



a labour force of around 550,000 directly and indirectly, which is about 10 percent of the national workforce; while this plantation crop accounts for nearly 3 percent of the Gross Domestic Product and also makes a significant contribution towards budgetary resources through taxes and duties. This overwhelming economic importance of a single export crop has made the country's economy increasingly vulnerable to conditions originating abroad and often beyond its control.

The dominant position Sri Lanka held in the world's tea economy underwent significant changes between the 1960's and 1980's, with the country's share of world production declining from 20 percent to only about 10 percent. The country's foreign exchange earnings have always been allied so closely with the fortunes of this industry that this decline in production was regarded as perhaps the single most adverse factor affecting the country's economy in recent times. There was a brief respite over the 1984 period with improved crop production and world market prices, and foreign exchange and domestic earnings all looking up: but by mid 1985 it was clear that the picture was no longer rosy. Falling prices and revenue from tea have caused concern in the highest quarters and most recently the IMF's Managing Director warned Sri Lanka that budgetary expenditure would have to be kept firmly under review because of escalating defence costs and declining tea prices.

By the end of September total gross tea sales averages for the first nine months of this year were only one-third that of 1984. The total gross sales average for the first sale in 1985 was Rs 60/37 per kg. By the first sale of October this year the gross sales average had plunged to Rs 30/62 per kg. Compounding the situation has been the steady increase in costs of production; while prices moved up over 1983 and 1984 there also occurred

TEA AND THE ECONOMY

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Tea has continued to be a vital item in the economy of Sri Lanka throughout most of this century. The country's economic development programmes and its economic and social progress have been closely linked with the fortunes of the tea industry. After well over a

century, despite recent attempts at economic diversification, tea remains the country's most important export crop and is still Sri Lanka's single largest source of foreign exchange earnings bringing in over one-third of all export receipts in 1984. The tea industry employs