



# THE ECONOMIC TIMES

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## Development projects suspended

All new development projects and proposals for which monies have not been voted have been suspended by the Government.

The Ministry of Finance has directed all ministries to suspend approval of new projects, until the gap of Rs. 20 million which was created following the modification of two Budget proposals introduced last October—viz the increase in the price of flour and the rationing of sugar, is bridged. According to Government sources, this directive will affect all new items of expenditure contemplated by various ministries after the introduction of the Budget.

Building projects, repairs to irrigation tanks and new proposals for creating institutions under Ministries are some of the items that would be affected.

The Ministry of Finance has advised ministries against putting forward proposals which would involve additional expenditure.

# C. W. E. — LESS ACTIVITIES BUT HIGH PROFITS

THE C.W.E. HAS RECORDED A NETT PROFIT OF RS 21 MILLION IN 1971 DESPITE THE GOVERNMENT STOPPING THE IMPORTATION OF A NUMBER OF ITEMS IN WHICH THE CO-OPERATIVE WHOLESALE ESTABLISHMENT (C.W.E.) WERE DEALING WITH, AND THE TAKING OVER OF A LARGE PERCENTAGE OF ITS BUSINESS WHICH IS NOW HANDLED BY OTHER GOVERNMENTAL INSTITUTIONS.

This was disclosed by Mr. R. I. Obeysekera, Chairman of the C.W.E.

The profits made in 1970 was Rs. 23 million, Rs. 2 million more than that earned in 1971. The 1970 profits, however, were inclusive of the Rs. 2 mil. which the Establishment earned as dividends on its investment in Lanka Salu Sala and Consolidated Exports (Ceylon) Ltd., which was stopped in 1971.

### Reasons

Explaining the curtailment in its business turnover last year, Mr. Obeysekera said that in the second half of 1971, Government stopped the importation of canned fish, textiles, Bombay onions, red onions and green gram which accounted for a large share of the C.W.E.'s profits in previous years. Besides, most of the building materials previously handled by the C.W.E. were given over to the Building Materials Corporation, now including even cement. In June last year, the State Trading Corporation also took over a number of products from the establishment. The Chairman pointed out that these goods were the very ones on which the margin of profit was 'very large' and the element of risk 'very small' since they were 'non perishable' goods.

This year the importation of chillies has also been stopped on which item the foreign exchange allocation was Rs. 43 million. The total foreign exchange quota has been reduced by rupees 100 million bringing the present allocation to Rs. 130 million.

The C.W.E. is now left with items like Toor dhal which are sold at subsidised rates on which the profitability is very small and the wastage great.

Mr. Obeysekera then quipped that while Government has cut a major portion of its business, it had not effected a corresponding cut in the staff, whom the Chairman stressed, were in a number of departments which are now redundant. "We are not able to retrench either" he added. Explaining how the establishment was able to maintain a steady margin of profits in 1971, the chairman said "the C.W.E. bought at the correct times and at the correct prices". Buying is now done by a 'Buying Committee' which consists of a Director, General Manager, Deputy General Manager, a Senior Accountant and the Head of the laboratory.

The 'Buying Committee' meets regularly studies prices, and market fluctuations carefully and ensures that goods are bought from the cheapest sources. In the past however, goods were bought by individual Managers of the respective department which had resulted in wastage and had also lead to unremunerative prices being paid.

Among the factors cited by the Chairman were :

\* Overtime bill cut by Rs. 1 million in 1971 compared to the previous year.

\* Loss incurred on condemned goods cut by Rs. 2 million and

\* Demurrage Bill being drastically reduced.

The C.W.E. had also set up its own legal department which had resulted in a nett saving of Rs. 2 lakhs. A number of unremunerative retail depots in the outstations were closed down and overheads were cut to a minimum.

### Elimination of Waste

On the question of how the C.W.E. hopes to maintain



Mr. R. I. Obeysekera  
Chairman, C.W.E.

the same margin of profits in 1972 consequent on the curtailment of its activities. Mr Obeysekera said that wastage

and overheads were to be reduced still further, while importation and distribution of a number of new items would be handled by them.

The C.W.E. now handles the importation and distribution of sports goods (originally imported by the private sector) Lakspray handled by the Milk Board will now be taken over and distribution handled exclusively by the C.W.E. The C.W.E. have also been appointed stockist for the Eastern Paper Mills Corporation.

Moves are afoot to negotiate the importation and distribution of more products with a view to offsetting the loss incurred due to the cut-back in its business. A limited quantity of invalid food items like marmite etc. are now imported exclusively by the C.W.E. while distribution is handled by reputed druggists and grocery stores.

### Elimination of Corruption

Answering the much vexed question of how corruption alleged to be rampant in the C.W.E. could be stopped and what steps were being taken to wipe out corruption Mr. Obeysekera stressed that full cooperation of the public was vital in this context. He in

vited the public to lodge any complaints to the C.W.E. Flying Squads who are geared to take prompt action against any malpractice brought to their notice.

The flying squads carry out raids on its shops and has interdicted several corrupt employees.

The Chairman also made the point that the corruption associated with the Co-operative sector should not be named off to the Co-operative Wholesale Establishment merely because there was an unfortunate similarity in names.

### Future plans

Steps have already been taken to acquire the present premises which houses the Establishment head office and at Union Place a six storeyed building would be erected shortly. Construction work will be handled by the State Engineering Corporation. The C.W.E. is also presently constructing a tea storey building at its Vauxhall Street Office which is proposed to be rented out for Rs. 15 million.

The C.W.E. Chairman wound up emphasizing that his Organisation had implemented Government Trade Policy by keeping the cost of living down and eliminating the private trader for whom invariably the "sky is the limit" as regards profits.

## Drawbacks of bilateral trade pacts

\* High hopes had been entertained that bilateral pacts would bring benefits to Ceylon in the shape of increased trade and higher prices for exports. Experience has shown that there has been no increase in the volume of trade and all our produce could have been exported with or without bilateral pacts.

So states the Annual Report of the Chamber of Commerce for 1971.

### Double disadvantage

The Chamber has also pointed out that for many years some of Ceylon's exports were

not actually utilized by certain purchasing countries, but resold at a discount to the traditional buyers of Ceylon produce. This practice has had the double disadvantage of depriving Ceylon of hard currency and worse still, the offer of Ceylon produce abroad at a discount has depressed international price levels generally affecting a larger volume of exports than the amount involved in the re-sale transactions.

The attention of the Government had repeatedly been drawn to the matter and the Chamber now understands that necessary precautions would be taken when pacts are

renewed.

So far as prices are concerned, except in case of commodities with world prices, there is no way of ascertaining whether the prices charged for imports into Ceylon have been competitive, the Chamber adds.

### TO OUR READERS

We regret that due to reasons beyond our control we have been compelled to combine two issues of the Economic Times (2nd and 16th May 1972) in order to overcome the printing delay we have been experiencing in recent weeks.

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# MARKET PRICES

## COLOMBO

CLOSING PRICES 2-5-72

TEA (Rs. Cts. Per lb.)

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

	B.O.P.s		B.O.P.F.s	
	Rs. Cts	Rs. Cts	Rs. Cts	Rs. Cts
High Grown:	2.30	3.70	2.70	3.40
	1 at 3.80	1 at 4.20	1 at 4.90	
Medium-Grown:	2.12	2.55	2.12	2.60
Small Leaf Low-Grown:	2.18	2.50	2.12	2.25
Leafy Low-Grown:	2.15	2.50		
Tea For Price:	1.84	2.00	1.70	2.00
F.B.O.P.s		F.B.O.P.F.s		
Tippi Teas:	2.25	2.55	2.45	11.0
	1 at 2.70	1 at 18.00	1 at 22.00	

## RUBBER PRICES FOR THE WEEK ENDED 30.4.72.

	(Rs. cts.—per lb. Closing Quotations)	Avg. to Same Period	
		Avg. to date	
		1972	1971
RSS No. 1	77 3/4	73 1/2	81 1/4
RSS No. 2	70	68 1/2	76 1/2
RSS No. 3	69	67 1/2	75

## COPRA

	(Rs. per candy Opening Price)	Clos. Price
Estate Copra No. 1	189.75	191.75
COCONUT OIL (Rs. per ton)		
April	1,150.00	1,150.00
May	1,150.00	1,150.00

## DESSICATED COCONUT

	(per lb.) Opening price	Closing Price
	Buyers	Seller
April	.66	.62
May	.65 (June)	.58

## PRICES OF THE WEEK ENDING 30.4.72

Commodity	Buyers (Per lb)	Quotations	Export DUTY
Cardamoms	11.70	—12.30	40%
Cardamom Seeds	9.00	—9.50	on true
Cloves	24.00	—25.00	F.O.B.
Cloves Stems	3.50	—3.75	value.
Mace	9.00	—10.00	
Nutmeg (Shelled)	4.00	—4.25	
Nutmeg (Unshelled)	2.00	—2.75	
Pepper (Black)	5.75	—6.00	
Papain (White)	17.50	—18.50	
Papain (Brown)	14.40	—15.50	
Cinnamom H/1	2.95	—3.00	20% on
Cinnamom H/2	2.80	—2.85	true f.o.b
Cinnamom Quilings No. 1	2.50	—	value
—do— No. 2	2.25	—	

	Per Cwt. Buyers	Quot.	Export Duty
Cocoa	191.00	—193.00	40% on
Coffee	300.00	—325.00	true f.o.b
Kapok (Clean)	135.00	—	value
Kapok (Unelan)	30.00	—	
Croton Seeds	100.00	—	
Essential Oils	Per oz. lb.		
Cinnamom Leaf Oil	20.00	Per oz. 22.00	
Cinnamom Bark Oil	Per lb. 9.15	—	10% on
Citronella Oil Estate Quality	Per lb. 8.95	—	true f.o.b
Citronella Oil Ordinary	—	—	value

## SUBSIDIARY CROPS .. WEEKLY PRICE LIST POYA ENDING 30.4.72

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

Cereals	(Per Bag 154/158 lbs)	(Per bushel)
	Unquoted	
—Paddy	—	—
—Other varieties	—	—
—Rice Per Boiled	—	—
—Country Rice No. 1	—	—
—Country Rice No. 2	—	—
—Samba Rice	—	—
—Kora	—	—
—Maize	Per Cwt. 27.50	—28.00

## TEA REPORT

Auction No. 17 held on 2nd May 1972.

The total quantity offered was 6,392,703 lbs., comprising 3,710,000 lbs. Leaf Grades, 786,749 lbs. Dusts, 62,219 lbs. Reprints, 186,936 lbs. Sundry Lots and 1,709,018 lbs. Ex-Estate. Strong demand was shown for all grades though quality was still inferior and leaf standards from both Western and Uva Districts rather poor.

**High-Grown Teas:** Except for the best BOP's which were 10/15 cents easier followly quality, secondary broken and thin liquoring teas improved by 10/20 cents. BOPF's were about firm, though lower priced teas were sometimes much dearer. Nearly all Uvas improved by 3/8 cents while lighter BOPF's were strongly sought after. Well made OP's and Pekoes were firm to a few cents dearer.

**Medium-Grown Teas:** Colourey, clean leafed BOP's appreciated by 10/15 cents while stalky types were unchanged. All BOPF's improved, advances of up to 30 cents being recorded for the brighter teas. The better Uva BOP's improved by 15 cents a pound. Leaf grades were firm.

**Low-Grown Teas:** Black, small leaf BOP's were up to cents per pound dearer while leafy BOP's were firm to a few cents dearer. BOPF's were irregular, the well made black teas being up to 10 cent dearer. Wiry, black OP's

were between 5/15 cents dearer and Pekoes were about unchanged.

**Tippi Teas:** FBOP's were fully firm while the better made Flowery Fannings were mostly 30/40 cents dearer at the top. The best showy types in the Small Break Catalogues appreciated considerably.

**Off Grades:** Except for a few bright Western Fannings which were up to 20 cents dearer others were about firm, some brown Uva Fannings and most broken grades were a few cents easier.

**Dusts:** Best liquoring Westerns were substantially dearer while Medium and Uva grainy sorts improved 5/10 cents and Low-Growns were about firm.

\* \* \*

## RUBBER REPORT

Week-Ending 30th April 1972

RSS NO: 1 opened slightly dearer at 75 1/4 cents per lb. and improved steadily throughout the week and finally closed at 77 3/4 cents per lb.

Approximately 500 Tons of LATEX CREPES were offered at the Two Sales held during the week under review, a slight decrease of 34 tons compared to the previous week's total. At the First Sale, strong demand resulted in best and FA latex crepes improving by 2 to 3 cents per lb. Duller types

and inferior grades were 1 to 2 cents per lb. better. At the following Sale, best quality latex crepes improved as the sale progressed by 1 1/2 cents per lb. whilst the FAQ types were 1/2 cent per lb. dearer. However, duller types and inferior grades were 1 to 2 cents per lb. easier.

Approximately 120 Tons of SCRAP CREPES were offered, a substantial decrease of 50 tons compared to the previous week's total. At the First Sale, light and dark brown scrap crepes were 1 to 1 1/2 cents dearer whilst the darker sorts were 1/2 to 1 cent per lb. better. Values for black types and Flat Bark improved by 1 cent. At the subsequent Sale, light brown scrap crepes were unchanged to 1/2 cent lower whilst the dark brown shorts remained steady at previous levels. Darker sorts, black types and Flat Bark were 1 cent dearer.

Approximately 30 Tons of SOLE CREPE were offered during the week under review, an increase of 10 tons compared to the previous week's total. Very quiet conditions prevailed, with activity curbed by the absence of FAQ offerings. Poorer sorts and miscellaneous thicknesses were extremely difficult of sale and whilst a few lines sold at between 70 to 95 cents per lb., most offerings were withdrawn for lack of bids.

## FROTH &amp; CUTTINGS

opened unchanged at 53 and 54 cents per lb. respectively and maintained these prices throughout the week.

## CURLY AND SHELL

SCRAP NO: 1 opened at 45 and 44 cents per lb. respectively and remained at these levels throughout the week.

continued firm at Rs. 10/50 to Rs. 11/25 per lb., whilst Off grades too remained unchanged at Rs. 7/50 to Rs. 9/50 per lb. An attractive lot of bold Cardamoms from Deniyagama fetched Rs. 22/05 per lb. There was no change in the market for Seeds which remained at Rs. 9/- to Rs. 9/20 per lb.

**Cocoa:** Approximately 4, cwt. of Cocoa were offered, a decrease of 344 cwt. The market was more or less at previous week's levels, No. 1 quality being quoted at Rs. 191/- to Rs. 193/- per cwt. Next best grades remained at Rs. 150/- to Rs. 175/- per cwt., whilst darker and poorer sorts too remained at Rs. 75/- to Rs. 110/- per cwt.,

**Coffee:** 36 cwt. of Coffee were on offer, with best quality Robusta fetching Rs. 270/- per cwt.

# Produce Report

Week-Ending 30th April 1972.

**Cardamoms:** 4,766 lbs. of Cardamoms were offered, a decrease of 1,765 lbs. compared to the previous week's total. Once again the market opened on an easier note with demand

improving as the sale progressed and No. 1 quality was slightly firmer at Rs. 11/70 to Rs. 12/30 per lb., and increase of -75 cents per lb. on the lower limit and a decrease of -40 cents per lb. on the higher limit. Next best grades con-

Pulses	Per Cwt
—Red Gram —Toor Dhal	40.00 — 45.00
—Black Gram (Undu)	61.00
—Bengal Gram	46.00
—Green Gram	53.50
—Bombay Cowpea	40.00

Millets	Per Bushel
—Finger Millet (Kurrakkan)	12.50—13.00
—Sorgum	Unquoted
—Soya Beans	850.00 (per ton)

Spices Condiment	Per lb.
—Mustard	3.75—4.00

Chillies	Per Cwt.
—Dried Long	600.00—650.00
—Dried Round	450.00—450.00
—Off Grade	300.00—350.00
—Goraka	55.00—65.00
—Vanilla	Per lb.
—Tamarind	Per cwt. 130.00—135.00
—Ground Nuts	Per 80 lb. 70.00—73.00
Cashew	Per lb.



# TEA STATISTICS: Comparative data from 1967—1971

## COLOMBO AUCTIONS

12.4 million lbs more were offered at the 47 auctions held in Colombo during 1971. This increase was probably due to the more than normal rainfall seen in planting districts leading to increased crops, and less tea being diverted to the London Auctions.

We give below the Nett Sale Averages for the past five years and the quantities (in millions of lbs.) sold in Colombo.

	1967	1968	1969	1970	1971
High-Grown ...	1.82	1.93	1.80	1.92	1.94
Medium-Grown...	1.47	1.67	1.40	1.58	1.72
Low-Grown ...	1.20	1.63	1.38	1.38	1.76
Total: ...	1.50	1.75	1.53	1.63	1.81
Total Offered: ...	368.6	368.8	387.4	373.1	385.5

## LONDON AUCTIONS:

There was a rather substantial fall in the quantity offered for sale at the London Auctions during 1971. This short fall was probably caused by the better prices ruling in the Colombo Market throughout the year.

We give below the quantities sold over the last five years (in millions of lbs).

	1967	1968	1969	1970	1971
Hgh-Grown: ...	56.2	59.2	50.6	54.7	45.7
Medium Grown...	45.5	41.4	32.5	32.5	24.0
Low-Grown: ...	6.4	10.4	4.8	3.4	2.9
Total: ...	109.7	110.7	88.1	90.6	72.6

## PRIVATE SALES:

There was a slight increase of 0.8 million lbs. in the quantity of tea sold by Private Treaty during 1971.

	1968	1969	1970	1971
Total sold in ...	5.2	5.1	4.1	4.9

## EXPORTS

We give below the export figures over the past four years in millions of pounds.

	U.K.	U.S.A.	Australia	Iraq	S.Africa	Libya	U.A.R.	Canada	New Zealand
1968 ...	162.4	38.1	36.0	42.0	31.0	13.9	12.5	15.2	15.0
1969 ...	131.0	45.5	34.0	33.2	27.3	16.8	15.4	15.0	14.1
1970 ...	156.0	39.7	28.8	28.3	26.0	15.0	18.0	15.0	14.2
1971 ...	102.8	44.5	32.1	41.3	23.9	3.5	20.4	13.3	13.8

  

	Saudi Arabia	Kuwait	Iran	Syria	Netherlands	Aden	Ger.Fed. Rep.	Sudan
1968 ...	9.2	6.3	9.1	4.3	8.6	6.6	4.9	—
1969 ...	13.3	11.5	8.6	8.1	7.4	7.2	5.4	—
1970 ...	12.6	10.9	8.7	5.2	6.7	7.0	5.2	1.6
1971 ...	9.0	5.0	9.4	8.0	7.0	2.7	6.4	4.0

  

	Japan	Lebanon	Eire	Pakistan	U.S.S.R	Poland	Italy	Rep of Somaliland
1968 ...	5.2	3.8	4.3	4.0	4.4	4.0	3.2	1.2
1969 ...	4.9	4.7	4.6	4.6	4.4	3.1	2.3	2.8
1970 ...	7.0	9.0	6.0	0.7	5.5	3.2	3.3	1.1
1971 ...	6.4	8.7	3.5	28.2	4.4	2.7	2.9	2.2

## MONTHLY AVERAGES ELEVATIONAL PRODUCTION (IN MILLIONS OF LBS) LONDON AVERAGE FOR CEYLON TEA, COLOMBO EQUIVALENT OF LONDON STERLING, COLOMBO SALES AND LONDON SHIPMENTS

	January			February			March			April		
	Gross	Nett	Crop	Gross	Nett	Crop	Gross	Nett	Crop	Gross	Nett	Crop
High-Grown ...	2.16	1.97	12.0	2.34	2.08	11.8	2.57	2.24	20.8	1.96	1.18	19.3
Med.-Grown...	1.68	1.66	8.7	1.74	1.70	11.9	1.88	1.80	17.0	1.67	1.66	16.8
Low-Grown ...	1.56	1.56	10.6	1.59	1.59	8.9	1.66	1.56	11.3	1.69	1.68	10.1
Total: ...	1.78	1.72	31.3	1.90	1.79	32.6	2.03	1.89	49.1	1.78	1.74	46.2
London: ...	51.83	—	—	46.78	—	—	46.06	—	—	45.77	—	—
Colombo Eq.	2.58	—	—	2.24	—	—	2.20	—	—	2.18	—	—
Colombo Sales	Lbs. (million)			Lbs. (million)			Lbs. million			Lbs. (million)		
London Shipments	33.2	—	—	31.5	—	—	30.2	—	—	26.5	—	—
	5.8			4.1			7.0			4.7		

  

	May			June			July			August		
	Gross	Nett	Crop	Gross	Nett	Crop	Gross	Nett	Crop	Gross	Nett	Crop
High-Grown:	1.92	1.84	22.81	1.92	1.83	15.0	2.02	1.89	9.4	2.34	2.08	14.2
Med.-Grown	1.40	1.69	79.9	1.65	1.64	13.6	1.68	1.66	10.0	1.87	1.81	13.5
Low-Grown	1.81	1.77	11.6	1.79	1.73	9.9	1.73	1.70	1.85	1.89	1.89	9.7
Total:	1.82	1.77	54.3	1.79	1.74	28.6	1.81	1.76	29.1	1.97	1.89	37.4
London:	50.30	—	—	48.39	—	—	46.05	—	—	43.70	—	—
Colombo Equip.	2.43	—	—	2.36	—	—	2.20	—	—	2.02	—	—
Colombo Sales	Lbs. (million)			Lbs. (million)			Lbs. (million)			Lbs. (million)		
London Shipments	27.9	—	—	39.4	—	—	39.0	—	—	44.7	—	—
	10.3			9.8			5.5			3.8		

  

	September			October			November			December		
	Gross	Nett	Crop	Gross	Nett	Crop	Gross	Nett	Crop	Gross	Nett	Crop
High-Grown:	2.11	1.99	15.9	1.93	1.84	14.8	1.87	1.81	16.3	2.04	1.92	14.1
Med.-Grown	1.82	1.79	13.4	1.73	1.71	14.3	1.73	1.71	15.5	1.81	1.78	12.7
Low-Grown:	2.07	1.93	9.5	2.12	1.97	11.5	2.06	1.93	11.2	2.04	1.93	12.3
Total:	1.99	1.90	38.8	1.91	1.83	40.6	1.88	1.81	43.0	1.96	1.87	39.1
London:	42.96	—	—	42.24	—	—	44.34	—	—	45.41	—	—
Colombo Equip.	1.90	—	—	1.83	—	—	2.07	—	—	2.17	—	—
Colombo Sales	Lbs. (million)			Lbs. (million)			Lbs. (million)			Lbs. (million)		
London Shipments	28.1	—	—	29.4	—	—	37.7	—	—	25.2	—	—
	6.7			5.9			4.2			4.7		

(Source: John Keell's Report 1971)

## PLANTATION INDUSTRY

### How rubber fared last year

The Ceylon Government purchased and shipped all RSS 1,2,3, and also the major portion of RSS 4 through the Department of Commodity Purchase against the 1971 Rubber/Rice Agreement with China and Commodity Exchange Agreements with other Governments as follows:—

	Contracts for Delivery very	Shipped in 1971 (Metric Tons)
G.D.R. ...	3,054	3,054
N. Korea ...	7,000	2,893
N. Korea ...	7,000	2,853
Rumania ...	3,000	1,099
U.A.R. ...	287	287

Under the 1971 Agreement China paid the Ceylon Government a premium of 6 1/4 cents per lb. for all grades of Sheet Rubber. An additional premium of 2 1/2 cents per lb. on RSS No. 1 only was also paid as an incentive, which was passed on to Producers by the Department of Commodity Purchase, so as to

It is noticeable that consumption in the United States continues to outpace that of the other large industrial countries. Offtake by Japan, on the other hand has declined for the second year running. Shipments to Canada in 1971 increased very considerably but this was mainly due to the diversion of shipments consequent on last year's dock strikes in the United States. Sweden's offtake has also more than doubled.

Ceylon for its part has made the least progress towards the production of new Process Rubbers: the ability to effect a quicker conversion to Block Rubber production has been severely restricted by the difficult foreign exchange situation.

### Special, 'Tyre Rubber'

Another major breakthrough by the Natural Rubber Industry is on the way, in the form of the development of a special 'tyre rubber' by the Rubber Research Institute of Malaysia which conducted the basic research of Natural Rubbers

	1969	1970	1971
	Per Lb. Cents	Per Kg. Cents	Per Lb. Cents
RSS 1	104.15	230	90.74
RSS 2	100.58	222	85.71
RSS 3	99.20	129	83.80
RSS 4	97.75	216	82.10
RSS 5	94.92	209	79.19

	1969	1970	1971
	Metric Tons	Metric Tons	Metric Tons
U.S.A. ...	26,474	49,287	84,631
U.K. ...	20,762	39,926	48,973
West Germany ...	18,743	25,776	30,115
Italy ...	11,517	15,096	22,878
France ...	8,107	12,160	19,239
Canada ...	3,982	6,797	17,822
Japan ...	22,024	20,741	15,550
Sweden ...	4,064	4,657	10,660

ensure maximum quantity of the No. 1 grade. Similar premiums were paid by G.D.R., North Korea, Rumania and the U.A.R.

Further quantities of RSr grades were also sold outside bi-lateral agreements for hard currency.

Approximately 1,500 Tons of Mouldy Sheet Rubber were sold to dealers during the year.

Commitments under Contract or Barter Agreement on similar terms for 1972 include:—  
China — 38,000 M. Tons  
G.D.R. — 4,470 M. Tons  
Rumania — 2,000 M. Tons

### Prices slump

Values have declined to an alarmingly low level, where the production of Sheet Rubber has become sufficiently uneconomic.

Comparative average prices for all grades of RSS for the years 1969 to 1971 are shown in Table A.

### SMR takes great strides

During 1971 SMR continued to make great strides in increasing its share of the market, and the 31659 metric tons exported from Malaysia and Singapore during December gave a grand total for the year of 319,199 metric tons, according to Forbes and Walker Rubber Review for 1971.

Shipments to the major consuming countries during the past three years are shown in Table B.

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# SPEECH FROM THE THRONE

H. M. Queen Juliana of the Netherlands opened the 1971/72 session of the States-General with the traditional Speech from the Throne.

The main points from this address are given below:—

**Peace and Security** a just distribution of the fruits of prosperity, respect for human rights and the safeguarding of the environment are problems demanding urgent attention.

They constitute a challenge which must be met with responsibility, dedication and imagination.

It is gratifying that the Netherlands' relations with many countries are growing stronger and closer. The Government is thinking in this respect particularly of Indonesia.

The United Nations has developed an international strategy for cooperation with the developing countries, and the Netherlands Government accepts the agreements embodied in this plan as the touch stones of its own policy.

The expansion of the European Communities will mean that European integration will enter a new phase. This enlargement will entail great responsibilities vis-a-vis the other parts of the world and as regards the further unification of Europe. The Netherlands Government will continue to make every effort to promote the strengthening of the position of the European Parliament and the other institutions of the Communities.

The uncertainty which has developed in the international

system of trade and payments gives cause for anxiety. Much of what has been built up since the war for the benefit of world trade, and thus also of the Dutch economy, is now at stake. In close and valued cooperation with its partners in the Benelux the Netherlands Government is endeavouring to help restore ordered relationships as rapidly as possible. It considers a united front by the member and candidate states of the EEC to be of very great importance in this respect.

In recent years the Dutch economy has shown vigorous expansion. This year this trend is also accompanied by a considerable overspending and a sharp rise in wages and prices. Some relaxation is beginning to show on the labour market, and it is likely that this will continue in 1972 with the expected deceleration of economic growth.

Overspending, however, which is reflected in deficits on the current account of the balance of payments, is continuing. The sharp price and wage increases are eating severely into the scope available for the overall growth of Government expenditure. Moreover, tax revenue will show a relative fall-off. It will be the aim of the Government's policy to achieve in the shortest possible time an equilibrium between means and expenditure with account being taken of the interests of vulnerable sectors of the population and structurally weak regions.

A temporary measure proposed for 1971 is the limitation of the planned reduction of the rate of turnover tax on capital goods.

In the tax field a number of permanent shifts will have to take place. These are necessary in order to compensate for the budgetary consequences of a number of fiscal measures, such as the lower tax rates for working wives and the reduction in import duties by increases elsewhere. To this end the Government proposes to introduce an increase in the excise duty on gasoline, in the turnover tax on electricity and in insurance tax, and also an excise duty on soft drinks. In addition, the higher rate of net wealth tax will be maintained for another two years.

The Government considers it essential to put a brake on the continuing overspending, and at the same time to reduce the amount of borrowing by the State on the capital market. For this reason it proposes to raise the temporary flexible tax surcharge which was introduced for cyclical reasons in 1971 to the maximum statutorily permitted level (5%) with effect from 1st January 1972.

The aim of the Government's proposed programme is to reduce the strains on the Dutch economy and to effect a gradual slowing down of inflation.

The high priority which the Government allots to housing can be seen from its aim for 123,000 new houses under construction in 1972. The existing laws relating to environmental conservation will be vigorously elaborated, and

## NETHERLAND'S NATIONAL DAY

30-4-1972

new legislation, including a revision of the Public Nuisance Law, will be prepared.

The Government considers it essential for an effective and balanced education policy that the measures to be initiated and the funds available should be spread out over a period of years.

With effect from 1st August 1972, 16-year olds who are not following full-time day education course will be obliged to do so one day a week. The Government considers that a greater financial contribution may be asked from persons benefiting from the advantages of university and col-

lege education. Proposals to be submitted to this end will not hinder the Government's endeavours to make it possible for all to have the opportunity to follow such education.

The Government attaches great importance to the development of a coherent science policy, which will ensure that science and technology play a greater part than hitherto in the renewal of society.

With respect to the political relationships with Surinam and the Netherlands Antilles the Government is preparing for the Agreed study, to be carried out within the Realm.

## FROM THE CHAMBERS

### Control of Finance Companies

The Ceylon Hire Purchase and Finance Association has submitted a Memorandum to the Permanent Secretary, Ministry of Finance outlining its views on the draft control of Finance Companies Act.

Excerpts from the Memorandum are given below:—

"We deeply appreciate the opportunity given to us to express our views on the companies Act particularly because our Association has been persistently canvassing regulatory controls mainly in the interest of depositors.

We have in fact had interviews and submitted proposals which are in accord with the draft Act. We are gratified that the Monetary Board of the Central Bank is to implement the Act because our operations could best be understood and appreciated by the Board as such operations have some small relevance to general Monetary policy.

For greater clarity and in view of the interpretation of "Institution", in Section 22 we suggest that the Act be termed "Control of Credit and

Finance Companies Act." We suggest that:—

(1) the prescribed minimum capital in Section 6 (1) (a) be increased to two hundred and fifty thousand rupees for two reasons viz: (a) it is our view that the viability will be adversely affected if the capital is lower and (d) it is the prescribed minimum qualification for membership of our Association,

(2) provision be made for an appeal to the Finance Minister by the institutions to any decisions of the Board under Sections 5,6,9, and 18.

(3) our Association be granted an opportunity to make representations before the term governing the acceptance of deposits and those governing the granting of loans and the conducting of hirepurchase business are determined. In this connection we wish to point out that there are fundamental differences between money lending and hire-purchase and also the accounting and administrative processes and costs involved.

## NETHERLANDS NATIONAL DAY

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# World bank borrows 100,000 m. Yen

Tokyo

The Bank of Japan and the World Bank have recently signed in Tokyo an agreement under which Japan will lend Y 100,000 million to the World Bank.

The transaction will be the largest single borrowing operation in the history of the World Bank, the bank announced.

According to the announcement, the average maturity of the borrowing is six and a half years. The interest rate will be determined as the loan is drawn down through December 1972 and will be based on the yield to original subscribers of government guaranteed bonds, it said.

The new transaction will bring to a total of Y 295,000 million the amount which the World Bank will have borrowed in Japan in 10 separate operations, consisting of Y 257,000 million from the Bank of Japan and Y 38,000 million through three public offerings, the announcement said.

Behind Japan's offering of such a loan on its own initiative, are Japan's longstanding co-operative relations with the World Bank and the Japanese Government's confidence in the World Bank.

Japan's offer of such a large amount of loan would contribute in reduction of Japan's foreign currency reserves.

When a borrower from the World Bank hopes to make purchases somewhere else outside Japan with funds to be disbursed from the yen loan, the World Bank will finance the purchase with dollar funds bought from Japan's foreign currency reserves (meaning a

decrease in Japan's foreign currency reserves by an equivalent amount).

## DEVELOPING NATIONS AND INTERNATIONAL MONETARY REFORM

Washington.

Demands from the less developed countries for a more positive role in the reshaping of the International Monetary System are being actively considered in Washington.

U.S. Officials recognize that the interests of these nations can be vitally affected by decisions on such matters as the creation and use of international reserves and rules governing exchange rate policies. The United States has therefore taken the lead in advocating creation of a new negotiating forum that would include representation of the developing nations and yet be small enough to deal effectively with a multitude of complicated and interrelated issues.

Much of the discussion of International Monetary reform from the point of view of the developing countries is focused on the possibility of using the International Monetary Fund's special drawing rights (SDRS) as a means of channeling additional development assistance to the Low-income Nations.

The doubts that have been expressed about the proposal are based on the fear that at this stage at least, assigning this extra function to SDRS might jeopardize their primary purpose: providing a supplement or alternative to

gold and dollars in the International Reserves held by each nation. For its part, the United States would be willing to go along with a study of the proposal, but treasury officials emphasize that it would be unwise to prejudge the issue before other aspects of International Monetary Reform are settled.

## SOVIET - PAKISTAN ECONOMIC TIES

Islamabad.

A Soviet-Pakistani agreement on goods turnover in 1972 was signed last week as a result of talks conducted here. Under the agreement Pakistan will get from the Soviet Union machinery, equipment, metal, kerosene, chemicals, medicines, and other goods. Besides Pakistan's traditional export goods, the Soviet Union will also buy industrial products in that country. This fact is assessed in local business circles as the Soviet Union striving to assist Pakistan's industrial development.

It was also decided to conclude a long-term trade agreement for 1973-1975. (APN)

## OVER ONE BILLION DOLLARS FROM INVISIBLES

Belgrade.

Yugoslavia's foreign-exchange earnings from invisible exports last year came to 1,174,600 dollars, or 40 per cent more than in the previous year.

The savings remitted by workers employed abroad have brought in 651,600,000 dollars,



the tourist trade 359,400,000, emigrant remittances 64,500,000 dollars, and other invisible exports 99,100,000 dollars.

Yugoslavia's invisible foreign-exchange earnings amounted to 837,700,000 dollars. Compared with 1970 total foreign-exchange earnings were 336,900,000 dollars or 40 per cent greater.

## JAPAN'S AUTOMOBILE PRODUCTION SLOWS DOWN

Tokyo

During 1971, 5,810,774 four-wheeled vehicles were turned out, and this production record represented a rise of 9.9 per cent, according to the Japan Automobile Industry Association. It was the first time since 1958 that the output of four-wheelers failed to increase by more than 10 per cent.

By type, 3,717,858 passenger cars were manufactured, or an increase of 17.0 per cent over 1970, but the production of trucks and buses dropped 25.7 per cent and 0.3 per cent to 34,596 and 2,058,320 units, respectively.

The association's statistics showed that a total of 1,779,024 four-wheeled vehicles were exported in 1971, a jump of as much as 63.7 per cent. The slower growth of automobile production, therefore, seems attributable to the stagnation of domestic demand.

## SOVIET-INDIAN TRADE TALKS END

Moscow

Trade talks between Soviet and Indian delegations, held in an atmosphere of friendship and mutual understanding, were concluded in Moscow recently.

Exchanged on the same day were letters on trade turnover between the two countries in 1972 on the basis of the Soviet-Indian trade agreement for 1971-1975.

Trade turnover between the two countries this year will grow by 20 per cent as compared to 1971.

The USSR will supply India with various machinery and equipment, including power, electro-technical, mining and oil equipment, excavators, road-building machinery, hoisting and conveying equipment, tractors and aircraft. Soviet exports will also include oil products, rolled ferrous metals, non-ferrous metals, chemical fertilisers, paper, medicines and other goods needed by India's economy.

India will send to the USSR both traditional export goods—hides, tea, coffee, spices—and also industrial products—garage equipment, storage batteries, power cables, steel cables, dyes and other goods.

(APN)

## Economic relations between G.D.R. & developing countries

The successful development of the GDR in 1971 and the consolidation of its international position are reflected in the rapid growth of economic cooperation with the countries of Asia, Africa and Latin America. This cooperation today embraces, along with the usual exchange of goods, other important fields such as the participation of the GDR in the completion of important projects in the partner countries, scientific and technological support and close links in ocean and air transport.

It is becoming ever clearer in practice that trade and economic relations are characterized by great stability and reliability when they are based on normal political relations under international law. The further development of co-operation between the GDR and the developing countries completely corresponds to the principles and aims of the Socialist foreign trade policy of the GDR. It is fully in line with objective requirements if the knowledge has gained ground in the countries of Asia, Africa and Latin America that a broad collaboration with the Socialist countries on a basis of equality is of crucial importance for safeguarding of their economic independence.

Along with the quantitative growth in the commercial and economic relations between the GDR and the developing countries a number of quali-

tative aspects are becoming increasingly important. The advantageous supplementing of economic structures makes it possible to establish and plan the various forms of co-operation on a long-term basis with a view to increasing their stability. Out of this fact result both stimuli for the continual expansion of commercial and economic relations and their adaptation to each other's real possibilities and needs.

— By Eugen Kattner —  
Deputy Minister of Foreign Trade and Payments of the GDR

The GDR has for years been a supplier of complex installations, equipment and machines which are directly designed for the industrialization of the partner countries. Further important contracts for such deliveries were signed in 1971, for example, with the Syrian Arab Republic for three cement factories having a daily capacity of 1,000 tons each, with the Republic of Egypt in the field of the food industry and communications, with the People's Democratic Republic of Yemen, to produce precision measuring instruments, with the Democratic People's Republic of Algeria on a large enterprise to produce fittings, etc. GDR exports also include rolling stock, combine harvesters, lorries and printing machines. The GDR also supplies light manufactures and chemicals.

## Change in Structure

In applying the principle of balanced, bilateral trade and payments we have increased our imports from the countries of Asia, Africa and Latin America, this development being accompanied by a change in structure. These countries supply important goods to cover our growing need for raw materials such as oil, rubber, crude phosphate, mica, cotton, etc., and contribute with such items as raw coffee, tropical fruits, rice, knitted wear, etc., to improving supplies for the population. Mention must also be made of the important supplies of cotton yarns and fabrics, animal and plant protein fodder for stock-raising and copra. It can be stated without exaggeration that for many products of the developing countries the GDR represents a sales outlet with a long perspective. The scope and structure of our purchases will develop to the extent that the countries of Asia, Africa and Latin America expand their purchases from the G.D.R.

Regular and dynamic co-operation inevitably requires that sufficient guarantees are created for this at government level. It has been shown that with the conclusion of interstate agreements and their constant perfection this goal is attainable. In 1971, too, the best results in co-operation were obtained with countries which have taken account of this necessity for an extend-

ed period. It should be mentioned here that our exports to the Arab countries have

developed to an above average extent, which also holds good of our exports to India.

(Contd, on Page 13)

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# THE URGENCY FOR INTERNATIONAL MONETARY REFORM

**QUESTION:** It seems to be almost universally agreed now that the exchange relationship between the dollar and other currencies was badly out of line before August 15 of last year (1971), when President Nixon suspended the convertibility of the dollar into gold. The Smithsonian agreement of December 18 sought to correct this situation. Yet we hear conflicting statements as to who benefited from the inappropriate exchange rates and who benefited from the realignment. Who does gain and who loses when one country has an undervalued currency and another country has an overvalued currency?

**ANSWER:** I think they both lose in a certain sense. Take the recent case. The United States had an overvalued currency. It was in a very pleasant position—apparently—in some ways. Although we were in deficit because of the overvaluation of the dollar, we had no problem because the foreigners picked up the tab. They accumulated dollars and they financed us.

**QUESTION:** Did the United States gain some material advantages from this?

**ANSWER:** Well, you had the material advantage that you could run a deficit and not worry about bankruptcy. The foreigners would accumulate dollars and hold them. And this is what General De Gaulle, as many people will remember, called the extravagant privilege of paying for our deficits with our own I.O.U.'s. But it was paid for severely by the United States, for the fact that we had an overvalued currency meant also that our firms found it more and more difficult to compete with foreign firms—not only in world markets, but even at home. Imports will be cheap, with overvalued dollars, and exports will be very expensive. And so we tended to import more and more while our exports grew far less. The deficit was paid by the Bundesbank and other foreign central banks, who accumulated a lot of dollars. But this was of no interest to the American firms, which were losing markets and profits, or their workers, who were losing employment. They did not care whether the deficit was paid by Fort Knox or by the Bundesbank.

So we lost, and you had a great revival of protectionist sentiment in the United States in the last two years. Well, did the others gain? No. They gained in the sense that as long as we had large deficits, the other countries had large surpluses. They were "on easy street." They had no problems. And this sustained employment. What it did also was to create inflationary pressures. They were faced with over-employment, because so many of their goods flowed to the United States. This aggravated inflationary problems in Germany and in other European countries.

So both groups of countries lost in the process. We lost to unemployment, and the foreign countries lost to aggravated inflation.

**QUESTION:** How have the developing nations been affected by the recent currency realignment?

**ANSWER:** That varies very much from country to country. There are some countries that benefit from it and others that will lose. It depends on their own pattern of trade. For instance, take a country such as El Salvador. Say El Salvador is selling a lot of coffee to Europe and buying a large part of its imports in the United States. They will benefit from the exchange rate changes. They get more dollars for what they sell abroad, for what they sell in Europe. On the other hand, if you have countries that sell more in the United States and have to buy elsewhere, the opposite is the case. They receive dollars, but with their dollars they can buy fewer foreign currencies—European currencies, or the Japanese yen. So those countries would tend to lose.

**QUESTION:** Is there any way they can avoid these adverse affects?

**ANSWER:** No, I don't think so. Basically, they were benefiting before from an abnormal exchange rate situation. This currency realignment corrects an abnormality. Any time you correct an abnormality, there must be some kind of impact. But you could not go on with this system indefinitely. The United States could not have remained in deficit indefinitely, and have growing unemployment in its international industries. And foreign countries would not be willing to accumulate dollars indefinitely. They have already accumulated fantastic amounts. To put it in a nutshell, in the 21 months from the first of January 1970 to the 30th of September 1971—in these 21 months they accumulated more dollars than the total increase in their total reserves over the previous 20 years. Now, this was in just 21 months. It was a situation which was totally incredible, terribly abnormal and untenable, of course.

**QUESTION:** Sometimes we hear arguments these days that free trade theories are just theories and that they no longer really work in practice, that because of the growth of the multinational corporations and various other changes, liberal trade policies are simply out of date. What do you think of these arguments?

**ANSWER:** I think that this is really the opposite of the truth. I have no doubt that there will have to be some sort of international regulation of the international corporations. They escape any sort of national controls by being able to switch their operations from one country to another. But this does not affect her basic principle and should not stifle freedom of trade and investment. After all, we have had two clearly contrasting periods in recent world history. We had the period of the 1930's when every country was erecting new barriers, tariff barriers, exchange controls, import quotas, import restrictions, and so on. That was really one of the worst, the bleakest periods in economic history. Everybody remembers the 1930's—depression in every country in the world. And even in the United States unemployment still was close to 10 million even on the eve of Pearl Harbor. The second period, in sharp contrast to that, has been the period

from the end of the war until today, in which tariff barriers have been slashed repeatedly under the reciprocal trade agreements act, the Kennedy round, the GATT. There has been gradual liberalization of international trade worldwide there has been total abolition of tariffs within Europe and within Central America, and the world has never known a period of prosperity like the one we have known since the end of the Second World War.



Robert W. Triffin Professor of Economics Yale University

**QUESTION:** You mentioned regulation of the multinational corporations. Could you give some examples of the type of regulation you have in mind?

**ANSWER:** What I have in mind is more than the multinational companies, really. Some of the difficulties in our balance of payments in the past two years has been due to enormous movements of

short-term funds from one market to another—because of interest rate differentials, because of speculation on currency revaluation, and so on—but to a tune which defies the powers of any national monetary management. Some countries were flooded with dollars—Germany, for instance, or Japan. And this, obviously, cannot be permitted in the long run without destroying any possibility of rational monetary management in the various countries. Something has to be done to limit this. I think that monetary authorities in each country—I hope by international agreement—will define certain rules applicable to the movement of banking loans across national borders, and rules limiting the ability of multinational corporations to move their funds suddenly from Paris to Frankfurt or New York or London overnight for purely financial reasons bearing little or no relationship to the normal business operations of those companies. But I think they must preserve a large degree of freedom and flexibility for business and that these regulations will have to be agreed between the capital-exporting countries and the capital-receiving countries.

**QUESTION:** Do you think there is any danger that the world might split up into trading blocs?

**ANSWER:** Well, there is a danger but there is at the same time. I would say, a hope that it would—depending on how one defines "blocs." I think there is a great danger that if we don't succeed in

restoring a viable international monetary system that there will be a sort of nationalist beggar-my-neighbour policy on all sides, and that some like the Europeans will join together to try to protect their interests as best they can. That kind of development of trading blocs warring against each other would of course be disastrous.

On the other hand, I think that regional arrangements—monetary and even trading arrangements—have a role in a worldwide, but decentralized, monetary and trading system. What we are groping for, really, is an international monetary and trading administration—which can develop only gradually, because countries are not willing to surrender their sovereignty very easily. It is very hard.

I think, in an international trading and monetary system, you should try to reduce to the minimum the barriers to the interchange of goods and to settlements among the various blocs, that may emerge. But having pursued that worldwide objective to the maximum extent, if some countries are willing to go further and reduce barriers among themselves even further than the general world-wide agreements would provide for, they should be encouraged to do so. The more they do so, the easier it will be to bring down the general level of restrictions.

**QUESTION:** To sum up, how optimistic or pessimistic are you about the prospects for creating a viable international monetary system in the

A leading authority on international monetary affairs explains why the 1971 realignment of exchange rates was a necessity—not just for the United States but from the point of view of other nations as well. Professor Triffin vigorously defends the merits of a liberal trading system and suggests that the current period of crisis will force nations to act on long-needed international reforms.

Following are excerpts from an interview with Professor Triffin. (USIS Features)

future and for further trade liberalization?

**ANSWER:** My optimism is derived from my pessimism. It sounds paradoxical. But an article which I wrote in VISION magazine published in four or five languages, the editors extracted from my article a little passage which they put in a box and called it the "Triffin Law." The Triffin Law was this: that governments do not introduce even the best needed reforms until they really have the knife at their throats. It takes a big crisis to trigger needed reforms. I think that it is only because of the crisis of 1970-71 that we now are moving into this phase of negotiations toward really basic reforms—long overdue—of the international monetary system. The crisis now is obvious to everybody, and it is obvious

## Efficiency in retail distribution & the U.S. Economy

A typical combination will be Sears, Roebuck or Penney's on the one hand, and on the other a new branch for Associated, Allied, May Co., Macy's or one of the other large national department-store groups. We find that the more stores there are, the greater the variety, the more competition, the more successful such centers are. So, paradoxical though it may seem, we have a real vested interest in creating more competition than we already have.

*I would like to discuss for a few moments the greatest single contribution I believe American retailing has made: to providing more goods and better goods to the customer, and at the same time expanding the whole U.S. economy. I refer to the use of credit.*

*As I said earlier, the wide and constantly growing use of credit is perhaps the outstanding feature of American retailing.*

Around 1900, some U.S. department stores began allowing 30-day charge accounts as a convenience to their most trusted customers.

Once this practice began, it did not take long to discover a big new fact which hadn't even occurred to the merchants introducing this convenience.

This big fact was that when customers are allowed to charge things, they buy a great deal more than when they are paying cash on the barrel-head.

If you only think about this for a moment, you will quickly see why this is true. Imagine yourself going into a store with your whole week's pay, or month's pay, in your pocket. You will probably buy only the things you absolutely need. Every purchase you make will be eating into the total reserve you have for many other needs. If the purchases go beyond a certain point, you will be worrying whether you will have enough left for the rent, and for groceries, and other necessities. So you will buy in an atmosphere of frugality.

On the other hand, if you do not have to pay the bill for thirty days, you will have a much more relaxed attitude in your shopping. You may buy your actual needs, but a few other things that you could really do without—a new dress maybe, or a new chair for the living room, something to add a little bit of color and gaiety to your life.

And this is exactly what happened when charge accounts were introduced. So American merchants soon began experimenting with additional forms of credit. They introduced plans whereby large purchases, such as the furnishings for an entire house, could be bought at once and paid for in installments—"a few pennies a day" was the slogan one of Federated's pioneers used. In effect, the customer was really renting his purchase, using it now and paying for it later.

The 30-day charge account was enlarged to 90-day accounts with small monthly service charges. Another form, the revolving charge account, was introduced where a fixed amount of purchases could be made, up to a certain sum, then new ones added as payments reduced the outstanding balance. Each one of these new credit tools stepped up consumers' buying.

It has not only increased their buying, it has revolutionized their whole attitude toward shopping. People used to buy a new suit or a new dress only when the old one had worn out. The same for furniture. Nowadays somebody wants a new suit or a new dress because there's a new style. They may buy new furniture because they are tired of the way the living room looks, and redecorate the whole thing, including new wallpaper, draperies, carpets, etc. Perhaps they move the old things into a recreation room, or children's room. But the whole emphasis is on newness and change.

This openness to change is encouraged by a greater willingness of the merchant to trust the customer to pay. Our attitude was, if banks are willing to lend someone thousands of dollars for as long as thirty years, in order to buy their homes on mortgages, why should we not be willing to accept lesser risks?

We have found that the risks are almost non-existent. People will pay for what they

owe, because they do not like to owe money. Our losses for non-payment are less than one-fourth of one percent of the total bought on credit. And credit has become so important to our business now, in Federated, that more than 61 percent of our total sales are made on some form of credit.

### "FRACTIONAL SELLING"

It would be hard to overestimate the importance of this credit multiplier to the health and growth, not only of department stores, but of the whole economy of the United States. One of Federated's directors, Paul Mazur, a famous investment banker, has written a book about the subject, "The Standards We Raise," in which he credits this great impetus to distribution as being the key to the constantly rising American standard of living. He calls the process "fractional selling," whereby the item is immediately available but the price is fractionalized to levels that the consumer can easily afford. Let me quote Mr. Mazur briefly:

"The usual procedure within an economy is for production to create purchasing power which accumulates as a reserve unless and until need or desire creates the impulse for its owner to convert that power into actual purchases. The purchases, in turn, draw upon inventories whose continuous replenishment makes necessary the operation of the productive mechanism of the



## REFORM

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## INDIAN ECONOMIC COLLABORATION IN S. E. ASIA

The first Indian Joint venture in south east Asia went into production in Johore state in Malaysia a more than four years ago triggering a great deal of interest among Indian entrepreneurs and local investors alike in exploring prospects for similar ventures in the Asian region.

The Prime Minister, Mrs Indira Gandhi, visited Malaysia and Singapore in the middle of 1968 when she assured these and other countries in the region of India's desire to become a partner in their economic development. These past few years have seen a host of Indian industrialists, technicians, economists and official and non-official teams visiting these countries for exploratory or detailed discussions with their counterparts on collaboration in their industrialisation programmes.

that something has to be done and that international agreement is absolutely imperative. I often quote a passage from a speech made years ago by Abba Eban, foreign minister of Israel, which reflects both my pessimism and by optimism. He said, men and nations behave wisely... after all other alternatives have been exhausted. Well, I think we are close to having exhausted all other alternatives, and therefore, because of that pessimism, I am optimistic that men and nations will behave wisely and that we will finally conclude sensible international monetary agreements and trading arrangements.

For the whole of south east Asia (except many parts of Indo-China) this has been a period of rapid economic growth. With the years of confrontation behind them, these countries have put increasing emphasis on economic development in which industrialisation has the pride of place. In what was so far a predominantly agricultural or fishing region, there have been exciting developments in the spheres of oil prospecting, production and refining (including offshore activities), exploitation of forest resources and fisheries in a big way, mining, building up of economic infrastructure, consumer goods manufacture and finally the production of engineering goods and machinery.

By and large the countries have followed open-door policies towards foreign investment. They initiated new measures to attract foreign collaborators and announced tax holiday and other benefits. The requisite machinery for economic planning was built up or refurbished and some of the countries formulated five-year economic development plans, with broad objectives of growth and specific targets of production.

## Collaboration

The coming into being of the Asian development bank at the end of 1967 opened new vistas for the much needed financial and technical assistance for implementing the projects, ambitious or modest. The international credit institutions also turned some of the spotlight on this part of the world.

In all these countries, Indian enterprise has not only been welcome but made to feel so. Some of them made no secret of their preference of Indian collaboration because in the absence of diversified foreign investment they feared they might be swamped by a certain economically powerful country. Fortunately, India's standing in the region is that of a neighbour which has no ambitions of dominating the

By

S. C. Bhatt

comparatively small countries there. In fact, some of them complain now and then that India is not sufficiently interested in the region or that she is more interested in other regions than in south east Asia.

Whatever the substance in such complaints, the fact is that the foundation has now been laid of a sizable programme of Indian collaboration with local capital in countries like Malaysia, Singapore, Thailand and even Indonesia and the Philippines. The programme has advanced fairly rapidly in Malaysia where more than half a dozen ventures are now on the ground, many of them in production.

A promising start has also been made in the other ASEAN (association of south east Asia nations) groups of countries. The range of products include synthetic fabrics and yarn, engineering goods like automobile parts, diesel engines, electric motors, pumps and alternators, steel furniture, locks and safes, confectionary and other consumer goods. Some projects cover items like precision tools, electric fans and sewing machines, glass bottles, welding electrodes, cosmetics and bicycle chains. Several of the projects are modest while others are quite ambitious and involve financial assistance by local industrial financing organizations as well as international financial institutions.

A list of some of the more important items being produced by joint industrial ventures which have been approved and have been set up or are under implementation in south Asia, is given below:

Malaysia: steel furniture, cotton textiles, glass bottles, precision tools, gauge and manufacturing unit, electric fans and sewing machines, confectionery, electric motors, pumps, diesel engines, cosmetics and pharmaceuticals, enamelled copper wire and electrical accessories, automotive and allied remote control and speedometers, cables, safety glass, steel foundry, automobile parts cycle and industrial chains, vegetable soap, pistons components, air compressors hydraulic jacks etc., palm oil plant, and hydrogenation of palm oil.

Singapore: welding electrodes, electric fans and sewing machines, and automobile accessories.

Thailand: steel mill and synthetic fire spinning unit.

Philippines: diesel engines.

## Transfer of Technology

These projects will help the countries in acquiring technical skills and expertise, apart from meeting their internal requirements of consumer goods or engineering product

and even earn foreign exchange by exporting some of the production. Indian technicians will help in training the young men and women of these countries in various lines of manufactures and assembly. Some of them are being brought to India for training in the plants of the Indian collaborators.

The projects would lead to actual manufacture of goods and transfer of technology, rather than a mere assembly of imported components, under the supervision of foreign firms, as has often happened in collaboration schemes of certain advanced countries.

The progress thus has been noteworthy, though not spectacular. Indian diplomatic missions in these countries have provided a helping hand in bringing the parties together, furnishing basic information to the Indian entrepreneurs and in establishing contacts with official agencies.

Since the promotion of economic relations is now rightly regarded as an essential if not a major component of diplomacy, increasing emphasis has been laid on this role, with varying success. Nobody can complain of lack of interest or support by the Indian missions, at least one of which had been virtually converted at one stage into a 'joint ventures promotion bureau.'

## Sustained Interest

The Indian industrialists on their part have maintained sustained interest in promoting collaboration despite some handicaps, the most important of which has been the restrictions on export of capital from India. Prospective entrepreneurs are permitted to take out machinery and equipment but no hard cash in view of India's need to conserve foreign exchange for promoting her own development.

India has not yet reached the stage of being a capital exporting country. Although this restriction has been somewhat liberalised of late, with export of construction material structural and the like being allowed as equity contribution by the Indian partner, she is not on all fours with an investor coming from a developed country.

Every dollar spent on exploratory visits, preliminary studies, preparation of project reports and so on has to be obtained against a specific foreign exchange allocation after each request is examined on merit.

These difficulties notwithstanding, the Indian entrepreneurs have gone ahead and achieved results which are commendable. It is true that a few of the schemes have been abandoned after detailed negotiations were completed, and in some cases after the coveted pioneer status was granted by the concerned government.

Fortunately, however, what has already been achieved is enough to convince receiving governments that as a class Indian collaborators mean business. Some of them appreciate the handicaps under which the Indian entrepreneurs have to function and try to solve the problem of liquid resources to the extent possible.

Though the south east Asian countries may not be industrially as advanced as India,

the people there are used to sophisticated products in their everyday use and those handling machinery and equipment have access to the best that money can buy. The prospective collaborators have, therefore, to put their best foot forward if they want to make a success of their ventures and establish a high reputation for their capacity to deliver the goods.

Many of the south east Asian nations have a comfortable foreign exchange position and are capable of buying their requirements in a competitive market. At the same time, since they are undertaking big industrial development programmes they are not only looking for collaboration, technical and managerial expertise, but also for investors who can bring in funds of their own.

## Contribution to ADB

The Asian development bank (ADB) has become an increasingly important factor in promoting the economic growth of countries of south east Asia. Much of the financial and technical assistance that the bank has provided in the past four years has gone to this region.

India's considerable contribution to the bank is yet another indication of her desire to assist in the region's development. India is not only the second largest regional contributor to the bank's capital, next only to Japan, but in 1970, India became the first developing nation of contribution to the ADB's special funds for technical assistance.

At the annual session of the bank in Singapore last year this modest contribution was further increased. What is more significant, India has voluntarily refrained from drawing upon the ADB's funds although her own requirements of developmental finance continue to be sizable and pressing.

When the bank was launched and India became the second largest subscriber to its capital, some detractors had quipped that India might become the single largest borrower, also. The ADB's experience for the last four years has shown that these fears were entirely baseless.

In the bank's deliberative and executive organs, India has repeatedly voiced support for making greater resources available to the ADB, especially for increased availability of special funds to enable the bank to advance more soft loans to the developing nations of the region.

## Trading Agency for Far East

India's state trading corporation has recently gone into partnership with a number of Chinese and Indian businessmen in Hong Kong to set up a unique kind of trading venture in one of Asia's leading retail and wholesale markets. The state trading corporation (Far East), as this body is known, is to engage in promoting Indian exports, especially of non-traditional items, using Hong Kong as a base. Already India has broken fresh ground in some of the south east Asian countries by successfully competing with developed nations like Japan, Australia and European countries, in tendering for the requirements of major public utility concerns.

(Indian & Foreign Review)

## The U.S. Economy (II)

owe, because they do not like to owe money. Our losses for non-payment are less than one-fourth of one percent of the total bought on credit. And credit has become so important to our business now, in Federated, that more than 61 percent of our total sales are made on some form of credit.

## "FRACTIONAL SELLING"

It would be hard to over-estimate the importance of this credit multiplier to the health and growth, not only of department stores, but of the whole economy of the United States. One of Federated's directors, Paul Mazur, a famous investment banker, has written a book about the subject, "The Standards We Raise," in which he credits this great impetus to distribution as being the key to the constantly rising American standard of living. He calls the process "fractional selling," whereby the item is immediately available but the price is fractionalized to levels that the consumer can easily afford. Let me quote Mr. Mazur briefly:

"The usual procedure within an economy is for production to create purchasing power which accumulates as a reserve unless and until need or desire creates the impulse for its owner to convert that power into actual purchases. The purchases, in turn, draw upon inventories whose continuous replenishment makes necessary the operation of the productive mechanism of the

nation. Once that continuity is interrupted, there is risk of economic recession or even depression... an apathy in purchasing can result in excessive inventories and in a stoppage of production to allow the absorption of that excess of goods on the shelves."

"Fractional selling short-circuits the usual involved sequence of production, wages, purchasing power, purchases, and the resulting increased production. We have here a system of economic relationships that start with actual purchases. In that procedure purchasing power is created for its user before the actual fact of production has created the equivalent purchasing power through wages. Fractional selling creates purchasing power used for the purpose. The purchase draws on the inventory, and the need to replace it results in more production. Production then completes the cycle creating both the goods for the replacement and the wages which replenish the purchasing power that was committed by installment buying before the actual earning of income."

In other words, credit has created a consumption economy that is almost like a perpetual motion machine. In a very real sense, it creates and invents itself as it goes along. Today's American is an optimist willing to spend what he hasn't got, confident that by so doing he will help raise his own standard of living. It is truly akin to magic—but it works.

Time was that credit was given only on things that

could be repossessed if the customer didn't pay. Today, we don't repossess anything. Long ago we found that the further we got away from the idea of repossessing things, the more dependable our customers became in paying. Indeed, at the depth of the Depression, when thousands of honest people literally could not pay because they had no jobs, a great many stores established almost a family relationship with their debtor customers, telling them not to worry, to pay when and if they could. The gratitude that such consideration provoked established lasting relationships of customer loyalty and affection that could not possibly be measured in dollars but are priceless. Similarly, our Lazarus store, for example, during a long and bitter strike at one of the largest plants in Columbus, sent letters to all strikers informing them that they could continue to make purchases, and let their accounts ride, until such time as they were able to pay them. As a result of such things people in Columbus talk about Lazarus as affectionately as a member of the family.

This is what is called "good will." We list it on our books at a value of \$1. Actually it is the greatest single asset that we have.

And what it all comes back to is treating the customer as a human being, with respect, consideration and dignity, and, most of all, that famous old admonition of Marshall Field:

"Give the lady what she wants!"

(CONCLUDED)



# Message from the Ambassador of Japan in Ceylon

It is a great honour and privilege for me to have the opportunity of conveying my cordial greetings to the people of Sri Lanka on the occasion of the 71st birthday of His Majesty Emperor Hirohito of Japan.

The anniversary of His Majesty's birthday is celebrated as a day of national rejoicing by all Japanese both at home and abroad. His Majesty the Emperor is the "Symbol of the State and the Unity of the people." I am glad to say that there is always a sense of warm affection in the hearts of all Japanese towards the Emperor.

Last year, His Majesty, accompanied by Her Majesty Empress Nagako, paid goodwill visits to seven European countries. I am happy to recall here that, when His Majesty as Crown Prince, had undertaken a grand tour of Europe in 1921, he spent three days in Ceylon visiting Colombo and Kandy.

It is a happy circumstance that I am privileged to represent my country of Japan in this sister Asian country. In fact, Japan and Sri Lanka have many features in common. Geographically, we are both island countries endowed with a wealth of scenic beauty. Both

of us are proud of a long and respected tradition of religion and culture. Buddhism has for many centuries been a major religion for both our nations and we both believe in peace, democracy and freedom. It is therefore natural that both Japan and Ceylon should foster and enjoy cordial and friendly relations which, I am happy to note, have been significantly strengthened in recent years.

In the sphere of trade, already about six per cent of Ceylon's total trade is with Japan. Our country has for long been one of the major participants in the Aid Ceylon Consortium. In the case of technical aid under the Colombo Plan Scheme, Japan has progressively increased her training awards year by year in a wide variety of subjects in order to keep pace with the diverse needs of the country. Last year, about sixty young Ceylonese proceeded to Japan for training under this scheme.

In the fields of agriculture, fisheries and medicine, our experts have given the benefit of their knowledge and skills in various development projects, such as the Dewahuwala Rural Development Pro-

ject, in collaboration with the Ceylonese Government.

During the last few years, Japan has had the opportunity of making over to Ceylon gifts consisting of equipment for agricultural projects, for the Anti-Malaria Campaign, for a drug quality control laboratory and an electron-microscope for the University of Ceylon, Peradeniya. In the private sector, there are quite a number of Ceylon-Japan joint ventures actively functioning in several important industries of Ceylon.

Japan is most appreciative of the efforts put forth by Ceylon towards the promotion and preservation of peace and stability in South Asia. It is the desire of my Government to place at your disposal as much resources as possible that will contribute towards the amelioration of living conditions as well as to promote her economic development. Ceylon is a country of great potentialities with vast areas of land that are yet to be brought under cultivation, endowed with a highly literate people a variety of unique tourists attractions, rich fishing grounds, hydro-power resources still untapped and abundant reserves of valuable mineral resources.

## JAPAN NATIONAL DAY

29th April 1972

I have no doubt that, with the inspiring leadership of the Prime Minister, Honourable Mrs. Sirimavo Bandaranaike, and determined efforts on the part of her people these potentialities would be turned into realities enabling Ceylon not only to tide over the current difficulties but also to march onward towards the goal of resilient growth and prosperity so that she may be able to revive her pristine glory to which

the annals of Sri Lanka bear abundant testimony.

On this happy occasion when the spirit of goodwill inspires the hearts of the Japanese people, I wish to offer, on behalf of the Government and people of Japan, my sincere wishes to our friends of Sri Lanka for a future of peace, progress and prosperity.

Sashichiro Matsui  
Ambassador for Japan  
in Ceylon

## HIS MAJESTY EMPEROR HIROHITO GREETES HIS 71st BIRTHDAY

Today marks the 71st anniversary of the birth of His Majesty Emperor Hirohito of Japan. He is the 124th Emperor in the line of succession of the Imperial Family.

On the demise of the Emperor Taisho on December 25, 1926, he ascended the throne and the new era was named "Showa," meaning "Light and Peace." The grand ceremony of his enthronement took place in Kyoto on November 10th, 1928. His Majesty has been a reigning Emperor for more than 45 years since his accession to the Throne. However, if the period when he served as Regent is included, he has been attending to the conduct of the matters of State for as long as half a century.

### Auspicious Occasion

On April 29th, 1971, His Majesty greeted his 70th birthday which in Japan is an auspicious occasion known as "koki." The term "Koki" meaning "rare from time immemorial" is said to be derived from a passage in a famous poem of an ancient Chinese poet 'TU Pu.' The passage reads: "Rarely have people attained the 70th year of age from time immemorial."

His Majesty's birthday is a national holiday. This year, too, he will appear on the balcony of the Chowaden Hall of the Imperial Palace in the morning to acknowledge the cheers and good wishes offered by the crowds of people who will gather in the spacious garden plaza.

Under the new Constitution which came into effect in May, 1947, the Emperor became the symbol of Japan and of the unity of the people.

According to the Constitution, the Emperor performs, with the advice and approval of the Cabinet, such acts in matters of state as the promulgation of laws and treaties,

convocation of the Diet, attestation of the appointments and dismissal of Cabinet ministers, and awarding of honours.

The daily schedule of the Emperor is quite a busy one. Every morning at 9.30 he takes a ten-minute walk from the Fukiage Palace, his personal residence, to his office in the main palace building. Here he studies laws, treaties and diplomatic agreements, passed by the Diet, applications for award of decorations to persons who have rendered distinguished service to the nation and various other documents submitted by the Cabinet. His Majesty affixes his signature to more than 3,000 official documents a year.

His Majesty always seeks to keep well informed on developments in public as well as private fields of endeavour. For this purpose he receives lectures from noted scholars and experts and also meets with representatives of the people as often as his schedule permits. Also, in order that they may come in contact with as many citizens as possible, the Emperor and Empress take every possible opportunity to visit local districts. They have completed touring through almost all parts of Japan. Wherever they went, they were received with warmth, respect and affection by the people.

### Goodwill Visits

Their Majesties the Emperor and Empress paid goodwill State visits to Belgium, the United Kingdom and the Federal Republic of Germany, and unofficial visits to Denmark, the Netherlands, France and Switzerland last autumn. It was the first time in the long history of the Imperial family for a reigning emperor to travel abroad. The Emperor toured Europe for six months in 1921 while he was Crown Prince. Incidentally, he passed through Ceylon on this tour. Thus it is after a lapse of 50 years that he travelled abroad again accompanied by the Empress.

The Emperor's reputation as a biologist is international. He has made it his life work to study marine life. Eight publications centering on the Emperor's studies have already been edited and published. The Emperor himself has written two books on hydrozoans published in 1967 and 1969 respectively.

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# Japan-Ceylon economic co-operation

Japan is assisting Ceylon to implement her economic development programmes through the granting of Yen Credits, Technical Assistance, Kennedy Round (KR) Food Aid, supply of Export Credit, setting up of Joint Ventures with Ceylonese firms and other means of assistance.

## 10 Million Dollar "Yen Credit"

The Government of Japan has granted to Ceylon every year a Yen Credit the latest of which being a US \$10 million, (roughly Rs. 60 million) on February 4, 1972, in response to the request made by Ceylon at the Aid-Ceylon Consortium Meeting which was held in Paris in April 1971.

Under this loan Ceylon will purchase the following items: (a) fertilizer, (b) steel billets, sheets and plates, (c) wire rods, (d) rayon and nylon cords, (e) vehicles and spares, (f) tyres and tubes, (g) synthetic resins and P.V.C. compound, (h) outboard motors (i) two-wheeled tractors, implements and spares.

This is the seventh loan to be extended by Japan to Ceylon since January 1966 and the aggregate amount of the Yen Credit has now reached US \$43 million, or at the current exchange rate approximately equivalent to Rs. 256 million.

The next Aid-Ceylon Consortium Meeting is expected to be held in Paris some time in May 1972, and it is expected that Japan will undertake to provide further Yen Credit to Ceylon.

## Kennedy Round Food Aid

Under the food aid scheme based on the International

Grains Agreement of 1967 generally known as the Kennedy Round Food Aid, Ceylon received US \$ 500,000 (Rs. 3 million) in 1970, in the form of agricultural machinery and fertilizer, and in 1971, she received a further grant of US \$ 300,000 Rs. 1.8 million) for the purchase of rice from Burma.

## Export Credit

Two important infrastructure projects are at present being implemented under export credit, or suppliers' credit, provided by Japan in response to the Government of Ceylon, namely;

(a) Outside Colombo Area Development Scheme Project I

(b) Power Transmission Lines for Maskeliya Oya Project Stage I.

The 200 million rupee outside Colombo Area Development Scheme designed to develop the telecommunication network for the provision of subscriber dialling facilities between Colombo and the provinces of Ceylon has been underway by a consortium of firms led by Mitsui & Co. Ltd., since February 25, 1970.

Under this project, 13 trunk switching exchanges together with their associated local exchanges covering 18 towns in the Western, Centre and Southern provinces and a Trunk Switching Exchange to serve the Greater Colombo Area are to be installed. When Project I of the OCADS ends in early next year, the telephone systems in Ceylon will be revolutionized at least as far as three provinces are concerned. As a first step, an inaugural communication was started between Colombo and

Gampaha on February 27, 1972. Subscribers in these areas now enjoy the amenity of quick connection by direct dialling. The same new systems will be country following the completion of Project I.

The other project, Power transmission lines for Maskeliya Oya Project, is of equal importance, for power trans-

mission is essential for the development of all sections of industry, agriculture as well as manufacturing.

The construction of 930 miles of High Voltage Transmission Lines was completed by Sumitomo Shoji Kaisha Ltd., and its allied firms during 1968-1971.

This transmission network estimated to cost rupees 170 million under the Maskeliya Oya Hydro-Electric Project covers almost the entire Island including Colombo, Jaffna, Anuradhapura, Trincomalee and Hambantota and strengthens grid supplies in these areas where low voltage conditions exist. Further more, as a result of this construction, electricity has been made available to some rural areas for the first time.

## A REVIEW OF CEYLON'S TRADE WITH JAPAN

### PAST TRADE

The following table gives a Summary of the value of trade between Ceylon and Japan for the past three years.

	(Rs. Million)		
	1969	1970	1971
Imports from Japan	187.1	195.2	169.9
Exports from Ceylon	45.1	66.7	65.8
Total Trade Turnover	232.2	261.9	235.7
Balance of Trade	142.0	130.5	104.1

Source Ceylon Customs Returns.

By  
**Atsushi Koyama**

It would be observed from the above table that the pattern of trade between Ceylon and Japan has been regularly adverse to Ceylon. But in 1971 the deficit has been less than that of 1970. In the years 1970 and 1971 Japan has increased her imports of Ceylon Produce when compared with previous years. This shows that there is further scope for the expansion of Ceylon's exports to Japan.

### JAPAN AS AN EXPORT MARKET

The trend of trade policy in Japan is toward greater liberalization of imports and capital flows. Japan products have proved successful in finding markets in many overseas areas, due both to the growth of demand in these areas and the competitiveness of Japanese products in price and quality. To balance the current excess of exports over imports, Japan is moving towards greater liberalization of imports.

With this in view Jetro (Japan External Trade Organization) which has its head offices located in Tokyo and Osaka with 25 branches in Principal cities in Japan and a net work of 70 Overseas trade centers and Jetro branches situated in key towns abroad have started an intensive campaign in encouraging interest in more extensive and serious

examination of the Japanese market than many foreign firms have shown in the past, by describing the opportunities which exist for export, and providing some basis "how to" information on the practical problems of exporting to Japan. One of the principal functions of Jetro overseas offices is to promote the export of primary products of developing countries and to make information available to foreign traders who wish to export their goods to Japanese markets.

Further, JETRO displays many foreign-made products at its display rooms and show sites in major cities in Japan. These exhibitions in Japan of foreign-made goods have been held every year since 1966. These showings are required if a foreign country wishes to promote selling its merchandise in Japan. Some of the expenditure for the display of foreign-made goods in Japan—such as the costs of transportation, display and advertisement—are paid by JETRO. The remaining of the cost is paid by the country exhibiting its products.

In Bangkok the Japan Trade Counter has sponsored several exhibitions during the past two years, all designed to promote the export of Thai products. This December at the Dusit Thani Hotel Jetro will sponsor the "Made in Thailand" export promotion exhibit.

Many other countries too made use of the facilities offered by Jetro to exhibit their products. These countries include Cambodia, India, Philippines, Indonesia, Spain, etc. Ceylon too can make use of these facilities to promote more local products to Japan.

Jetro also invites to Japan prominent officials from developing countries, as guests to enable them to get first hand knowledge of Japan's export/import trade structure and also to study how best they could make use of Japan as an Export Market for their products. This invitation was also sent to Ceylon on two occasions.

It would be thus evident that the Government of Japan is endeavouring very much to see that developing countries with adverse Balance of Trade are afforded all opportunities and assistance to export more of their products to Japan and thereby reduce the existing deficit in the overall trading position with Japan.

With Best Compliments

from

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Tel: 23354

### CEYLON'S IMPORTS

Out of the principal countries from which Ceylon imports goods, Japan has ranked 3rd in 1971, as against position 4th in 1970, according to the value of imports. In 1971 imports to Ceylon from Japan recorded 9% of Ceylon's entire commodity requirements as against 8.7% in the previous year. The chief items imported to Ceylon from Japan were—Iron and Steel products, Canned Fish, Materials for Plastics, Synthetic Fibre Textiles, Tyres & Tubes, Motor Vehicles, Equipment for Distributing Electricity, Yarn & Thread of Synthetic Fibre, etc.

### CEYLON'S EXPORTS

In comparing the exports from Ceylon to Japan in 1971, Japan was placed 10th as against position 8th she occupied in 1970, as Ceylon's most important customer. Japan's share of imports from Ceylon declined to 3% of the total value of Ceylon's exports in 1971, as compared with 3.3% in 1970. The main items of exports to Japan were Tea, Rubber Coir Fibre, Graphite, Ilmenite, Coconut Shell Charcoal, etc.



# National Day of the People's Republic of Czechoslovakia

## 9th May 1972

### MESSAGE FROM THE AMBASSADOR

It is the practise of Ceylonese Newspapers to prepare in co-operation with commercial companies and economic organisations a supplement to commemorate the National Day of a friendly country. A good supplement could give a short history of the relations between the two countries as well as to draw a perspective of future co-operation.

Ceylonese readers, for many years have been informed by my predecessors the significance of our National Day. The 9th of May is for the Czechoslovak people a symbol of life, freedom and triumph of truth over violence. On this same day 27 years ago the Red Army liberated Prague from the Fascist yoke. Soviet soldiers together with the people of Prague sealed by their blood this tradition in which the Czechoslovak people have built their socialist country and educates new generations who will not know misery-unemployment and the exploitation of man by man.

The Czechoslovak people have achieved real success during the past year. Their satisfaction and agreement with the policy of the Communist Party of Czechoslovakia has been expressed in the recent elections. The people have fully accepted the policy



Frantisek Malik  
Ambassador of the People's Republic of Czechoslovakia in Ceylon.

which gives the country a solution to economic difficulties and the way of accelerating the construction of socialism in our country.

Czechoslovak workers, peasants and the intelligensia have won by their achievements the friendship, support and sympathies of all progressive men and women. The last year was, a year of strengthening and consolidating further the co-operation with other Socialist countries within the framework of the Council of Mutual Economic Assistance.

The voice of our people and their government is respected by European nations who desire the strengthening of peace and the intensifications of co-operation in Europe.

Czechoslovakia desires to continue the rich traditions of the economic, scientific and cultural co-operation with Ceylon.

Our two countries have co-operated for a long time and already several successful projects have been constructed in Ceylon with the technical

assistance of Czechoslovakia. Czechoslovakia highly appreciates the co-operation with Ceylon.

Allow me on this occasion to share the joy and pride that the working people of Czechoslovakia feel today on the full fulfilment of their aims and ideas

## Czechoslovak Economic Co-operation with Asia

Of all the developing countries Asia has the greatest share in trade and economic relations with Czechoslovakia. This fact is influenced by Czechoslovakia's far-reaching contacts with important partners on the continent of Asia, especially with India (which with Egypt, of the developing countries is Czechoslovakia's biggest partner—Czechoslovak trade turnover with these two countries represents 25 to 30 per cent of its total turnover with the developing countries Iran, Pakistan, Turkey, Syria and Ceylon. The following figures illustrate Asia's position in this respect:

land equipment, and engineering products will remain a permanent feature of Czechoslovak exports to the Asian countries. And for a very long time to come, Czechoslovakia will remain a permanent partner of those countries, importing their major products, which are no longer the traditional export goods but also semi-finished and finished goods made by the young Asian industry.

### Industrial Plants

The results achieved, mainly represented by the building of industrial plants and other important capital investments

### TURNOVER OF CZECHOSLOVAK FOREIGN TRADE WITH THE DEVELOPING COUNTRIES (IN MIL. KCC) ASIAN SHARE (IN %)

	1960	1965	1969	1970
Developing countries, ...				
Total ...	2,814	3,409	3,867	4,091
Asia ...	1,408	1,740	2,221	2,065
Africa ...	746	1,124	1,152	1,345
Latin America ...	660	541	494	681
Asian share in %	50	51	57	50

(According to Facts on Czechoslovak Foreign Trade, 1971)

Just as many other socialist states so Czechoslovakia has well established trade relations. Relations which over the last ten to fifteen years have included extensive economic, scientific and technological collaboration, accompanied by the erection of many large and medium size complete plants, and installation of equipment. About two-thirds of Czechoslovakia's exports to Asia is made up of engineering products and another ten per cent of metallurgical material.

In some countries, of course, Czechoslovak engineering goods rank among the main imports. These countries include India, Pakistan, Burma and Syria, where over the past few years engineering products have accounted for 80 to 90 per cent of their imports from Czechoslovakia.

In view of the state of development of the Czechoslovak economy and of other tendencies in the structural development of Czechoslovak industry working for export, it can be assumed that an increasing share in capital investments

and equipment are eloquent proof of the broadest economic scientific and technological collaboration which Czechoslovakia has developed with those countries.

Plants built in India with Czechoslovak assistance include the heavy machine tool plant which was built in stages, and the plant for engineering metallurgy in Ranchi, the heavy machine-tool plant in Hyderabad, the plant for high-pressure boiler production in Tiruchirappalli, another plant for production of high-pressure vessels in Visakhapatnam as well as foundries, boiler plants, electric power plants and so on.

Already before World War II Czechoslovakia delivered seven beet sugar refineries to Iran, as well as three grain-rice power plant, a tobacco factory and several dozen bridges. Since World War II Iran has received from Czechoslovakia sugar mills, sugar refineries, a hydro electric plant, six freezing plants, a factory for producing ply wood, and a leadore dressing plants, seven flour mills, seven brick works, and a footwear plant.

Contd. on Page 11

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# Fifth Czechoslovak Five year Plan & the Developing Countries

The Five-Year Plan of development of the Czechoslovak national economy for the years 1971 to 1975 is the fifth in succession. Planned development of Czechoslovakia's national economy was started soon after the end of the war with the Two-Year Plan of Reconstruction in 1947 and 1948 followed by four more Five-Year Plans which covered the period up to 1970 with the exception of 1954 and 1955 when only annual plans were elaborated.

The realisation of all these plans was of utmost importance for the socialist construction of Czechoslovakia's national economy. Proof of this is the fact that until 1970, national income rose more than 3.5 times and personal consumption almost 3 times.

The fifth Five-Year Plan comprises very demanding tasks based upon the achieved level of the national economy, available resources of manpower and the limited resources of natural wealth, and provides

for a rapid growth of Czechoslovakia's participation in international division of labour.

## Importance of Technology

Among other things, the plan ascribes an important role to science and technology as one of the basic factors of the qualitative development of the national economy. The level achieved in the development of the national economy necessitates further concentration and specialisation of production and progressive changes in its structure, systematic reconstruction and renewal of the production-technical base. Hand in hand with these trends will go a gradual restriction of the production range, whose present extent is unsupportable.

Among the economic branches, priority attention will be given to industry, whose output is to rise by 34 to 36 percent in the five-year period. The fastest growth rate is to be achieved by the chemical and engineering industries and

the fuels and power base; production of the chemical industry is to grow by 60 per cent, that of the engineering industry by 45 to 50 per cent. A relatively large production growth is planned in metallurgy, (production of pig iron will reach 9 million tons and that of steel 14 million tons, which represents a per-capita production of 1 ton of steel including production of consumer goods and agriculture.

Naturally, of greatest importance for economic relations with the developing countries will be the development of Czechoslovakia's engineering and chemical industries, and as a basis of industrial potential, also expanded production of the heavy industry.

## Expanding Contacts

The Czechoslovak economy, which is open to external economic co-operation and which is taking an active part in the international division of labour will continue to expand contacts with other countries. External economic relations

are planned to grow faster than national income, and the total turnover of Czechoslovak foreign trade is planned to rise by 36 to 38 per cent in the course of the present Five-Year Plan period as compared with a 28 per cent growth of national income.

Although the greater part of this growth will be directed towards the socialist countries—member countries of the Council for Mutual Economic Assistance—which account for roughly two-thirds of the total turnover of Czechoslovak foreign trade, there is still scope enough for a marked growth of trade and economic relations with all countries which for many years have been Czechoslovakia's stable partners in commercial, economic, scientific and technical co-operation. For instance, contacts with the developing countries will continue in a very varied structure of territories and commodities.

This structure is determined by the various degrees of re-

lations between Czechoslovakia and the developing countries—from strongly developed and long-term economic relations, e.g. with Egypt and India, to relations with a large number of small developing countries.

Naturally, the degree of economic relations achieved will decisively affect the content and intensity of future co-operation. In the case of Egypt, India, Iran, Brazil and others, large deliveries of machinery and equipment have formed a broad basis for future deliveries and for using new forms of co-operation based upon many valuable factors.

One of these is the fact that thanks to deliveries in the past, partners in many developing countries have confidence in the Czechoslovak industry. This concerns especially the quality, reliability and service life of the equipment supplied to them, as well as advantageous contractual terms and the spreading of instalments over periods meeting the requirements of financing industrialisation programmes and plans in the developing countries.

[Contd on Page 12]

Warm Greetings  
to the people  
of

**CZECHOSLOVAKIA**

on the occasion of their

**NATIONAL DAY**

Economic  
relations...

[Contd From Page 10]

Important Czechoslovak exports to Pakistan include the sugar refinery in Jaranwala, the electric power plants in Khulana, Chittagong and Gudda, a turbine set for the hydro-electric power plant in Mangala and other sugar refineries.

In April 1970 a big contract to the value of twenty-eight million dollars was concluded with Iraq for equipment for the oil refinery in Basra.

Many years of traditional economic collaboration links Czechoslovakia and Syria, during which time Syria has received three sugar refineries, several electric power plants, two oil refineries in Homs, a factory for making artificial fertilizers, equipment for footwear plant, and textile plants.

Economic collaboration is also making good progress between Czechoslovakia and Ceylon. Czechoslovak exports to Ceylon include a fully equipped sugar refinery in Kantalai, seven brick works, a footwear plant, equipment for textile factories, the hydro-electric power station at Uda Walawe, a tannery, a factory for chipboard panels, and the like.

Among orders contracted and already delivered to Turkey are three ceramics plants, three gas works, a brewery, footwear plant, diesel aggregate for electrification of the towns and countryside and other things.

The examples given here of important Czechoslovak deliveries and new economic negotiations now underway, indicate that the fruitful and successful collaboration between Czechoslovakia and the Asian countries to date will continue long into the future.

(PRAGOPRESS)

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# Czechoslovak relations with developing nations

## GOOD BALANCE FOR BOTH SIDES

Although it is hardly possible to extract the short time of twelve months from the long-term cycles of co-operation there are indices which show that Czechoslovak relations with the emerging countries were very successful in 1971. What is more the total turnover of mutual goods exchange rose by about 11 per cent.

When taken together these data confirm the importance of the position held by the emerging countries in Czechoslovakia's foreign trade relations.

### Mutual Advantage

This position which is of a long-term character, stems from the principles of Czechoslovakia's economic policy towards those states, aimed at a general strengthening and promotion of relations to the principles of mutual advantage. Its economic basis is one of a reciprocal complementary character of their economies. Regarding Czechoslovakia it is founded upon that country's long industrial capacity, especially upon the engineering and chemical industry, which allows for a predominance

taken by engineering products, complete plants and equipment over other goods exported by Czechoslovakia to the emerging countries. This predominance accounts for 60 per cent of total exports to these countries, of which two-thirds are complete plants and equipment.

On the other hand, Czechoslovakia requires large quantities of products regularly exported by the emerging countries, such as different raw materials, food stuffs, semi-finished goods, and, over the last few years more than ever before, finished industrial products including consumer goods.

How, then, did the last year contribute towards fulfilling the long term task of mutual co-operation between Czechoslovakia and the emerging countries? The development of bilateral relations was ensured by a number of trade and political negotiations on goods exchange, and on economic co-operation based primarily upon deliveries of complete plants and equipment, long-term credits and upon scientific and technical co-operation.

Czechoslovakia also held several important negotiations in connection with its relations with the African countries. Talks continued with Egypt on further economic co-operation, linking up with the extensive deliveries of large complete plants in recent years; Czechoslovak delegations to Nigeria, the Zaire Republic, Algeria, Sierra Leone, Liberia, Libya, Cameroon, and Equatorial Africa also held talks on trade and economic co-operation. A new trade agreement was concluded during that time with Gabon.

BY

Frantisek Marek

A no less important place in Czechoslovakia's system of foreign economic relations is taken by negotiations with the countries of Latin America. A trade agreement and an agreement on scientific and technical collaboration were concluded with Chile, a credit agreement on an inter-bank basis and an agreement on

scientific and technical co-operation were concluded with Colombia. With Ecuador agreements on trade, and on scientific and technical co-operation were concluded, and one on scientific and technical co-operation was concluded with Peru.

Many of these negotiations and agreements are of a long-term character and are earmarked for a prospective period of mutual collaboration. This especially applies to negotiations on economic relations, on further extension of agreements on economic co-operation, (sometimes called credit agreements), and agreements on scientific and technical collaboration, which have been gaining in importance over the last few years because of the progressing industrialization of the emerging countries, and the urgency of concentrated training of national cadres in those states for the mastering of modern technique and technology in the various spheres of industrial production.

The negotiations, agreements and protocols concluded during 1971 and deliveries were concentrated by Czechoslovakia upon those branches of the national economy of the emerging countries which have direct significance for strengthening their achieved political independence in the economic sphere, for the diversification of national production and imports, for replacing products which have been imported up to now with these countries own production, for ensuring food for the people and for taking care of their standard of living.

It is evident from the investment type of deliveries, especially from equipment delivered in 1971 for oil refineries and chemical plants, cement works and other plants for the production of building materials, food producing plants mainly sugar refineries, engineering plants and hydro power and thermo-power plants various light industries plant like textile factories, tanneries and leather processing plants footwear factories, wood-working plants, that the main intention and reasons for these deliveries were fulfilled.

(PRAGOPRESS)

## MANAGEMENT

### Planning for survival

In summary, short-ranged planning is carried out on the assumption that the business will continue. Realistic targets can be set by comparison with past performance and performance of competitors. Efforts to inject drastic changes should be viewed with suspicion and analyzed to establish their realism. Nevertheless, substantial short term improvements in performance are always possible, and the closest attention should be paid to pricing, market penetration and utilization of assets. Stock levels in particular should be reviewed, since cash tied upon in non-effective stocks is a major drain on a company's liquidity. Finally, let it be emphasised that a plan, in itself will be of only limited value if it is not used as a living document throughout its life—which will normally be one complete year. Before being discarded, when the next year's plan is being fashioned, the old plan should be critically reviewed in the light of actual business performance, and the experience gained and lesson's learnt should be used to make the next plan better.

However much care is given to short range planning, it is most unlikely that the business will develop exactly as planned, because of the influence of external and internal forces which cannot be fully predicted. In most cases fluctuations of, say, 20% up or down can be accommodated within the existing structure of the business. But disturbances greater than this require special action, and contingency plans can be prepared in advance to deal with the situation. In certain critical areas—say, a key machine operating at near capacity—even a small overload may

create a major problem, so contingency planning should identify sensitive points at all operating levels.

It is usual to identify cut off points or milestones when action must follow. An almost universal tendency in British industry is to act too little and too late. Fine managerial judgment is required to gauge the point at which to take action otherwise the business will be short-staffed and over-loaded when a downward swing is suddenly reversed or will be over-burdened with assets when an upward trend comes back to normal level. Nevertheless, to hang on and do nothing in the hope of miracles can precipitate an irrecoverable situation. One kind of contingency planning aims at maintaining profit margins on reduced sales. It is also a useful discipline for analyzing profit levels at different sales volumes in relation to cost incurred. In this, a break even chart (relates sales to planned cost incurred for varying levels of turnover. Superimposed are new cost lines showing bedrock costs and revised total costs for reduced activity.

The plan consists of analysing and classifying all operating costs under the two major headings of bedrock costs (those, like rent and rates, which cannot be substantially altered in the plan period) and discretionary costs (those, like advertising, which can be modified fairly readily in the short term without immediately affecting sales). Within these two major headings there can be fixed and variable elements of costs—variable ones being those which are proportionate to sales.

This is the 4th instalment in the series Planning for Survival. Here the author deals with the question of setting short range realistic targets. (Courtesy Management Today)

By taking decisive action on discretionary costs, it is possible to secure profit in the short term. However, such action may well seriously prejudice performance in future years should the business recover; hence it is necessary to analyze the business environment very carefully before implementing such a plan. Ideally the contingency plan is prepared along with the business plan in sufficient detail to enable it to be implemented speedily should the need arise. Similarly, plans can be prepared for catering with a number of other foreseeable contingencies which may arise in the planned period—for example, excessive stock rises, or unbudgeted demands, such as a fire or a prolonged labour dispute. Forewarned is forearmed.

So far, little reference has been made to cash flow; but availability of cash is absolutely vital to a business. Cash is the oil which lubricates the machinery of commerce. Once, it ceases to pump round failure follows immediately. In consequence a detailed cash flow plan is an essential adjunct to the short term operating plans. To compile the cash flow, it is necessary to set out balance sheets for the plan years under consideration, taking into account forecast changes in profits and assets and other sources of funds. Any company must maintain an adequate cash flow and establish liquidity and gearing ratios which will be an optimum for the particular phase of the life of the business under consideration; taking into account such factors as short and long-term cash requirements

interest rates on borrowings, loans and investments' tax allowances, and the state of the money market in general.

The short term planning procedures relate essentially to the improvement of an existing business, and do not, in themselves, answer the question of what the future of the firm is to be, or how it is to be secured. The view used to be universally held that the primary objective of any business was to maximize profits. However, alternatives are now current—such as the maximizing of the shareholders' equity. But whatever the final object, the primary objective of any business must be to maximize the long-term return on resources employed. To arrive at a policy it is necessary first to identify the resources—people, plant and money—on which to build, and then to decide on the broad policy to be adopted to maximize their profitable utilization. Performance goals and time-scale must be set, against which progress can be measured.

(TO BE CONTINUED)

### Czechoslovak Five year plan

Continued from page 11

As regard the content of these trade contacts during the fifth Czechoslovak Five-Year Plan of development of the national economy, it is possible to say that this largely depends on agreements on economic co-operation concluded between Czechoslovakia and many developing countries, on government level, and which comprise provisions on terms of long-term credits and their repayment, as well as a list of complete plants and equipment to be delivered within these agreements. The content is also determined by contracts concluded between Czechoslovak foreign trade organisations and their partners in the developing countries.

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# REVOLUTIONARY USE OF RUBBER

Recent experiments carried out by the Rubber Research Institute of Ceylon in the use of a rubber "sea weed" to combat sea erosion have so far proved successful.

It is claimed that the rubber "sea weed" was more effective against sea erosion than any other material used to date.

## Export Potential

Rubber industry circles are confident that this new rubber sea weed would enter the commercial rubber market soon and that it is very likely to find an export market.

The development of Rubber "sea weed" is just one of the new uses for Natural Rubber found out by the Rubber Research Institute of Ceylon. Ex-

periments are also carried out into the use of rubber for road surfacing, lining irrigation canals a rubber suitable for injection moulding and chlorinated rubber for adhesives and paints.

Experiments into new uses of Natural Rubber are being carried out on "an urgent scale" to combat the increasing competition to Natural Rubber from Synthetic Rubber.

## X' Rays to keep fish fresh

German scientists have developed a new technique of keeping fish fresh by exposing them to x-rays. Tests are at present being carried out by the fisheries research ship "Walther Herwig."

The ship has been fitted out with high-powered x-ray equipment. Freshly caught fish are packed in cylinders and are subjected to radiation, which sterilizes them. Such equipment could become a standard

installation on all fishing vessels, scientists think. One firm has already developed a double barrel ray gun that can treat up to three tons of fish an hour.

One effect of this development could be that fishing vessels could stay longer at sea. Tests show that the system works especially well with haddock, cod and perch.

## TO MARK INTERNATIONAL BOOK YEAR

# A Country of Readers

The Soviet Union is a country of readers. With a population of 242,000,000 there are 168,500,000 who use state and trade union libraries. Practically every literate person borrows books from a library. With the exception of extremely rare or very expensive editions, all library books may be borrowed, and there is no fee whatever. If a library does not happen to have a book which a reader asks for, it can get it for him from a neighbouring library, or, if necessary from a library in another town, or even from another country.

The State does not stint on appropriations to libraries for the acquisition of books. Special offices, called library collectors, see to it that libraries do not miss anything they need in the flood of new publications. Books are cheap in the Soviet Union. There was a time when only professional people and the rich had private libraries. Nowadays you will rarely find a home without collection of books, fiction as well as books connected with their owner's vocational interests, whether it be a fitter or an eminent scientist, a lorry driver or an engineer.

A private library is often a contradictory thing. On the one hand it enriches a person's inner world and gives him a greater feeling of freedom. On the other hand, it can encourage miserly tendencies. Ivan Bunin relates that the poet Valery Bryusov once said "I never lend any of my books to anybody, not even for an hour."

Bunin's reminiscences were written with an angry pen. But is it so rare to hear of a huge library to whose shelves no one but the owner has access?

The State Library of the USSR in Moscow, the largest in the Soviet Union, gets donations of books from all over the country. Most of them arrive by post, but some people make a special trip to

the capital to turn over a rare book to the national depository.

The library staff remember that the man who came in one day with a suitcase containing two heavy old books was in army uniform, but they have forgotten his rank. Everything else faded into insignificance when they saw that he was donating two 17th-century volumes, one of them a psalm book and the other a Gospel.

Feeling awkward about accepting such a gift if the man was not aware of its value, they asked him if he had an idea of how much the books were worth.

By  
A. Rubynov

"Of course I know they're rare," he replied. "That's why I brought them. What's the point of their lying on my shelves without being any use to anybody? This library is the right place for them." The gift was reverently accepted.

The 25,000,000 volumes in the State Library of the USSR include everything that is published in the country, from books and magazines to concert programmes and street posters. Sometimes, though, someone discovers that a book is not listed in the catalogs. Here is the text of a note that arrived one day together with a book: "After looking through the section of the catalog on 'Psychology of Work' I discovered that the enclosed book brought out in a very limited edition, was not there. Little has been published on this subject in our country in recent years, and I think the 'Outline of Lectures on the Psychology of Work' might be of interest to readers. Professor K. Platonov."

The librarians were pleased for the Professor's book had been put out in an edition of only 90 copies.

It has become a tradition for authors of new books to donate a copy to the State Library.

## Community Libraries increase

While in the Crimean town Simferopol ten years ago I paid a visit to Seryozha's Library. When a grandson named Seryozha was born into her family Yelena Ivanova was so happy that she went out and bought a copy of all the books for tiny tots she could find. As the boy grew and learned to sit up, then to walk and to talk, the grandmother kept on buying books for him.

One day a neighbour's daughter said, "Why do you have to wait until Seryozha learns to read, Aunt Yelena? I know how to read, so could you please give me something from Seryozha's library?"

On that day Seryozha's Library began to function at first for the children of the neighbourhood and then for their parents too. Seryozha grew up in an atmosphere of universal interest in books. By the time he learned his ABCs, he had a deep respect for one of the finest occupations in the world, reading.

I do not know whether it was Seryozha's Library, which was written up in the newspapers, that sparked it off, or something else, but just at that time community libraries began to spring up everywhere. In many Ukrainian villages each of the inhabitants wrote the title of the books he owned on cards which were then put not one big catalog, kept in the collective-farm community centre. If someone was looking for a certain book all he had to do was to go through the catalog until he found the card, from which he could learn where to borrow it.

Big community libraries were built up of donated books. One of the first and perhaps the largest, is the Azarov Library, in a house in Khenlyov Street in Moscow. A resident

## SCIENCE AND TECHNOLOGY

# Radio data on structure of earth's entrails

Geophysicists have long been applying radio for probing the earth's depths. Normally, two groups of surveyors move along a pre-set route: One group with a transmitter, the other with a receiver. The intensity of radio signals received varies depending on the geological peculiarities of a given area. The study of these fluctuations permits compiling a geological map, tracing the occurrence of ore bodies.

Geologists of Uzbekistan (a Republic in Central Asia) have dispensed with a transmitter of "their own": It is replaced by a broadcasting station operating on long waves. The radio receiving set—an ordinary transistor radio—is installed aboard a helicopter. A

self-recording unit attached to the receiver is switched on, its pen starting to draw a curve—the recorded signals' intensity. By comparing the recordings with the itinerary of the "copper's" flight, it is possible to "read" the structure of the earth's entrails. (APN)

## NOVELTY IN BUILDING PRACTICE

A Czechoslovak team from the developing work-place of the Bratislava building enterprise Stavindustria, have successfully solved and tested in praxis the updraw of oblique walls in the skyscraper-like building of the Czechoslovak television in Bratislava.

Their invention is a new technology facilitating the building of a hundred metre high concrete wall saving a lot of time and expenses. Because they did not apply the classic scaffolding they saved a few months of work and they saved in the originally planned mosaic facing more than a million Czechoslovak crowns. The highest building in Czechoslovakia 107 metres high—will serve the television programme makers.

The non concrete skeleton of the building had been constructed by the workers off Stavindustria by means of traversable boarding. In this way they also realized the construction of oblique walls having architectural effects on both vertical sides of the building. The traversable boarding works in the same way as in the case of building up the high sies for corn, sugar, etc. It must be, of course, higher with regard to greater speed of lifting (6 metres in 24 hour and it must be in the same time on-sided, having a hermetic wall from the side of the building.

## G.D.R. & developing Countries

(Contd. from Page 5)

Last year further important government agreements were signed, for example, with Ceylon India and Chile, or existing agreements were made more specific and supplemented by accords between mixed commissions. The co-operation with 24 developing countries now takes place on the basis of official agreements. Only the agreements concluded Ecuador do not reach this level and are not adequately suited to exploit the considerable possibilities for trade with these countries to the full.

In content, the above-mentioned government agreements concern such fields as the exchange of goods and payments, economic co-operation, scientific and technological relations, ocean navigation and air transport.

(Panorama GDR)

## New saw setting machine

The Enterprise for Servicing Repair and Miscellaneous Industries in Hungary has launched the production of a saw setting machine which features considerable advantages over the known types. The new machine performs setting in a continuous operation and not by impact. Its structure is simple, it is easy to adjust and needs no readjustment during operation.

The saw setting machine has a single rotating shaft. To this shaft the principal element, the setting is disk, fixed interchangeably. While rotating, the disk performs a dual action: continuous setting and the transfer of the work-piece.

The new machine is safe to use, it needs no special skill for handling and it is easy to actuate even by hand. It can be versatily applied in setting both hand- and mechanically operated saws.

Interest in the new saw setting machine is lively both in Hungary and abroad.

named A. Zzarov started it all by bringing his books to the clubroom in the house management office, where they could be borrowed by anybody. Other people from this and neighbouring houses followed his example. A staff of volunteer librarians grew up. The Azarov Library is now said to number about 140,000 volumes and continues to grow day by day. Its founder recently moved into a new house leaving behind in the old one

There are more libraries in the Soviet Union than in all the countries of Western Europe put together. Soviet libraries have several times more readers than the libraries of the United States. Although the Soviet people became literate later than many others, they have become the world's No. 1 readers.



# THE ECONOMIC TIMES

Editorial Department  
Tuesday 2nd & 16th  
May, 1972

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

## THE PRIVATE SECTOR AND DEVELOPMENT

*'... Today, I am sorry to say that we of the private sector are under a number of clouds viz. the cloud of the Basic Resolutions as they stand which will be the basis of the new Constitution of the socialist democracy of our Sri Lanka; the recent legislation which hangs a sword of Damocles over our heads; the fiscal and monetary policies of the last two budgets, public sector encroachments and some statements of policy. Our greatest hope is in the Five Year Plan which has received the imprimatur of the Hon. Prime Minister.'*

Extract from the Report of the Chairman, Ceylon Chamber of Commerce.

Although the Prime Minister in her forward to the Five Year Plan has assured the private sector of every encouragement to contribute to national development in the context of a mixed economy, the lines on which our socialist democracy is moving has created grave doubts about the future of the private sector and "placed impediments in the way of it contributing towards the economic development envisaged in the Five Year Plan" This is the view held by the private sector as expressed by the Chairman of the Ceylon Chamber of Commerce in no uncertain manner.

It is indeed tragic that while the Government expects the private sector to contribute about 50 per cent of the total investment expenditure envisaged in the Five year Plan the climate has not been made conducive for this magnitude of investment, but on the contrary legislation has been enacted to cripple this sector either directly or indirectly, as the Chamber of Commerce maintains. In the words of the Chairman:

*"No amount of assurances given that for example the provisions in the Business Undertakings Acquisition Act will not be used inductively will have any effect because the permanency of the authority of the very person giving the assurance cannot be assured."*

In view of the conflicting policy statements in regard to the role of the private sector that have been made from time to time the Government should clearly define the role this sector. The much spoken of white paper on the subject has not yet seen the light of day. Investment is urgently needed and cannot be withheld any longer without causing dire consequences to the economy and ceasing further economic chaos.

## RUPEE DEVALUATION LIKELY?

There is widespread speculation in Finance Ministry circles that the Ceylon rupee may soon be devalued to a more realistic level. This measure is now considered imperative as a means of correcting the existing imbalance in the country's economy.

Dr N M Peera, the Minister of Finance vehemently opposed devaluation at a Press Conference on the eve of his departure to Caracas. However, it is now understood that he has indicated in a report to the Government on the state of the economy that rupee devaluation up to a substantial percentage would help to resuscitate the economy. And this should not be accompanied by a wage increase if the exercise is to be a success.

### Another Yen revaluation?

The concern that there may be another upward revaluation of the yen in the near future is gaining strength in Japanese business circles, as the value of the U. S. dollar is remaining low, while the value of the Japanese yen is high on foreign exchange markets despite the multi-lateral realignment of currency values towards the end of last year.

This directly stems from the fact that the speculation that Japan may be pressed to carry out another upvaluation of its currency has begun to affect the nation's export, especially those involving deferred payments, to a considerable degree.

Reflecting the high value of the yen despite 16.88 per cent upvaluation on Dec. 20, conclusion of contracts for exports of ship bottoms, plant equipment and other products involving large sums of payments over a long period has been running in low gear of late.

For some time following the multilateral realignment of currencies, Japanese traders managed to conclude export contracts at the new yen-dollar exchange rate of Y308 to the dollar or on the basis of the yen.

Recently, however foreign buyers tend to avoid conclusion of yen-based contracts and demand when they conclude dollar-quoted contracts, to fix the yen-dollar exchange rate at Y270 to 290 to the dollar.

Meanwhile, in foreign nations, especially the United States, pressure for another upward revaluation of the Japanese yen seems to be gaining strength, as was suggested at a recent Japan - U. S. business men's conference.

In order to redress the current trade imbalance between Japan and the U.S., Japan must indeed step up efforts for liberalization of trade and foreign capital investments. But this depends to a large extent on efforts on the part of the U.S. to strengthen competitiveness of American enterprises through improvement of its fiscal and monetary policies.

(Japan Economic Review)

The main purpose is to reduce consumption of imported goods

### Experts agree

Economic experts advising the Government are agreed that the rupee should be devalued by 55 percent and the FEEC scheme abolished altogether. As this is the only way out of the present economic difficulties, although it is bound to add to the existing

economic burdens the people have to undergo

*They however argue that the difficulties will be of a temporary nature and the long term advantages of devaluation would be great*

Dr Perera is understood to have left the matter entirely in the hands of his Cabinet colleagues and a decision is expected to be taken shortly.

## Economic activity declines

### Services

Economic activity in the services sector specially in trading and transport, was at a very low level in 1971. The value added in wholesale and retail trade declined by 5.4 per cent at constant prices in 1971 as against an increase of 1.8 per cent in the previous year. This is attributed to a lower level of domestic agricultural production and volume of import resulting in a fall in the supply of goods available in 1971.

Value added in transport services has risen slightly in 1971 as compared with 1970. This is seen in a rise in passenger mileage of the Ceylon Transport Board and Air Ceylon. Expansion in Government services particularly health and education, also contributed to the increase in the services sector. In addition, banking and insurance services rose in 1971; in 1971, 24 new branch banks were opened. Total value added in the services sector increased by 3.5 percent at current prices and by 2.1 percent at constant prices.

### Manufacturing

The value added in manufacturing is estimated to have increased by 3.3 per cent at constant prices compared to a rise of 5.9 per cent in the previous year. Value added in factory industries increased by 4 per cent in 1971 as against 10.9 per cent in 1970.

### Construction

Construction activity was at a low level in 1971. Value added in construction declined by 8.1 per cent in real terms in 1971, compared with the increase of 15.1 per cent in 1970. The low levels of construction activity in 1971 was chiefly due to the lesser availability of buildings materials, even though the production of cement rose from 321,000 tons in 1970 to 379,000 tons in 1971.

## SHARE MARKET REPORT

Conditions on the Share Market which were quiet at the opening, became firmer towards the close, according to the Report of the Colombo Brokers' Association for the week ended May 12, 1972.

	Previous Pce	Price 12.5.72	—or—
	Rs. Cts.	Rs. Cts.	Rs. Cts.
<b>Teas</b>			
Allertone ...	...	.30	.50* + .20
Ceylon Provincials ...	...	2.75	3.00 + .25
Great Westerns ...	...	8.00	7.00* -1.00
Mayen ...	...	1.50	1.50*
Nahavillas ...	...	1.50	1.50
Uplands ...	...	3.50	3.75 + .25
<b>Tea-cum-Rubbers</b>			
Golindas ...	...	3.50	2.75 - .75
Kaluganga Valleys ...	...	3.00	3.00
Saffragam ...	...	4.00	4.00*
Talgaswesla ...	...	7.25	9.00 +1.75
Vogans ...	...	.55	.50 - .05
Watapotas ...	...	3.25	2.75 - .50
<b>Rubbers</b>			
Aphorpes ...	...	3.00	3.00*
Mahagamas ...	...	9.25	9.50* + .25
<b>Commercials</b>			
Ceylon Brewery ...	...	10.00	10.00
Cold Stores ...	...	9.50	10.00 + .50
Ceylon Tobaccos ...	...	9.00	10.00 +1.00
Chemical Industries ...	...	10.00	8.00 -2.00
Collettes ...	...	...	450
	fluctuated	5.50	
J. L. Morrison ...	...	20.00	10.25 -9.75
Lankems ...	...	6.25	7.00* + .75
Kandy Hotels ...	...	4.25	4.50 + .25
Carsons ...	...	8.00	6.00* -2.00
E. B. Creasy ...	...	7.50	7.50

There was no business in Preference shares and Govt Loans. The following were quoted ex-dividend:-  
Maha Uva Estate Co. Ltd.—10% First and Final on 18.5.72.  
Shaw Wallace and Hedges Ltd.—7% Special Dividend on 31.5.72.  
Shaw Wallace and Hedges Ltd.—13% Final on 31.5.72.  
Udabage Tea and Rubber Co. Ltd.—9% First and Final on 9.5.72.