come over here. If we solve our little problems, the greater will be solved. We cannot afford the luxury of ideological differences. The politics of South and South-East Asia will then, I feel, be conducted according to the cardinal axiom of Buddhism that there should be hatred towards

no one. There will then be the mutual recognition of the independence of each nation in the area and the inter-dependence of one nation to another.

Friends, I do not know how to thank you for having honoured me by asking me here in your midst, in one of the great capitals of the world, New Delhi, the sounding-board of Asian opinion. Your illustrious Prime Minister has time and again referred to the great awakening of Asia. That awakening has now reached the ordinary men and women who inhabit our lands who, though poor, are in a very real sense the heirs to the riches of the earth. It is with the co-operation of a body of opinion such as you represent that the goal that I foresee for South-East Asia can ever be attained.

That there should be peace in Asia is vital to any scheme of Asian regeneration. I am convinced that responsible opinion in the democracies of Asia whole-heartedly support me in this belief. If the good neighbour policy of ordinary human beings permits them to settle their disputes without hacking one another into crimson ruin, then surely neighbouring countries can also adjust their differences without resort to violence.



"FIRSTLY let me say that we accept the principles of the Charter of the United Nations; and although we have been vetoed out more than once, we continue to seek membership. We value our membership of the Commonwealth of Nations, based as it is on the free association of independent countries for mutual assistance . . . . In all our international relations we will continue to have an independent approach without aligning ourselves with any "power-bloc". We will whole-heartedly pursue the path of peace. In South and South-East Asia we will endeavour to maintain the friendliest relations

with our immediate neighbours with whom we have historical, cultural and religious ties.

We recognize the usefulness of proper diplomatic representation in countries with which we have political and economic relations of some importance, and we will give consideration to the question whether the ten overseas missions we now have may not be made more effective and economical by changes in their status or location."

(Statement by the Rt. Hon. Sir John Kotelawala in the House of Representatives soon after he assumed office as Prime Minister.)





A general view of the delegates at the ECAFE Conference held in Kandy in February this year

## Ceylon and Foreign Investment

WE publish below extracts from two important pronouncements. The first speech was made by the Prime Minister, the Rt. Hon. Sir John Kotelawala, when he opened the Tenth Session of ECAFE in Kandy on the 8th of February.

The second is a series of extracts from "The Industrial Policy of the Ministry of Industries" by Senator the Hon. Sir Kanthiah Vaithianathan, Minister for Industries, Housing and Social Services.

After welcoming the delegates to the Conference and referring to the tasks ahead of them the Prime Minister said :

"We shall be glad to welcome foreign capital and enterprise so long as no political strings are attached.

We shall freely permit remittance abroad of all profits and dividends earned on such capital. We shall also place no impediments on the repatriation of both the original amount of capital and also any capital appreciation.

Once an undertaking has been established with the assistance of foreign capital, there will be no discrimination against such foreign

capital. We shall be glad to discuss even measures of fair protection of industrial and other developmental projects established in Ceylon with a view to encouraging the industrial and economic progress of this country as a whole. There is already provision in our Taxation Law for relief by way of deduction from profits for income tax of certain percentages of capital outlay. The Government has under active consideration further concessions in this direction.

We cannot, of course, expect foreign capital to flow freely into this country unless the investors are assured that they can have control and management over their investment.

Accordingly, we recognize that such foreign nationals as are necessary for the efficient management and operation of foreign-owned undertakings should be permitted to take up residence in Ceylon. Since the object of all development is to expand the scope of employment for the nationals of this country, it is not unreasonable to expect foreign investors to



provide opportunities for training of Ceylonese from the very beginning. It is not too much to hope that, in due time, all foreign-owned undertakings will have the largest possible complement of Ceylonese personnel consistent, of course, with the investors' need to have control and management over their investment.

Our policy in regard to the issue of residence permits will be shaped to give effect to the urgency of our need for foreign capital and enterprise. Foreign investors themselves will, no doubt, appreciate that it is in their interest to associate in their ventures local capital to the extent that it may become available and we would wish that they make provision for participation of such local capital when they make their plans.

These are only a general indication of the facilities which the Government would be prepared to give in order to attract capital to new enterprises in the country.

Special concessions may be negotiated in particular cases to suit special needs in respect of capital investment on productive undertakings, which are likely to provide large-scale employment for our growing educated population, and which are also likely to reduce the strain on our foreign exchange resources of reducing imports.

I would like to express the hope that the representatives of the countries assembled here would be good enough to bring to the notice of the capitalists and industrialists of their respective countries our policy with regard to foreign capital and enterprise and our proposals of encouraging the industrial and general economic development of this country, so that those who are interested might start discussions with the Ceylon Government for the setting up of industrial and other projects here."

*Extracts from "The Industrial Policy of the Ministry of Industries":*

"Foreign capital would naturally concern itself almost exclusively with large-scale industries,

factories and marketing, all fields in which it has been already demonstrated that Ceylon technology and method are quite inadequate. If the emphasis of future Government industrial policy shifts towards small-scale methods and products, it will leave a vacuum in the large-scale field, which must also necessarily be filled so that the balance of the country's economy is maintained. There are many products particularly suitable for large-scale methods and technology but for which Government may be unable to find capital and in which the Ceylonese investor may have little knowledge but in which foreign enterprise can show itself to best advantage, both to itself as well as to this country.

It is of unquestionable importance to encourage foreign enterprise to demonstrate the best use of our national resources. We cannot forget that Ceylon's present economic prosperity is almost entirely due to the adventurous spirit of the foreigners who pioneered the three major enterprises which are today the backbone of the country. The grant of self-government to Ceylon has created a certain amount of suspicion and fear in the minds of foreign investors, which has retarded the inflow of new capital. Now that we have got full independence, it is absolutely essential to allay these fears, and thus promote the same flow of enterprise into this country, although it should be done on a very carefully controlled basis.

We would naturally accord most welcome treatment to those foreign *entrepreneurs* and industries which produce goods indispensable to the life or well-being of the people of Ceylon.

As a rule, we would, no doubt, like to see that the major interest, ownership and control remain in Ceylonese hands, although in certain special cases exceptions have to be made even in this respect too. An essential part of this welcome is that there should be ample provision for the training of Ceylonese to take over in due course not merely posts held temporarily by foreign nationals, but the entire industry itself.





Mr. Montague Jayawickreme, Parliamentary Secretary to the Minister of Transport and Works (now Minister), opening the Inland Transport Committee's Session during the ECAFE Conference in Kandy

We would like to see new lines of production and industries where special types of experience and technical skill will be developed and where domestic production is either wanting or in very small supply at the moment.

The best form of foreign investment, I consider, should be the supply of capital goods, technical knowledge, and the use of foreign patents.

The present inducements for foreigners to bring their enterprises into this country are largely financial, and are to be found in the laws relating to Income Tax, Customs, Import and Export Controls, Exchange Controls, &c. They follow, broadly speaking, the lines laid down by

the Rt. Hon. the Prime Minister in his ECAFE speech. For instance, as concerns Income Tax, the following concessions are at present current :

- (a) where Government shares any capital, the profits may be exempted from Income Tax for 5 years ;
- (b) new industries may be exempted from Income Tax up to 5 per cent. dividend for 5 years ;
- (c) permissible deduction from taxable income, may specially include high rates of depreciation and an appreciable fraction of the amount of profits spent on housing, for a period of 5 years ;



- (d) under the National Housing Act, the income from new houses will be exempt from Income Tax for 8 years.

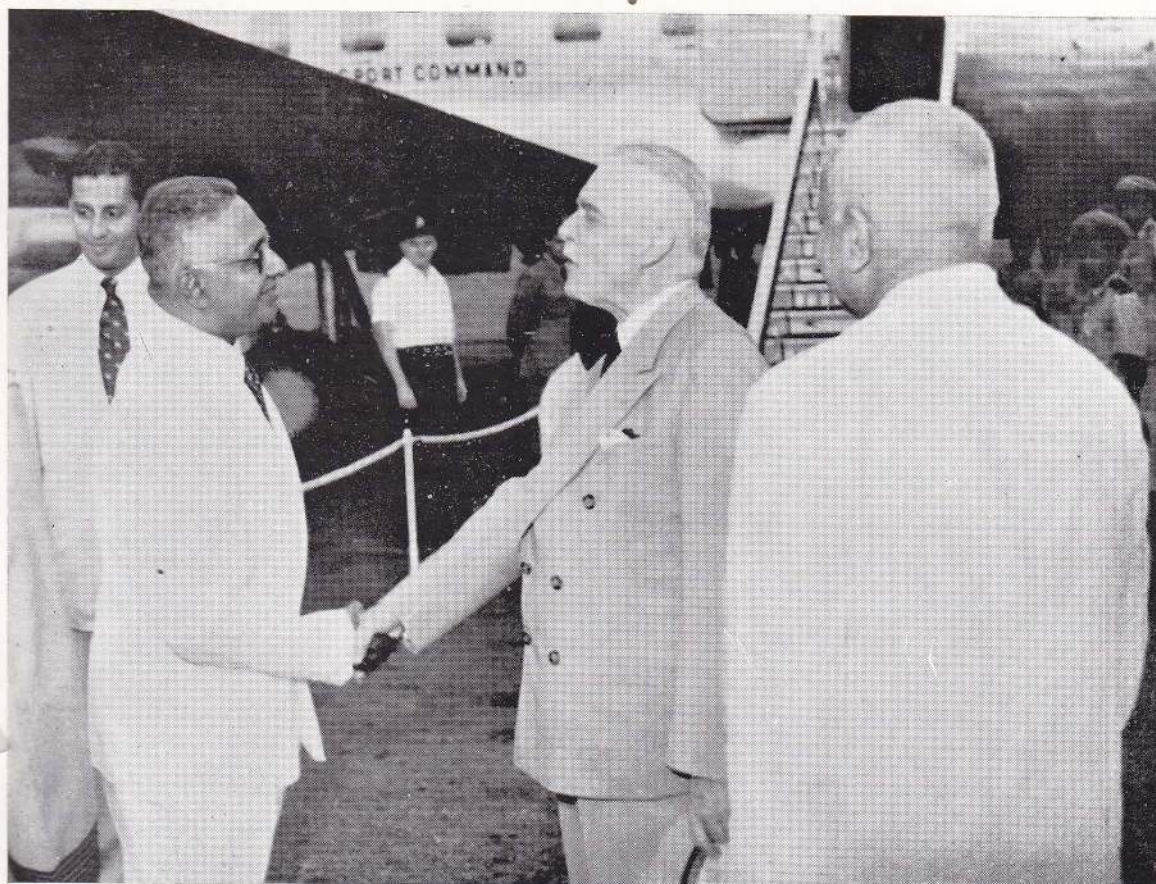
As far as Customs Duties are concerned, it is now the accepted policy that anything which is required for the establishment, promotion, or development of new industries would be permitted to be brought into the country without customs duties or with only a nominal rate of duty. Quite a number of industries are benefiting from this provision, and the Import Duties Advisory Board has been found to be very sympathetic towards such applications. Other protections for nascent industries may include compulsory purchases under the Industrial Products Act, preferential Government purchase at negotiated prices, inclusion of local products as essential in Government contracts, quantitative control over imports of competitive goods, and other such measures, the implications of which are now being examined in greater detail.

I have had discussions with many foreign industrialists and prospective investors in this country. The positive facilities and rights which the large variety of foreign investors generally claim as a pre-requisite to the establishment of such industries in Ceylon include the following :—

- (a) sanction to bring in capital and essential technical personnel from any foreign source ;
- (b) Government underwriting of the capital to the extent that Government considers advisable ;
- (c) the right to float additional capital within Ceylon to the extent allowed by the money market ;
- (d) the right to repatriate capital and reasonable profits in the same currency at the same parity as when the capital entered the country ;
- (e) the right to re-invest surplus money within Ceylon or to expatriate it under general terms and conditions ;
- (f) management control at least proportionate to the capital invested ;
- (g) guarantee against nationalization ;
- (h) freedom from double taxation, and taxation of capital appreciation, and excess profit taxation not exceeding the rates at the time of entering capital ;
- (i) a certain amount of protection against dumping of cheap foreign goods ;
- (j) right to use local raw materials ;
- (k) guarantee against discrimination ;
- (l) access to information already gathered in a particular sphere ;
- (m) Crown or State-acquired land ;
- (n) equal transport facilities and public utilities.

I can see no difficulty in complying with each of these requests to an extent depending upon the value of the industry to Ceylon and upon the amount of control which a foreign industrialist already exercises over the industries in foreign countries. For instance, in the case of manufacture of rubber tyres, there are not more than a dozen companies in the world which are manufacturing tyres successfully, and it would be useless our going outside this ring for a successful tyre manufacturing industry in Ceylon. In the case of Oxygen, Carbide, Titanium, Petroleum and such products, they are almost completely monopolized by world-wide cartels, and we would necessarily have to give them better inducements and sacrifice more of our essential conditions, to attract investment in Ceylon in these spheres. It is, therefore, necessary to declare on this subject, as India has already done, that each application, while having to conform to the general principles herein, would also receive individual and sympathetic consideration in special cases."





The Rt. Hon. Louis St. Laurent, Prime Minister of Canada, being greeted by the Ceylon Premier at Ratmalana Airport soon after his arrival on a short visit to Ceylon early this year

## Ceylon and C-Plan Aid

CEYLON'S economic development has been greatly assisted by Colombo Plan aid, especially in recent years. In his 1953-54 Budget Speech, the Minister of Finance said that aid valued at Rs. 25 million had been received by Ceylon under the Colombo Plan during the previous two years. This aid has come and is still coming from many Commonwealth countries in various forms to several fields of economic development in Ceylon.

The development of fisheries in the Island is being undertaken with Canadian aid ; Australia is helping to build and equip chest clinics and has

donated 160 tractors as well as workshop equipment for schools ; New Zealand is financing a dry-farming scheme at Maha Illupalama and has given Ceylon seven complete sets of dental equipment and instruments for equipping school dental clinics.

For 1953-54 Canada agreed to build and equip a polytechnic for the middle and lower grade skills, to finance rural road construction, to provide 15 agricultural maintenance workshops, 2 diesel locomotives, 25 portable pumping sets with sprinkler equipment and a well-boring machine to assist in the development of fisheries



and to provide equipment for pest control work. Substantial aid was also received during this period from Australia and New Zealand.

Assistance under the Colombo Plan is not confined to gifts of equipment. Ceylon has received 69 experts in various fields under this scheme of aid and 268 Ceylonese have gone abroad for training in various skills at no cost to the Government of Ceylon. Substantial technical aid has been given by the United Kingdom.

Ceylon is not only receiving aid but is also reciprocating where it can. For instance, Ceylon has offered fellowships for training in co-operative work and several trainees have come here from Nepal, Indonesia and Malaya. Training courses in rural development work will also be offered in Ceylon in due course. It is proposed to offer a few scholarships to other countries in the region at the Training School for Nurses in anti-tuberculosis work at Welisara which was erected with Colombo Plan funds. The United Kingdom has supplied the equipment for this school and Australia has supplied the staff.

The Minister of Finance in his 1954-55 Budget Speech revealed the continued flow of assistance to Ceylon under the Colombo Plan. He stated that up till then, Ceylon had received capital aid valued at Rs. 30 million under the Plan. Ceylon had received 100 experts under the Commonwealth scheme while 400 Ceylonese had been sent abroad for training under it. The Finance Minister continued: "We are, fortunately, assured of further assistance from these sources over the forthcoming year 1954-55 as well. Australia has already agreed to provide Rs. 5.7 million over this period and Canada Rs. 16 million. Negotiations are now proceeding with regard to aid from New Zealand over 1954-55. We are grateful to these countries for the aid we have received".

In July this year, there was a formal Exchange of Letters between the Prime Minister of Ceylon, and H. E. Mr. J. J. Hurley, Canada's High Commissioner in Ceylon, in terms of which capital aid to the value of over Rs. 16 million would be supplied to Ceylon by the Government of Canada during 1954-55.

A fishing trawler gifted to Ceylon by the Canadian Government under the Colombo Plan







A Canadian expert at work





The Dutch Church, Negombo





The shrubby Idda

## Some Wild Flowers of Ceylon

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J. E. SENARATNA

"BELTED with a double girdle of golden sands and waving palm groves, the interior is one vast garden of nature where grows almost everything known to the tropical world." Thus speaks a traveller about Lanka. Many familiar flowers of temperate regions, too, beautify mountain, marsh and plain in the upper montane zone.

Flowers diverse in form and colour and fragrance adorn home and garden, town and country, open space and woodland at all times of the year to add

joy to living, and to thrill and delight child and woman, man and bird and beast.

On the sea beach is a carpet of bilobed leaves from which protrude the brilliant purple-rose bells of beach morning-glory, and here and there, bright pink clusters of beach sword-bean and yellow spikes of maritime rattle-pod. Spiny cacti put out their many-petalled yellow flowers. A little inland the tree tulip with yellow flowers offers shelter from a burning sun.





The climbing violet-pink *Giritilla*

In the lowland plains, near streams, is the magnificent pride-of-India—flower of the queen—a mass of mauve or bright pink flowers; in the marshes and near rice-fields the shrubby cassia with its candelabra of yellow flowers; nearby in open places the smaller scarlet-flowered ixora and *idda* with its bright white flowers. In streams, ditches and rice-fields are the water-lilies with floating leaves and flowers standing out of the water—white or invaried shades of pink, rarely blue (the blue lotus), all delicately scenting the country-side.

Here also, as in tanks (artificial lakes) rise above the water plate-like leaves and large many-petalled flowers of the red or white lotus,

favourite of devotees for offering at temples and shrines. Near the temples grows the ever-blooming frangipanni in varied shades of gold and pink, whose exotic fragrance pervades the air and mixes with the equally pleasant perfume of the yellow-centred large white blossoms of the *Na* tree, with the red of whose tender leaves ancient poets compare a maiden's lips.

The drabness of roads is relieved by the many exotic trees: gorgeous flamboyante, mauve jacarandas, pink or yellow cassias, red spathodeas, pink, white or golden tabebuias.

In the driest parts of the Island, the yellow blossoms of *Ranavara* add colour to an otherwise



parched scrubland. In the dry zone, Ceylon laburnum with its cascades of golden blooms and pink cassias brighten the landscape. Several colourful orchids thrive on trees: the foxtail orchid in the Uva jungles; the *tessellate vanda* in its many forms, yellow at Dambulla, pink at Madhu, grey with numerous intergrades in most parts of the dry zone. A common conspicuous orchid growing on the ground in rocky areas and reaching to the tops of low trees is the yellow *spathulate vanda*. The simultaneous flowering of large numbers of *Kora-kaha* shrubs with their stems covered with millions of clusters of tiny bright blue flowers presents a rare spectacle. Another striking flowering shrub of the forest is the wild shoe-flower with its large pale pink or white flower with deep red-purple centre.

### In the Hills

IN the upmost montane zone, over 6,000 feet above sea level, the climate is temperate. It is

an enchanting region with a scenic splendour all its own. Here among mountain bamboo and colourful *christisonia*, bright streams have their birth, and a while later, as they cascade over rocks into pools of crystal water, create rare beauty hidden and enhanced in groves of tree fern—fit dwelling for sylvan deities whose votaries gather *Jatamansa* and *Vanaraja* and giant club-mosses for blending potent drugs.

On rocky banks creeps the *Badalvanassa* whose imitation in golden filigree baffled the most accomplished goldsmiths and spelt their ruin, and gave to the plant its lasting name. The beauty of the *Nelu* in bloom holds the spectator spell-bound. Here are acres and acres of shrubs covered with pendant masses of delicate mauve or white flowers providing large quantities of amber nectar to dense swarms of innumerable bees to mutual advantage, and later with the ripening of the fruits, presenting delectable nutritious food to thousands of jungle fowl which, in nature's

*Datura*







The Water-lily

inimitable way, repay the debt by dispersing the seed and helping the plant to spread afar to widely separated new areas suited to its growth.

Children at play and seekers after nature's secrets may happily gather from the overhanging branches hoary wisps of old-man's-beard and sweet scented, beautiful cirrhopedalum blooms



and golden dendrobes, and on the wet tree trunks nearer the ground, filmy ferns. And from the wetter forest floor and swamp of Horton Plains squeeze dry the water-saturated sphagnum moss.

On the wet open plains are vast fields of shining golden buttercups, white-headed eriocaulons like an immense pin-cushion with gigantic white-headed pins, and scented bright pink hyacinth orchids. Here and there, fields of resplendent gentian-violet exacums arrest the eye. On sunlit mountain side and open plain are the romantic daffodil orchid with its nodding yellow bells and the *Liyatambara* on which it is said, meditating ascetics may not gaze lest their minds be distracted by the flower's strong semblance to a woman's form. Here thrive groves of the ever-pleasing rhododendron—*Asoka* in name and fame—first wild flower from Ceylon to be brought to the notice of the world, recorded by the traveller Ibn Batuta in 1343–4, when at the top of Adam's Peak he marvelled at the striking beauty of its vivid masses of red bloom.

These beauteous sights have inspired artists, poets, and story-tellers, even to weave pseudo-historic romantic myths and to give such fanciful names as *Naga-meru-ala* and *Badalvanassa* and *Liyatambara* to the plants.

It is sundown, and standing at World's End, looking over the edge of the plain the wanderer beholds an extensive valley some 5,000 feet below with dimly seen tiny moving objects—men returning to their homes after the day's toil, and the Sabaragamuwa forests where grows on tree trunks the most beautiful of Ceylon's orchids—*Vesak-mal* with its large clear violet-pink flowers. The sunset is glorious—colour merging into colour, pleasure-giving, changing even while he is looking on enraptured, entranced, immovable—with Ceylon's most beautiful scene before and around him. And the hungry wanderer may well exclaim :

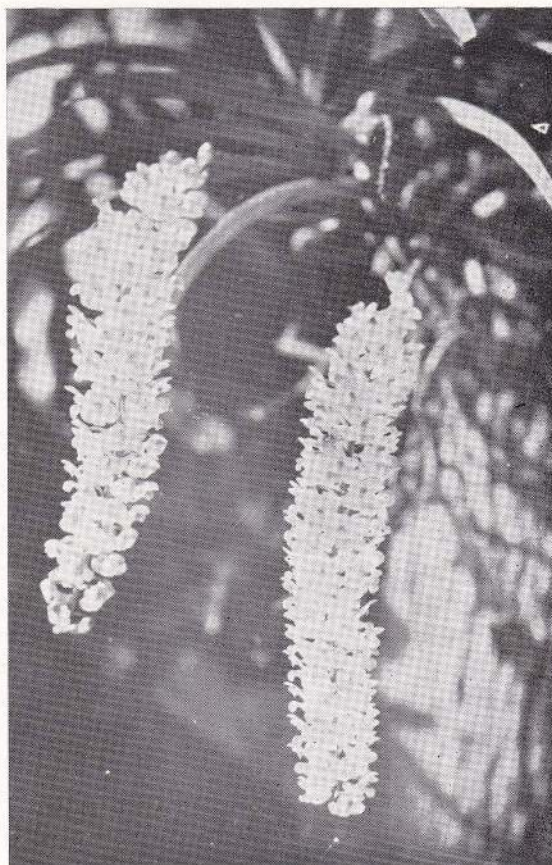
“ Hail to the land which the fates have given me  
for my own

Here is our home, this our fatherland ! ”

### Explanatory Note

beach morning-glory..	<i>Ipomoea pes-caprae</i>
beach sword-bean ..	<i>Canavalia podocarpa</i>
maritime rattle-pod ..	<i>Crotalaria maritima</i>
shrubby cassia ..	<i>Cassia alata</i>
water-lily ..	<i>Nymphaea nouchali</i>
frangipanni ..	<i>Plumeria acuminata</i>
flamboyante ..	<i>Delonix regia</i>
foxtail orchid ..	<i>Rhynchostylis retusa</i>
jatamansa ..	<i>Balanophora</i> spp.
vanaraja ..	<i>Anoectochilus regalis</i>
badalvanassa ..	<i>Lycopodium cernuum</i>
old-man's-beard ..	<i>Usnea barbata</i>
hyacinth orchid ..	<i>Satyrium nepalense</i>
liyatambara ..	<i>Habernaria</i> spp.

The Foxtail Orchid





# The "Budget Decision" in Ceylon

GAMANI COREA

## Introduction

THE need for a specific "budget decision", in the sense used here, is relatively new. In earlier times the process of budget making was more or less of an automatic nature. A few simple rules prescribed the general character of the Budget. Revenues and expenditures were supposed, generally, to be equated, and good budgets were roughly synonymous with balanced budgets. Borrowing was only permissible in the special case of directly remunerative investments whose net yield would cover the interest and service charges of the debt. Moreover, in a country like Ceylon, the magnitude of potential borrowing was effectively limited by the absence of a Central Bank, and by the rigidity of the former exchange standard. In that situation substantial budget deficits were often technically impossible, even if consciously sought after.

Two factors have come, however, to spell out the demise of the old system—the first, a change in thinking and the second, a change in institutions. The change in thinking arose out of a growing recognition of the influence of the Government sector on the economy as a whole, and consequently of the role of the budget as an instrument of deliberate policy. The change in institutions came with the replacement of the monetary system of a "hundred per cent." exchange standard by a new flexible mechanism based on a Central Bank.

These changes have altered the circumstances which condition the shaping of the budget. On the one hand, the recognition of the effect of the budget on the economy, implies that budgetary policy must be guided by the interests of the latter rather than by the simple rule of balanced budgets. On the other, the removal of the technical and institutional limitations, makes a flexible budget a practical possibility. The problem is to fashion a budget that is likely to exert as beneficial an effect as possible on the economy as a whole.

## The Significance of the "Overall Effect" of the Budget

THE impact of a budget on the economy, however, is many-sided and complex. Both the raising and the spending of money by Government have wide-spread repercussions. These repercussions have always to be taken into account, but in many instances, they are specific and particular.

There is, however, one sense in which the budget as a whole—as against specialized parts of it—has general repercussions on the entire economy. This relates to what is sometimes called the "overall effect" of the budget. The raising of revenue takes money out of the pockets of the people and the spending of funds puts money back. If, therefore, Government revenue exceeds total expenditure, including both current and capital expenditure, the money supply in the hands of the people will fall; on the other hand, if expenditure exceeds revenue, the money supply in the hands of the people will rise. In the former case the budget would be in surplus and the "overall effect" is said to be "contractionist"; in the latter the budget would be in deficit and the overall effect "expansionist". Where the budget is generally balanced the overall effect may conveniently be described as "neutral". This description is, of course, highly simplified and not theoretically accurate, but it would suffice for the present purpose.

## The Relationship between the Overall Budget Effect and the Structure of the Economy

THE type of budgetary policy which is appropriate at any given time would depend on the circumstances of the economy. At certain times an expansionist budget would be helpful, and at other a contractionist one. Perhaps the most important element in the art of budget making today is to decide correctly in the light of economic circumstances, the nature and magnitude of the



overall effect of the budget. The term "the budget decision" referred to earlier describes precisely this exercise. This is, in fact, the crucial decision the Government has to make each year in the fashioning of its budget.

It is important to emphasize that the type of overall budget that is appropriate to Ceylon in varying circumstances is closely determined by the conditions particular to this country. For instance, it is popularly believed that the Government should incur substantial budget deficits in periods of declining employment and falling prices. This notion has originated from apparent policy prescriptions in the "advanced" and relatively industrialized countries like the United Kingdom and the U. S. A. For a country like Ceylon, however, such a policy is hardly appropriate. In the industrial countries economic activity is largely determined by the level of internal demand and in periods of slackness expansionist budgets could stimulate a process of recovery. The productive capacity of those countries is generally large enough to provide employment for almost the whole of the working population, given an adequate level of demand. The achievement of "full employment" through short-term budgetary measures is, therefore, a practicable proposition. In Ceylon, on the other hand, it is the level of external, rather than of internal demand that is of primary significance to the level of economic activity. Internal demand is largely demand for imports and expansionist or deficit budgets which stimulate internal demand mainly expand the demand for imports. Moreover, the productive capacity of Ceylon, at its present state of development, is inadequate to provide employment for the whole of the working population even if prices and the demand for the country's existing output is high. A "full employment" policy pursued through the manipulation of aggregate demand is, therefore, so much nonsense in the context of Ceylon.

### **The dilemma facing Fiscal Policy in Ceylon**

WHAT type of an overall budgetary policy is called for in the conditions of Ceylon? In what circum-

stances would expansionist, contractive or neutral budgets be appropriate?

Two basic factors map out the boundaries of the question. First, expansionist or deficit budgets tend to increase the demand for imports and thereby aggravate the balance of payments. Second, contractive or surplus budgets tend to restrain total outlays and thereby the level of incomes and employment. Now in periods of recession or low export prices the tendency is for money incomes and employment fall and for the balance of payments to be adverse. In periods of prosperity, on the other hand, money incomes and employment tend to rise and the balance of payments tends to be favourable. This poses a peculiar problem. If, in a recession, the Government attempts to sustain money incomes and employment at a high level it would have to introduce expansionist or deficit budgets. If it does so, however, it would aggravate the balance of payments and endanger the stability of the currency. On the other hand, if it seeks to improve and protect the balance of payments it would have to pursue contractive or surplus budgets. But if it does so, it would aggravate or intensify the fall in money incomes and employment. This then is a sort of dilemma which constantly faces fiscal policy in Ceylon. Is there any path of escape?

### **Solutions—(I)**

THERE are, broadly, two courses which offer some sort of a solution to the problem. The first is, relatively speaking, a compromise. Since in a recession the protection of the balance of payments on the one hand and of employment and incomes on the other, require conflicting or opposite policies, the Government could avoid them by pursuing a middle-of-the-road trail involving "neutral" or relatively balanced budgets. This would mean that the budgetary policy would neither correct nor aggravate the normal tendency of the economy to show, respectively, favourable and adverse balance of payments positions in boom and slump. By regularly balancing the budget, credit creation for the public sector would be



avoided and unless there was a large volume of credit creation for the private sector, the magnitude of excess outlays on imports would be automatically confined to a certain safe limit.

It should be noticed that this compromise solution was in fact the orthodox budgetary practice of the old Colonial days. The rule of balanced budgets ensured that fiscal policy would not aggravate the balance of payments or disturb the safety devices of the exchange standard. The periodical payments crises of recent times were, therefore, quite unknown. The balanced budget rule, however, though an adequate solution to the balance of payments problems, has one severe drawback. It carries with it the implication of great instability in Government expenditure. In periods of prosperity Government revenues tend to rise even at existing rates of taxation, and a balanced budget would involve an upward scaling of total expenditure. On the other hand, in periods of depression revenue tends to fall and severe cuts in expenditure would be needed to secure a balance. Such a policy would, therefore, intensify rather than correct the cyclical fluctuations in incomes and employment. If, in addition to being balanced, the size of the budget was also to be kept constant, the Government would have to follow the ridiculous course of lowering taxes in good years and raising them in bad.

A policy of consistently balancing the budget is, of course, infinitely preferable to an indiscriminate and inappropriate use of the technique of deficit financing. But, as has been shown, it has its drawbacks and if the second alternative offers a better solution a better way out may still be found.

### Solutions—(II)

THE second solution is in fact more hopeful. It has been shown that in bad times expansionist budgets help to sustain incomes and employment but affects the balance of payments adversely. An adverse balance of payments implies a drain in the country's external assets or international reserves and if the latter is reduced to very low

levels, the external value of the currency would be jeopardized. The crux of the problem is not the reduction in reserves as such, but the surpassing of the minimum safety level. A reduction in reserves would not in itself be harmful if the amount of the reserve is not brought down to a dangerous level. This point offers a clue to policy. Given a certain defined minimum safety level, it is clear that a gradual decline in reserves up to this point could be tolerated with safety. The greater the difference between the reserve, at any given time, and the minimum level, the greater the reduction that would thereby be possible. This simply means that an adverse balance of payments would be tolerated with equanimity if the country's external reserves are high enough to withstand the strain and this, in turn, implies that expansionist or deficit budgets could be envisaged in bad times provided that the international reserve is exceptionally high.

There is, however, one pitfall. As already mentioned, the balance of payments tends to be favourable in periods of boom and high export prices. This means that the country's international reserve normally rises in these periods, and is likely to register a high level at the beginning of the down-turn. There is the danger that this may be interpreted as a signal to embark upon deficit financing. This would be a serious error—it was, in fact, an error into which budgetary policy in Ceylon fell in the recent past.

In periods of boom the balance of payments tends to be favourable because the community as a whole spends less than it earns. In such periods earnings rise quickly and there is a time lag until consumer expenditure and imports catch up with them. In other words, an increase in savings normally takes place in the boom but these are essentially short-term or cyclical savings. The important point is that these savings are in the possession of the community and will, in large part, be eventually expended by the latter. In fact, during the recession there would normally be an attempt to sustain consumers outlays as far as possible out of the accumulations of the boom. In other words, the high level of international



reserves which emerges during the boom, even without specific governmental action towards this end, tends automatically to be run down by the community during the subsequent recession. It is clear, therefore, that any attempt by the Government itself to run down the international reserve through expansionist budgets will be additional to the attempts of the rest of the community and will merely result in a dual strain on the balance of payments. It would be erroneous, that is, for the Government to assume that the high level of reserves built up by the rest of the community in the boom could subsequently be run down by unilateral Government action, without parallel measures to check private spending.

The position would, however, be different if the Government were itself to add to the increase in reserves during the boom through its own efforts. In this event the international reserve would reach a higher level than it would otherwise do, and the excess over the minimum safety level would be correspondingly greater. Further, as long as the Government retains "command" over the reserves accumulated through its own actions, the rest of the community would not be in a position to draw them down. This would enable the Government to plan out expansionist policies on the basis of a running down of reserves.

What sort of efforts are needed by the Government to supplement the boom time increase in Ceylon's international reserves? The international reserve could be consciously influenced by the Government in a number of ways. A rigorous monetary policy may conceivably be effective in certain circumstances. Stabilization scheme for export products, through such devices as marketing boards, &c., could also be made to serve similar ends. In the context of this article, however, the most pertinent method is the "contractive" or surplus budget. A surplus budget reduces the money supply in the hands of the public, curtails the demand for imports, improves the balance of payments, and thereby assists in the accumulation of foreign reserves. A surplus budget, moreover, immobilizes a portion of the public's

cash balances and transfers them to the Government. The public are therefore unable to draw down these balances in the recession. By this means the Government retains "command" over the international reserve it helped to husband.

It is important to emphasize that the central objective is not the accumulation of rupee balances during the boom for subsequent disbursement during the depression. The central objective is really the husbanding of foreign reserves or external assets. The accumulation of rupee balances is a means towards this end. These balances are in the nature of counterpart claims to foreign exchange.

### The Outlines of an Overall Policy

THE outlines to the solution of the problem of fiscal policy in Ceylon now emerges. The Government can break away from the restrictive rule of perpetually balancing the budget. It can make some contribution in the way of compensatory action, towards sustaining the level of incomes and employment in the recession. But all this is subject to an overriding condition. A special effort must be made to build up a large international reserve during the boom. For all practical purposes this implies substantial budget surpluses in the latter period. The larger the budget surplus in good times, the larger the likely addition to international reserves; the larger the addition to reserves, the greater the amount by which they may be drawn down; the greater the amount by which they may be drawn down, the greater the scope for deficit budgets in bad times.

This, then is the general principle which should guide the approach to the annual budget decision. It points to a course which would enable the Government to free itself from the restrictive rule of balanced budgets—with the violent shifts they imply between successive expansion and retrenchment. It also makes possible, without damage to the stability of the exchange, a policy of deficit financing in depressions with all its beneficial effects on incomes and employment. There is, however, a price to be paid for this policy. The price is the



practice of restraint in the boom. This is indeed a pre-requisite, for the surplus in the boom is the essential counterpart of the deficit in the depression. The policy cannot, in fact, be started in the depression for it is closely dependent on the timely creation of an adequate nest egg of reserves. The effective pursuit of such a policy would, therefore, require a sense of discipline. The temptation to expand expenditure during the boom will have to be resisted in the face of popular pressure. The process is difficult and it would provide a fair measure of the effectiveness of the financial authorities ; but it is a good deal less painful than the otherwise inevitable alternative of subsequent retrenchment.

There are two further points to be added to complete our statement of the general principle. First, it is important to ensure that the success of the budgetary policy outlined above is not

negated by an opposite monetary policy. The restrictive effects of surplus budgets in the boom may be offset by expansive credit policies for the private sector. Again, the strain on the international reserve during the depression may prove to be too excessive if the deficit budgets are supplemented by a liberal expansion of credit to the private sector. Both fiscal and monetary policy should constantly be looked at together so that the magnitude of the forces generated by them are kept within desirable limits.

The second point is also related to the question of magnitude. Our formulae of surplus budgets in good times and deficit budgets in bad times would imply that over a period of both good and bad years the budget would be relatively balanced. This, in turn, would mean that the long-term effect of the budget on the money supply would be more or less neutral. Now, it is likely that a growing

The Hon. Mr. Montague Jayawickreme, Minister of Transport and Works, speaking at the inauguration of Stage II A of the Hydro-Electric Scheme at Norton Bridge





economy would require, or at least benefit by, a secular expansion in the money supply. Whilst it is by no means necessary that this expansion be brought about exclusively through the budget the latter may, given the appropriate circumstances, be used towards this end. This would mean that the budget may over a period register some sort of a deficit, the desirable magnitude of which would depend on a number of factors including, of course, the rate and scale of expansion in the general economy.

The discussion in the foregoing pages presents only the outlines of an overall budgetary policy. A number of specific points have been left uncovered. In particular, there is the question of defining and identifying the circumstances in which deficit and surplus budgets would be appropriate. There is also the problem of assessing the magnitude and duration of the desirable deficit or surpluses, of the incidence of the additional taxes and expenditures, and so on. All these aspects form a central part of the whole policy but they are too vast to be entered into here.

It should be emphasized that the policy outlined here is essentially a stabilization policy. The major premise is the continued existence of wide fluctuations in the export and import prices and hence in incomes, employment and Government revenues. If greater stability in the terms of trade

could be brought about by international action or otherwise the problem of "good" and "bad" times would largely disappear. Violent fluctuations in commodity prices and in the terms of trade have, however, been characteristic of the Ceylon economy up to the present. Until the basic nature of the economy changes through the process of growth, the continuance of instability may be expected. We have shown that the Government can, through a stabilization policy on the lines outlined, do something to soften the impact of this instability on the economy. The general principles of such a policy are simple and easily apparent, but so far no such policy has been deliberately pursued. The time is now ripe, however, for a knowledgeable approach to the problems of fiscal policy in this country.

There is one thing which remains to be stressed. The policy suggested here is, at best, a modest one aimed primarily at evening out extreme fluctuations. It involves, as has been shown, a certain type of "deficit financing". But, as already mentioned, this is not on all fours with the deficit financing programmes of industrialized countries. In the latter, budgetary policy aims at achieving full employment and maintaining economic activity at peak levels. In Ceylon only an averaging out process is contemplated. The policy is in essence one of cutting down the peaks in order to fill up the troughs.



"IN addition to the U.K. Loan this Government has successfully negotiated a loan from the International Bank for Reconstruction and Development of 19.1 million dollars in the aggregate, to finance the external costs of Stage II A of the Hydro-Electric Scheme . . . . The Loan is repayable in 25 years with effect from the date on which the Loan Agreement is signed.

As interest during the construction is capitalised and included in the loan, the first amortization payment will fall due in January 1959. The Hydro-Electric Scheme is one of our major development projects and returns from it are expected to be sufficient to cover the costs of servicing the loan."

(The Hon. Minister of Finance in the Budget Speech of 1954-55.)





The Mahaveli near Kandy



# Towards a National Forest Policy

R. A. DE ROSAYRO

"FORESTRY is far more than the growing of trees ; it is a manifestation of the only code of ethics by which the world can advance."

*Colin Marshall, 1952.*

At a meeting of international foresters in 1951, under the auspices of the Food and Agricultural Organization of the United Nations, the subject of bringing forestry closer to the public was treated as one of vital and fundamental importance. In most Asian countries, the science of forestry is a comparatively new one hardly half-a-century old. There is, therefore, unfortunately no tradition of forestry in Ceylon, such as we find in Europe and in North America, where forestry plays an important part in national life, and forest work is the traditional livelihood of many a home and village.

It is, therefore, not surprising that in the agricultural and industrial development of the Island, the homely truths of forestry are not appreciated and its interests are often subordinated or even ignored when the more immediately pressing and obvious needs of the community are to be satisfied. At present, approximately 4,156 square miles or roughly 17 per cent. of the total land area of the Island is dedicated to forestry, part of it permanently and the balance in the hope that permanent reservation will be effected. There is still an appreciable extent of a further approximately 9,000 square miles of land classified as forest, but which comprises mostly unproductive scrubland or forest either intrinsically of a poor type or reduced to this condition by the activities of man—shifting cultivation and unrestricted exploitation. By world standards, the total extent of forest in Ceylon is yet appreciable but its economic value is poor indeed—most of these forests being incapable of producing one cubic foot of timber per acre on the basis of a sustained production !

The future of forestry in Ceylon is dependent on a reasoned and planned development of our forest resources in collaboration with an with the support of Government and a public which is alive to its responsibilities, adopting a strong policy in substituting the too easy solution of opportunism for the more difficult and far-sighted policy of planned forest development. The actual policy which will, eventually, be followed in the coming years will be the testing grounds of our generation. We must endeavour to build up NOW a sound and lasting tradition of forestry, for if we fail, our schemes of national development will be transient and short-lived.

## A National Forest Policy

THE declaration of the Principles of Forest Policy by the F. A. O. Conference (6th Session) of 1951 clearly indicates the *vital* importance which is attached to forests "in the economic, social and physical balance of the world". In terms of these pronouncements and in relation to the present needs of the country, it was necessary to re-define a National Forest Policy for Ceylon, emphasizing the importance of forests in relation to agriculture, and in fact all forms of land use. The need for such re-definition was all the more urgent, in view of the pressing need for increased food production in Ceylon and the corresponding importance and urgency now being attached to extended schemes for agriculture and industry. It is essential for the future needs of the Island, that such schemes be proceeded with cautiously stressing and observing the *economic, intensive* and *maximum* use of all land cleared of forest growth and leaving adequate land to be dedicated in perpetuity for forestry.

## A Programme of Development

IN conformity with a six-year programme of Government, the future programme of the Forest



Department, has been planned, which envisages the development of forestry in keeping with the requirements of an expanding population and in the adoption of improved modern methods in the utilization of forest produce and in the expansion of forestation schemes. The two principal schemes of afforestation and reforestation are as follows :—

#### *The Afforestation of Bare Grasslands*

This scheme is a comprehensive one for wet and dry patanas of the Central Province and Province of Uva. It aims at both the creation of shelterbelts or windbelts in a region where the factor of wind is serious enough to retard the development of land for agriculture, as well as providing fuel and timber reserves in a zone where such essential commodities are lacking. In the Kotmale catchment area, afforestation now plays a vital part in a co-ordinated scheme of soil conservation for this area. About 2,000 acres of patana have now been afforested with almost spectacular success.

In order to provide for the rapid expansion of this scheme, with F. A. O. assistance and advice the equipment, extensive tracts, particularly in the wet patanas, are being opened up by mechanized means involving the use of tractors and motor planters.

#### *Reforestation Schemes*

The *taungya* or chena system of reforestation continues to be the most suitable method of converting inferior or degraded forest into useful and valuable plantations of teak, jak and mahogany. This system is proving increasingly attractive in areas where papaw, for papain manufacture, is the main cash crop and can be raised with ease. The other universal cash crop, manioc, has been found to produce as much as  $4\frac{1}{2}$  tons per acre.

The expansion of reforestation by this method in the Dry Zone is limited by the availability of

labour and water. The former difficulty will be overcome by the introduction of tractors for clearing the forest and preparing the land for planting.

#### **Co-operative and Village Settlements**

OF particular interest is the recommendation of the Forestry Expert, Mr. A. Decamps, in the creation of co-operative and village settlements. This scheme has now been accepted by the Land Utilization Committee and embodied in its report. It aims at a comprehensive use of forest land for forestry, allied with agriculture, where facilities for permanent cultivation are available. It envisages the full-time occupation of a settled community in providing a continuous supply of labour for forest work, including logging and cultural operations, the more extensive use of *taungya* to raise plantations and the cultivation of permanent crops, chiefly, paddy. For these purposes, the selection of the areas for forest settlements will have to be made in collaboration with other Government departments in order that village tanks, suitable road accesses, medical and educational facilities will also be available.

An attempt has been made to introduce the scheme of village settlement on a small scale in the Eastern Province, near Maha Oya where 50 acres were offered last year to the resident Veddah families with the intention of expanding it annually to provide facilities for continuous work and permanent settlement.

The formation of co-operatives has been suggested, as a means of establishing a more satisfactory relationship between contractor and labour and ensuring continuous instead of spasmodic work. This can be achieved by the introduction of modern methods of mechanized extraction, transport and saw-milling in the Dry Zone which are at present difficult to introduce on account of the capital expenditure involved. With the establishment of co-operatives, the investment of sufficient capital for this purpose, could be achieved.



### Education

THE creation of public consciousness in the role of forestry in the development of the State can only be fostered in a country such as ours by education, precept and example. The United Nations' Food and Agricultural Organization decided in 1952 that member-Governments should encourage the progress of forestry, firstly, by initiating courses of education to students in schools, universities and teacher training colleges, secondly, by creating centres of recreation and tourism whereby the practical aspects of forest protection and forest production can be readily observed and finally, by propaganda "to spread the aims and ideals of a sustained yield development of forests and other natural resources amongst the peoples of Asia and the Pacific".

Ceylon is working in collaboration with the F. A. O. towards the realization of these objects. The most important and useful line of approach will be through rural development societies which are now an established institution in this Island. The Forest Department will also stress the practical aspects by the initiation of a Tree Planting Campaign in which the planting and tending of useful timber trees will be spread among the rural population. To achieve this end, nurseries to provide suitable plant material

are being opened and from 1954 plants will be supplied free to schools, rural development societies and other organized bodies from whom a proper sense of responsibility can be expected. The *Vana Mahotsava* or Festival of Trees observed annually by the Republic of India which is an attractive and thought-provoking venture has been recently more dispassionately examined by the organizers of this scheme, on its results, which have been somewhat disappointing. The reason for this is simple. Trees cannot be raised by the simple process of planting them to order; like other living things they need tending and care. Unless this aftercare can be ensured, the festival becomes merely symbolical and little else. It is necessary for us in Ceylon to take a more realistic attitude and be thrifty in the issue of plants, making certain that the essential after-care will be provided.

The spirit of co-operation which Government is endeavouring to create and foster by the establishment of co-operative societies throughout the Island can be applied equally well to the progressive development of forestry in this country, co-operation by an intelligent and sympathetic appreciation of the objects of National Forest Policy and practical co-operation in assisting in and contributing to the schemes of the Forest Department in the conservation, protection and expansion of our forest resources.



"IT is a sad spectacle to see today our wealth of forest trees being denuded for one purpose or another. During the emergency of war large areas of our jungles were cleared for food production. The process is going on even today. Our forests were felled for fuel and for timber. We are fast disturbing the balance of nature . . . . A scientist visitor to this Island once

said, that this Island was being slowly washed into the sea . . . . We must replace, and replace without delay, the trees which we remove for our own needs."

(The Hon. Minister of Food and Agriculture on the Island-wide Tree Planting Campaign scheduled to be opened by H. E. the Governor-General on October 17.)





The Rev. Bob Richards clearing 15 ft. at the A. A. A. Meet held at the Colombo Oval



## The A. A. A. Meet

TWO top-class athletes participated in this year's championship of the Ceylon Amateur Athletic Association. They were the Rev. Bob Richards, popularly known as "the Vaulting Vicar", from the U. S. A., and Som Nath of Patiala, the Indian Olympic athlete.

Richards who, on both days of the meet (September 11 and 12), cleared 15 feet in the pole vault, won two challenge cups, and, at a party held on the night of September 13th was presented with a silver tray by a senior Vice-President of the A. A. A., "as a small token of remembrance and gratitude". Richards said that never in all his travels abroad had he come across a more friendly people than the Ceylonese. As soon as he got the chance, he would come back, if only to meet some of the friends he had made here, he added.

Som Nath was placed second to Bob Richards in the Discus Throw. He returned a distance of 122 feet 5 in. which is 7 ft. 6 $\frac{1}{2}$  in. short of the Ceylon National Record. Som Nath, who was accompanied by his wife, and who led the Indian Volley Ball team that participated in the World Championship Tournament held two years ago in Moscow, said in a pre-departure press interview that he hoped to bring down the "Patiala Tigers" to tour Ceylon in April next year.

N. Ethirveerasingham, the Olympic athlete and the Ceylon National Title-holder in the high jump, cleared 6 feet in his event, 4 in. short of his own record. Bob Richards, in a press interview, is reported to have said of school boy Ethirveerasingham that he would confidently be expected in the near future to go over the bar at 6 ft. 8 in.

N. Ethirveerasingham, the Ceylon schoolboy athlete. He is the Ceylon and Asian Olympic title-holder

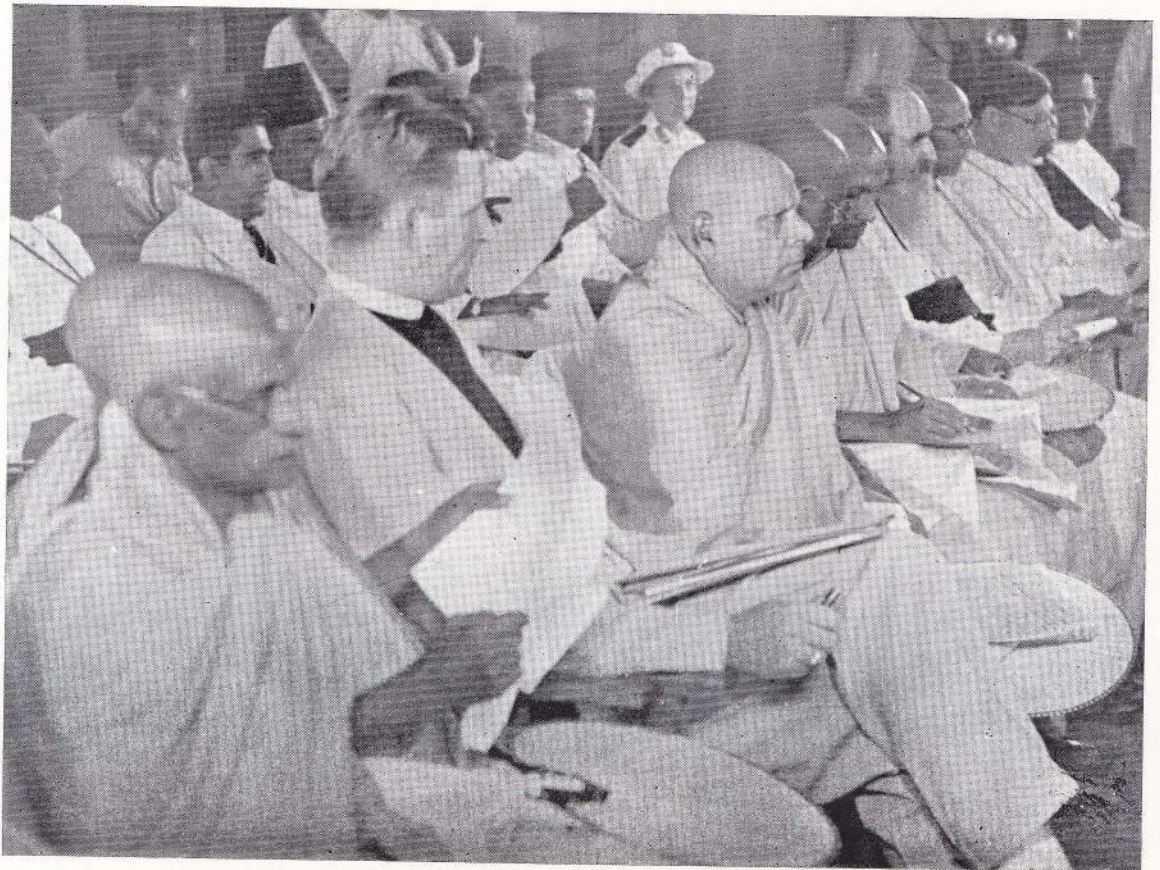






For the first time in the history of the Royal Ceylon Air Force the presentation of wings to cadets took place at Katunayake Airport on September 3. The Prime Minister with a recipient. The Katunayake Airport is situated near Negombo, about 25 miles north of Colombo, and is used mainly by planes of the Royal Air Force

*Below* — Picture taken when the heads of the various religious bodies in Ceylon met the Prime Minister to discuss matters of common interest







The Prime Minister presiding at the recent talks with the Indian authorities in Colombo on September 14. Shri C. C. Desai, the Indian High Commissioner in Ceylon is seen second from the right

The Minister of Food and Agriculture, the Hon. Mr. J. R. Jayewardene, and the Minister of Industries, Housing and Social Services, the Hon. Sir Kanthiah Vaithianathan, at the ceremony which marked the occasion of the handing over of over one hundred houses to the Co-operative Housing Society in Kelaniya. The scheme, which is a pilot project, is based on Co-operative methods which, it is expected, might well alter radically the system of house-building in Ceylon, and be the means of speedier progress in the sphere of housing







*Above*—The Prime Minister, the Rt. Hon. Sir John Kotelawala, receiving a replica of the Peace Pagoda presented to him on behalf of the people of Burma by the Burmese Minister in Colombo. The ceremony took place at the Independence Hall, Colombo

*Below*—The Ceylon Government's terms of contract for the construction of Stage IIA of the Laxapana Hydro-Electric Scheme were handed over on September 8, at the Ministry of Transport and Works to representatives of four foreign firms—two French, one German and one Italian—by Mr. M. F. de S. Jayaratne, Permanent Secretary to the Ministry. Picture shows Mr. Jayaratne with the representatives of the four firms





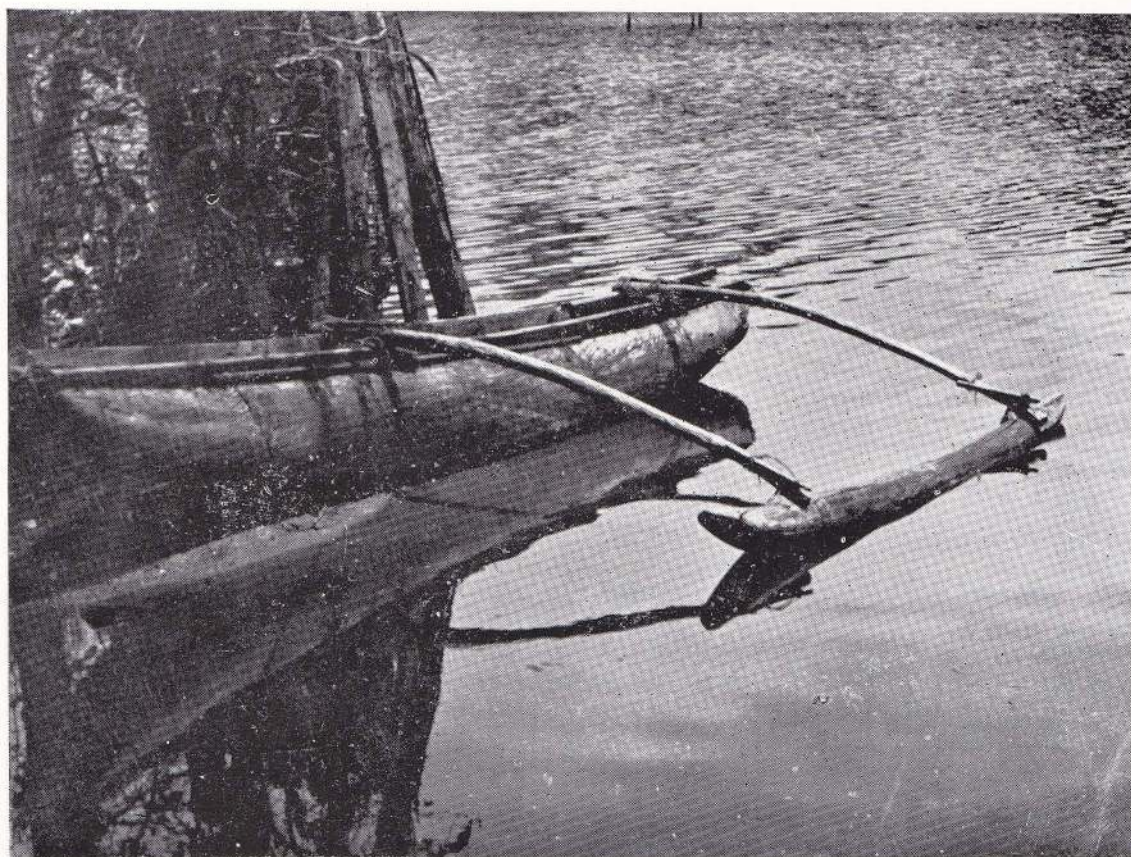


Above—Mr. Dodds-Parker, Parliamentary Under-Secretary to the Secretary of State for Foreign Affairs, with the Prime Minister. Mr. Dodds-Parker was on his way back to the U. K. from Malaya

Below—The Ceylon Trade Mission to Japan and China made its first halt in Tokyo. The Hon. Mr. S. Shirley Corea, Minister of Trade, Commerce and Fisheries and the leader of the delegation, with Ceylon's Envoy to Japan, His Excellency Sir Susantha de Fonseka







Dusk is falling over the lagoon. Soon the fishermen will row out in these little canoes towards the prawn fisheries

## Across the Dark Waters

*A record in words and pictures of the work of the lagoon fishermen of Ceylon. Though this record makes particular reference to the lagoon fishermen near Moratuwa, it is typical of the work of these fishermen all along the coasts of our Island, in Negombo, Puttalam, Jaffna and Batticaloa.*

*The text is by Lester Pieris, Assistant Film Director of the Film Unit of this Department ; the photographs by Max de Soyza also of the Information Department.*

DUSK has fallen over the still waters of the lagoon. In the gathering darkness half a dozen

small canoes slip out towards a series of tall stilt-like bamboo structures which stretch across from one bank to another. In the canoes are a handful of men who carry on an age-old form of fishing, one entirely confined to the lagoons of Ceylon.

The chief catch of the fishermen is the thousands of prawns which breed in the waters of the lagoon. The method employed in trapping them is one of the simplest yet most ingenious devised by fishermen anywhere in the world.

Right in the middle of the bamboo structures are large cage-like traps which are lowered each



night down to the lagoon bed. In the traps are kerosene flares which are kept alight till dawn. Attracted by the flickering lights of the flares the prawns make their way towards the traps ; once they are in, there is no escape.

Great skill has gone into the making of these prawn fisheries. A special variety of bamboo grown in the mid-country is used for their structure. These bamboos are left to soak in water. They are then dried in the sun and slit into thin strips. The strips are woven into tats which are lowered down to the lagoon bed and which form the main barrier between the banks. The cage-like traps in the centre of the barrier is constructed of long poles of bamboo and are raised and lowered by a pulley. In the main trap there are generally three kerosene flares, one in the centre and one on each side.

Once the flares are lit the task of the fishermen is over. One man is chosen each night to patrol the lagoon not only to see that the flares are still alight but to scare away the otters who stealthily sneak into the traps and devour the prawns.

To keep himself awake the patrolman sings the old folk-songs of the fishermen. Often at nights when the lagoon is dotted with pin points of light one can see the vague, silhouetted shape of a boatman moving over the water and hear his voice floating into the still night air.

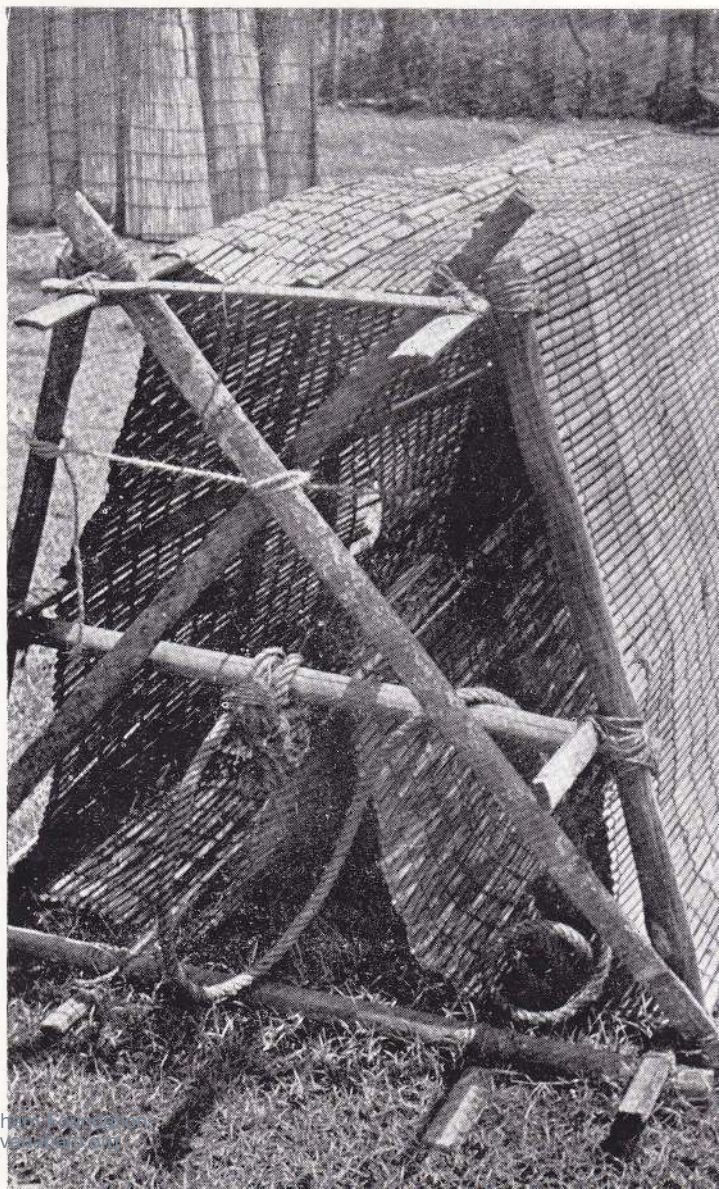
At dawn the fishermen are back in their canoes making their way across the lagoon. The traps are raised ; the imprisoned prawns collected and the men walk across with their catch to the beach. Here they are sold to the sea-going fishermen who use them as bait.

Those who fish in the lagoons of Ceylon do not depend entirely on it for their livelihood for at the best of times it is a precarious sort of existence. Most of them have other jobs and odd though it

may sound some of them even work as peons and messengers in city offices. Lagoon fishing for them is a sort of lucrative side line. For them, there is too the pride of carrying on a tradition handed down from generation to generation—from father to son.

That is why it is not uncommon to see a young boy go out with his father in their canoe as dusk is settling over the dark waters of the lagoon.

A view of the main trap

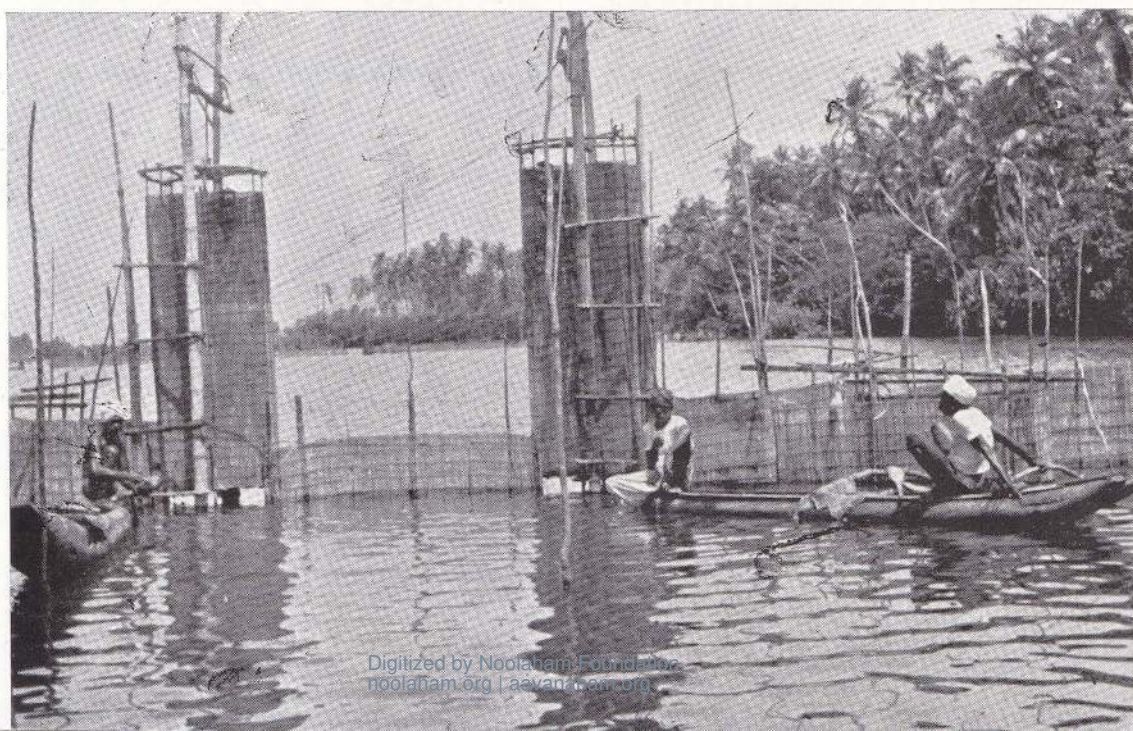




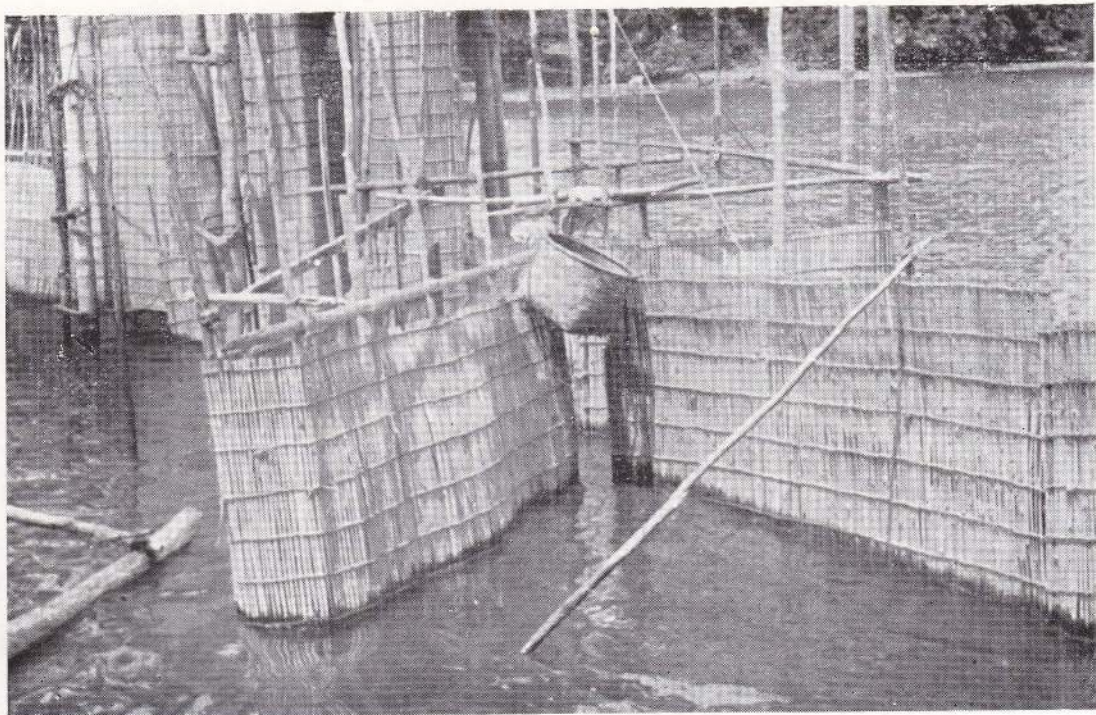


The traps need constant repair and the fishermen keep a day-long watch over them

The traps stretch from one bank to the other across the lagoon

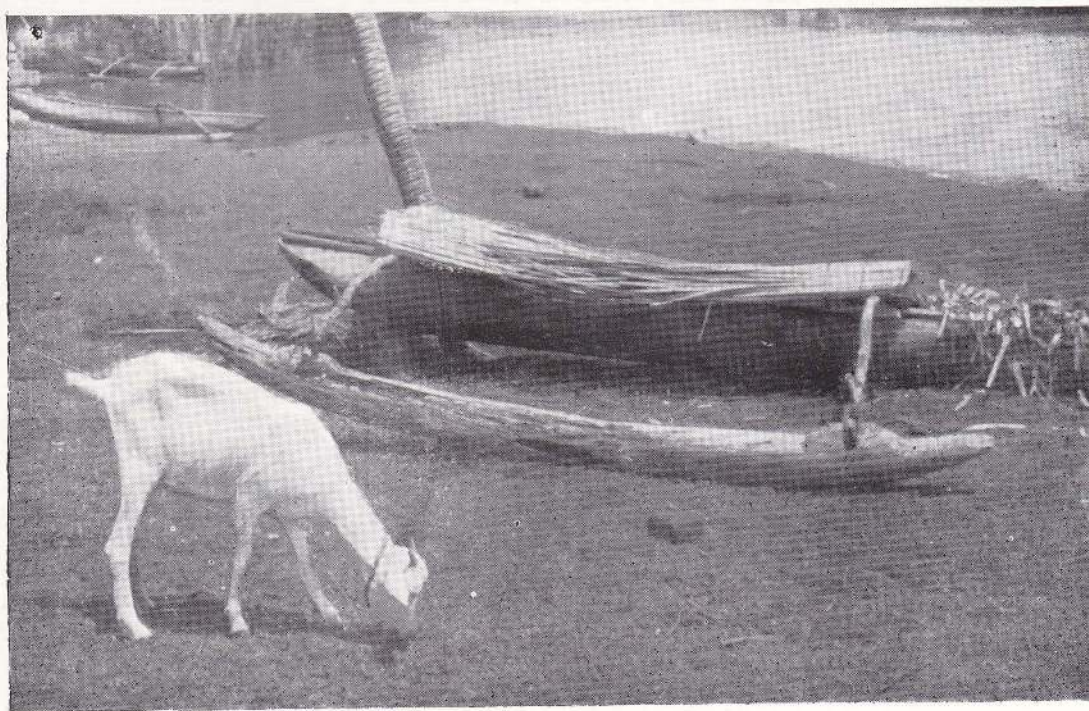






The main trap in position in the lagoon

By day the canoes are idle







Microscopic examination for organisms of dysentery

## The Medical Research Institute

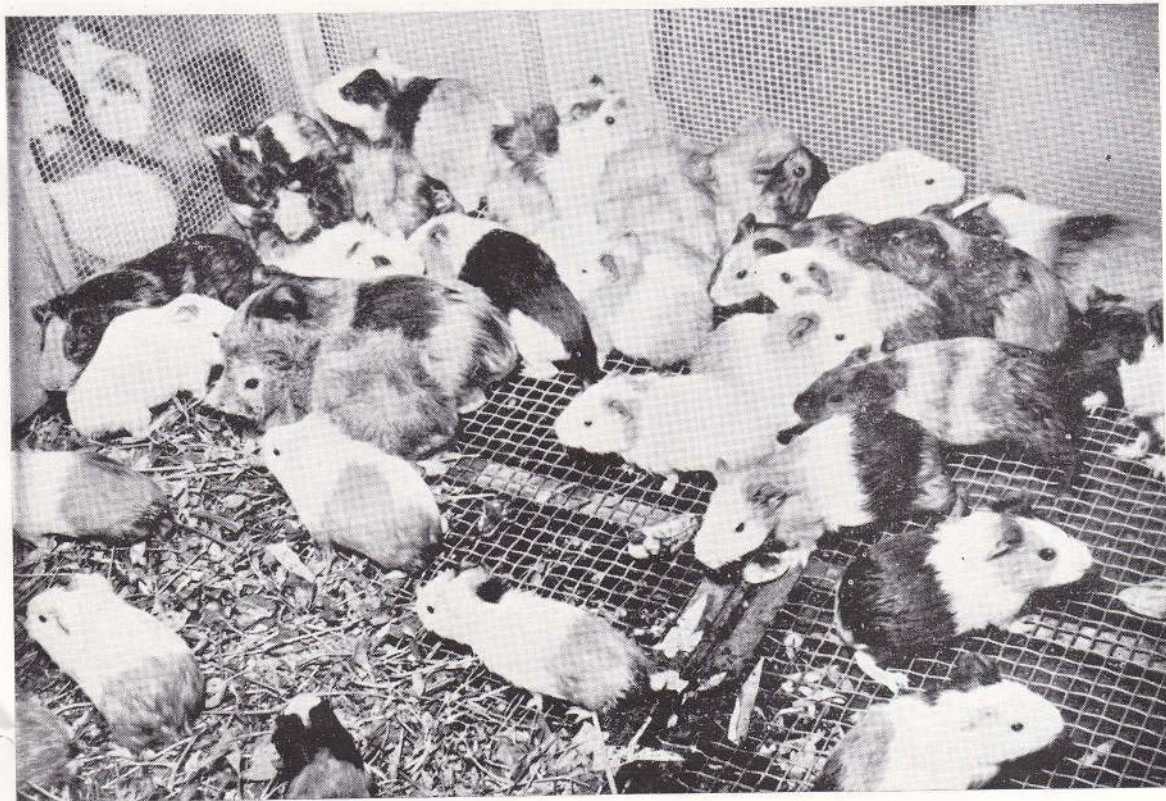
THE old De Soysa Bacteriological Institute was the forerunner of the Medical Research Institute. In 1900, Mr. I. W. Charles de Soysa, Ceylon's well-known philanthropist, donated a building for a Bacteriological Institute. Some of the most illustrious medical men of Ceylon have been associated with this Institute from its inception. Sir Marcus Fernando, Dr. S. C. Paul, Sir Aldo Castellani and Dr. Lucius Nicholls. Castellani's discoveries in this institute are known the world over. The causative organisms of Parangi was discovered by him as well as many microscopic fungi causing disease in man. Nicholls commenced anti-rabies treatment. His work on nutrition in Ceylon is a valuable contribution to scientific knowledge.

It was in 1937, during the Directorship of Dr. Nicholls that the present two-storeyed building was put up in close proximity to the old Bacteriological Institute and the teaching institutions centred round the Faculty of Medicine of University of Ceylon.

In 1946, on the acceptance by the State Council of a recommendation of the Executive Committee of Health the Bacteriological Institute was converted into the Medical Research Institute.

The Medical Research Institute today serves not only as a Research Centre but also as a laboratory for investigations required for prevention, diagnosis, prognosis and treatment of disease. Its activities are manifold. In addition





Guinea pigs used in research work

to research each sub-division performs many routine duties.

The Bacteriology Division examines and reports on specimens sent by practitioners and medical institutions in all parts of the Island. The identification of the specific germ causing a disease, its sensitivity to the powerful drugs now available is of paramount importance in modern medicines. This is one of the functions of this division. Diagnostic methods include microscopic examination, culture (growth) of organisms in special culture media, their behaviour towards certain reagents, animal inoculations, &c. Here also are prepared vaccines for the treatment of typhoid and para typhoid fever, cholera, plague and many other diseases (auto vaccines). In addition, it undertakes work in connection with the Food and Drugs Act, bacteriological examination of food

or other material in cases of suspicious food poisoning. Samples of water from all parts of the Island are examined bacteriologically before being passed as fit for human consumption. Laboratory tests connected with medico-legal work forms part of the duties of this division.

A sub-division of bacteriology, the serology section, tests and reports on specimens of blood from all parts of the Island for venereal diseases. Serological tests for dysentery and other diseases also form a part of its daily duties.

A section dealing with viruses, those minute organisms too small to be seen even with the highest power of an ordinary microscope has been started. Rabies and small-pox are the two chief diseases receiving the attention of this section. In addition to the old time-honoured





A corner of the Bacteriology Division

tests, new and more efficient methods have been introduced such as mouse inoculation for diagnosis of rabies and the use of chick embryo for small-pox diagnosis. The section also prepares, tests and issues to all medical institutions in the Island vaccines for the inoculations against small-pox and hydrophobia. In 1952, over a million doses of small-pox vaccine and nearly 8,000 litres of anti-rabies vaccine were prepared.

The Pathology Section deals with the diagnosis of diseases by laboratory methods. Blood, urine stools and other material are examined here. Research work in Experimental Pathology has been commenced.

The Parasitology Section is concerned with the diagnosis of diseases in man caused by parasites such as the amoeba and worms. In addition to routine diagnostic methods surveys of the incidence of hook-worm and round-worm infestation

and research into the rarer parasitic diseases such as toxoplasmosis form some of its other activities.

In the Department of Biochemistry chemical analysis of blood and other fluids from outstation hospitals are undertaken. As one of its projects a full-scale investigation of the vitamin content of over 80 articles of diet is now being carried out. This Department also acts in an advisory capacity to the Ministry of Food and Agriculture.

A Nutrition Division was inaugurated in 1938 by Dr. Lucius Nicholls. This division has developed considerably. Personnel have been specially trained abroad. Its main activities include the nutritional and dietary surveys in the field, investigation of nutritional problems in the laboratory and educational work in the form of lectures to medical personnel, Nurses and Public Health Inspectors. The division also acts in an



advisory capacity on nutrition matters to the Department of Health in general.

A Pharmacology Department under an officer specially trained in this subject investigates the action of drugs suitable for treatment of patients. Certain indigenous plants are at present being investigated in the hope that they may be useful in treatment. Research into Ayurvedic drugs will form part of the function of this section.

A Division of Entomology or the study of insect carriers of disease is actively engaged in field and laboratory investigations. Insect-borne diseases are a major problem in tropical medicines. Malaria and filariasis are the main problem at present. Diseases spread by the house fly are a constant danger. A study of the life histories, habits and reaction to drugs is essential for the control of disease caused by insects. The control of

malaria in this country is an example of the value of this type of work.

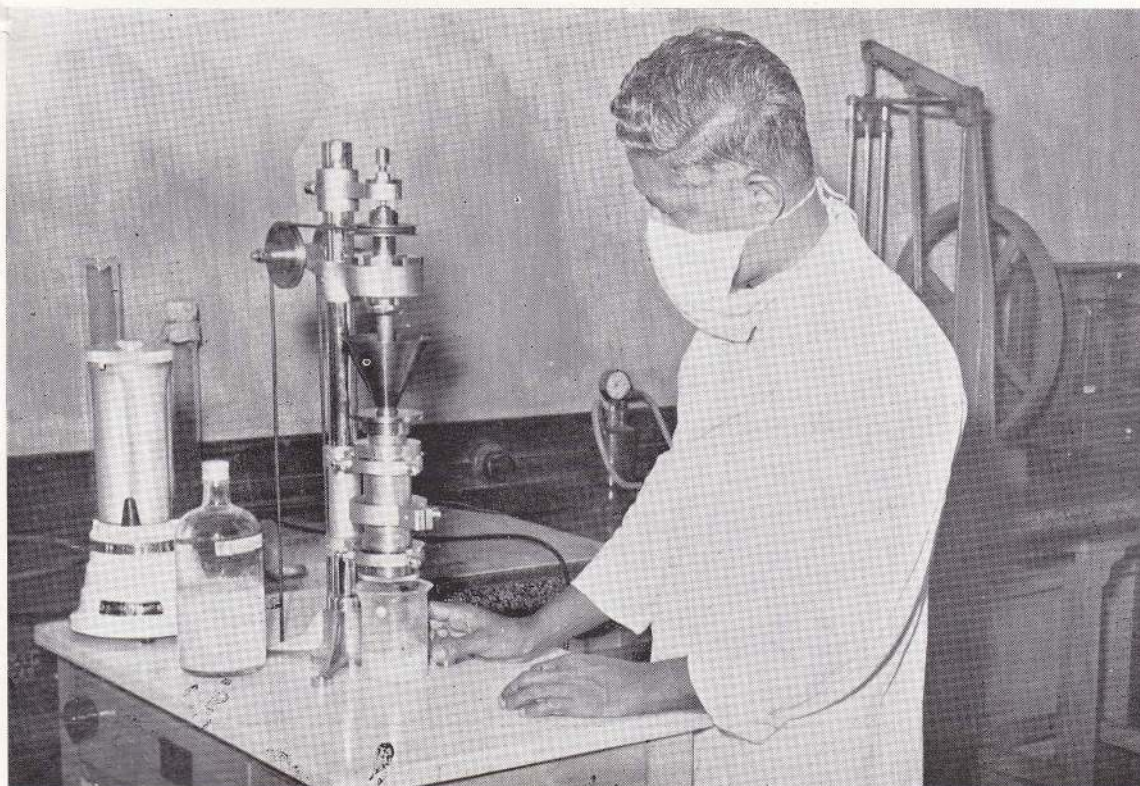
A Division of Mycology which studies the fungi causing diseases in man is being developed under an officer who has recently returned after specialization in this subject.

The Pasteur Institute forms part of the Medical Research Institute.

The following sub-sections form part of the Medical Research Institute :—

- (1) A Synoptical Museum much used by medical students, nurses, school children.
- (2) A Scientific Modelling Section which prepares models of foodstuffs, insect carriers of disease and other models for demonstrations and the use of various health centres.

A stage in the preparation of vaccine for inoculation against small-pox







The Lighthouse, Dondra, South Ceylon



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#### Ferguson, A. M.

(Father of Journalism in Ceylon. Born in Wester Ross, N. Scotland, January 23, 1816; came out to Ceylon with Rt. Hon. J. A. Stewart Mackenzie, on November 7, 1837; From 1837 to 1846, he had a varied career as planter, business man, Customs Officer, and Magistrate; Joined the *Colombo Observer* as Assistant Editor in 1846,

then owned and conducted by Dr. Christopher Elliott; became Editor and Proprietor in 1859; In 1840, suggested starting of "*Overland Observer*" (monthly); afterwards made fortnightly in 1853, and weekly in 1875. He was joined by his nephew, John Ferguson, in 1861, and in 1874, Messrs. A. M. and John Ferguson become the proprietors.

Ferguson was also a Pioneer Planter in Uva, and took a great interest in the Tea Industry. He owned "*Abbotsford*", which was frequently visited by visitors to Ceylon. In 1881, he was chosen as Commissioner for Ceylon to the Melbourne Exhibition, and for his services on that occasion, he received the C.M.G.

He died in Colombo on December 26, 1892, aged 77 years, having resided in Ceylon for 55 years, 46 of which were connected with the *Observer*. He was well known as a publicist of the day).

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(To be continued)



## PASSAGES FROM THE PAST (16)

*"NATURE has scattered her gifts over this happy Island of Ceylon with an unstinting hand. Jutting out as it does like a mole from the Indian Peninsula, it is the meeting-ground of the two monsoons. Twice in the year, in May and in November, as the wind changes from the north-east to the south-west and back again, the moisture-laden clouds roll up from the ocean and pour their wealth in torrents on the thirsty land. The fierce tropical sun blazes forth, and in a short time the soil, however poor it may be, is covered with the rankest vegetation. The sun is always there, and if only this wealth of water can be secured from waste, the health and happiness of the people is in a large degree insured. For rice is the food of the tropics, and given water and sun, only a little scratching of the soil is required to provide an abundant harvest. Religious ceremonies mark every stage of its cultivation, and the proudest in the land would take his share in what is still esteemed the most honourable of all occupations."*

*"CEYLON AND THE PORTUGUESE, 1505-1658". By P. E. PIERIS, Litt. D. (Cantab.), 1920. p. 2*



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