

BANGLADESH

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

INDONESIA

The Indonesian state-owned oil combine, Pertamina, was hitherto seen as a symbol of Indonesian economic prosperity. It was advertised as a weapon in the thrust of the Suharto regime's commitment to private enterprise. It led the way in Indonesians "economic miracle". Its chief executive Ibu Sutowo is considered the architect of all its advances. The complex has a monopoly of Indonesian oil and natural gas exploration and distribution, and has interests in steel, aviation petrochemicals, fertilizers and even in rice production. With the announcement that Pertamina was faced with short term debts of over \$ 650 million and long term liabilities totalling an even greater figure, the miracle seems to have soured. Increasingly the so-called "Berkeley Mafia", a group of US educated technocrats, who are considered the brains behind Indonesia's bloody coup d'etat in 1965, are taking over the running of Pertamina. Pertamina was always dependent of foreign bank credits but IMF and the Inter-Governmen-

tal Group for Indonesia, a consortium of Western nations, oppose such loans. The squeeze may be a part of the financial squeeze on OPEC countries. The U.S.A. has been attempting to neutralise or disband OPEC as became obvious in the April Paris talks initiated by French President Giscard d'Estaing and some observers attribute the squeeze by US banks to this tendency. The type of lavish capital intensive development projects that Sutowo favoured did not directly touch Indonesia's problems of the peasant masses. The Berkeley Mafia have not suddenly become socialists but it seems they are keen on containing the rising discontent in the countryside. The final story will not be revealed now but the financial collapse of Pertamina which rode high on the price of oil at \$ 12 a barrel appears to be a salutary lesson for other Asian countries planning to develop and modernise on similar unrealistic lines.

BRITISH COMMONWEALTH

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

are enthusiastic about the EEC since they have profited from the enlarged market.

SUEZ CANAL

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

NAMIBIA

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

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

ANGOLA

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

SOUTH VIETNAM

The spiralling inflation in South Vietnam during the Thieu years was a direct result of a country whose exports consisted of a mere 5% of its imports. The massive doses of U.S. aid pumped into South Vietnam created a totally distorted and parasitic economy. The new regime

will obviously refrain from dependence on foreign aid except perhaps in crucial areas of reconstruction of the war torn economy and will follow the Hanoi example of self-reliance. The South Vietnam Government in trying to follow this path is due to nationalise all foreign holdings. France will be the country most affected by a nationalisation programme. French control of rubber production and export is almost total. The French also have interests in beverages, rubber products, tobacco, pharmaceuticals among other interests. French investments in South Vietnam total around 1000 million francs.

BRAIN DRAIN

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

on the part of our doctors may develop in Africa.

IRAN

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