Question 2

Discuss the policies introduced by the successive governments for the development of the plantation sector after independence of Sri Lanka in 1948.

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|  | Plantation industry at independ-ence | Tea industry became one of the most important activities in Sri Lanka by 1935 and auxiliary industries such as tea processing, packaging, Transport, auctioning, brokerage, insurance, shipping and marketing also developed around the tea industry.Rubber was introduced during the year of 1870. By 1913, rubber emerged as the major foreign exchange earner, next to tea.Coconut palm played an important role in the village economy of Sri Lanka. The production was enough to meet the local consumption and the balance was converted to major kernel products. By the time of independence only 25% of cultivation land was owned by the locals. Major portion was owned by British. The Coconut processing industry was British owned until 1970s. |
| **Noel S Nadesan**Indian tamils and plantation economy of sri lanka | Economy and Political power upto indepen-dence | With the establishment of the plantation economy, planters and plantation labourers became the ruling and working class people respectively. Capital development took place in Colombo due to its usage as a port to export the products of the plantations. In the process national capitalist class was formed in the country. Ruling elites of the post-independence Ceylon were a direct product of the same.  |
| Library of Country Studies | 90% of export proceeds from plantation sector.Reduce dependence on Tea, Rubber and Coconut. | These three products--tea, coconut, and rubber-- provided the export earnings that enabled Sri Lanka to import food, textiles, and other consumer goods in the first half of the twentieth century. At independence in 1948, they generated over 90 percent of export proceeds. Wet rice was grown extensively as a subsistence crop throughout the colonial period. In the nineteenth century, most of it was consumed in the villages where it was grown, but in the final decades of British rule the internal market in rice expanded. Nonetheless, more than half of the rice consumed was imported, and the island depended on the proceeds of plantation crops for its food supply. The economy gradually became more diverse after the late 1950s, partly as a result of *government policies* that encouraged this trend. The main reason successive administrations tried to reduce the country's dependence on tea, rubber, and coconuts, was the long-term decline in their value relative to the cost of imports. Even when Sri Lanka increased the production of its major cash crops, the amount of imports that could be bought with their proceeds declined.  |
|  | British ControlVoice for Nationali-sation | Independence was granted by the British on very clear-cut and practical conditions. They ensured that the colonial economic interests, which centered round the plantations, were protected. Two-third of the country’s tea sector was owned by Sterling companies based in London, and managed by British controlled Agency Houses in Colombo. The British maintained a strong-hold over Ceylon’s economy. This situation largely negated the effects of political freedom. In an attempt to raise funds for ambitious development programmes, the government, after independence, introduced an export duty on tea. Exchange control soon followed in 1952, and the proposals for *nationalization* that were being voiced with increasing frequency, eroded the confidence of the Sterling companies further. |
|  | The need for new policy | New policies had to be sought by the successive governments as the balance of payments was deteriorating. Since the British promoted an education system that produced white collar jobs, many educated youth were unemployed. The country was purchasing rice which could be produced locally. So the government was preparing to meet the crisis taking the following into consideration. * Shortage of Foreign Exchange
* Need of Labour Intensity Technology
* Provision for Employment
* Development of West Zone
* Diversification of Agriculture
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| Institute of Policy Studies of Sri Lanka | Socialist Policy | In 1970 The new government got involved in nationalization in the form of Government-Owned Business Undertakings (GOBU) by passing the 1971 Business Acquisition Act. The plantations were nationalized and management was handed over to the Janatha Estate Development Board (JEDB) and State Plantation Corporation (SPC), under the 1972 Land Reform Law. Due to inefficiencies in management and politicization, Sri Lanka lost its competitive edge in exports of its primary products. Subsequently, all other sectors were functioning low due to the restrictive policies. Sri Lanka became a highly restricted and regulated closed economy, in all ways, with a socialist policy. At this time, the government introduced a two-tier foreign exchange system for the fixed exchange rate system  |
|  | Demand of the Marxists and Kandyans  | In the political atmosphere that existed after the elections in 1956, Marxists and common citizens were brought into the bureaucratic stage. The Marxists in the MEP government maintained that the excessive profits made by the Sterling companies drained the nation’s economy, while the Kandyan citizens demanded the lands which had been misappropriated by the British for the plantations. The combination of the Marxists and the Kandyan was influential for the final take over in the 1970’s. |
|  | China Ceylon Rice Rubber Pact | Due to the introduction of synthetic rubber by US there was a fall in the consumption of natural rubber. Therefore The bilateral agreement was signed between People's Republic of China in 1952 upto 1977. Though this agreement helped to sustain export earnings, the declining natural rubber consumption was a threat to the economy.  |
|  | Promotion of Small scale agriculture | All governments up to 1977 had policies of protecting small scale agriculture and provided them with various support schemes to keep them in their livelihoods. Such measures have had a positive impact in keeping rural poverty and income disparities low. The ability of Sri Lanka to maintain a considerable level of food security and quality of life in the post Independence decades was a result of such policies, protecting the poor.  |
|  | Policies in accordance with World Bank. | Market oriented policies were pushed by the World Bank since 1977 which reversed these positive achievements, considerably. In March 1996, the WB made its policy recommendations in the "Non Plantation Sector Policy Alternatives Report" which said that there was no "growth" in this sector since much of the rural agriculture is producing "low value crops" such as rice, vegetables etc. Therefore they recommended a shift from low value domestic food crop production to "high value (export) crop production. It also said that the small farmers were unwilling to shift away from domestic food crops. So, they recommended creation of a "free land market" as an essential immediate measure to achieve "fast growth on the non plantation sector" The obstacles to a "free land market" identified by the WB in this report were, firstly, the existence of a large land area granted by the Government where "free marketing of land" was legally prevented and there was much rural land that was jointly owned by the families. In such cases the individual members were not free to sell their land plots away. They needed clear, regularized "freehold titles."  |
| Website of Ministry of Plantation Industries | Current situation and relevant Policies**Plantation Development Project** | Plantation agriculture sector in Sri Lanka comprising Tea, Rubber and Coconut continues to play an important role in the national economy in terms of the contribution to the GDP, foreign exchange earnings, value addition, agro-based industries, employment, food security, rural development and poverty alleviation in the country. The sector occupies 750,000 hectare of productive land; provides employment to approximately 1.5 million people; contributes nearly 5 per cent to the GDP with a crop value of Rs. 115 billion.**Tea Small Holding Development Authority has laid down policies to** Promote/Undertake development of tea small holdings, acquire/develop tea factories and other facilities required for the manufacture of produce in tea lands, Promote/ undertake marketing of the tea production and Provide/ facilitate the precision of facilities and services.The objectives of the project, With the help of Asian Development Bank and Japan Bank for International Cooperation, are to enhance the profitability of the Plantation Sector through transformation of Regional Plantation Companies (RPCs) from primary producers to agri-business entities and to improve the living and working condition of the estate workers to a level comparably to other sectors. |
|  | RubberCoconut | It is projected that the domestic industries will require 150,000 metric ones of raw rubber by 2015. In order to meet the demand, the government has taken measures such as, Cultivate 40,000 hectare of rubber in Moneragala area by 2015, Increase subsidy for new planting and replanting up to Rs. 125,000 per hectare, make provision of planting subsidy to corporate sector and promote application of rain guards and fertilizer for mature plantation.Coconut which is the largest plantation crop in terms of land extent, occupies an eminent position in the Sri Lankan agriculture. The extent of land under coconut is only second to rice. Coconut occupies 394,836 hectare which is 21 per cent of the agricultural land area. The total annual nuts production had varied between 2,300 million and 3,000 million nuts, during the past two decades. The production in 2006 was 2,800 million nuts. Expected production in 2007 is 2,900 million nuts. The government policy is to achieve a national coconut production of 3 billion nuts in the near future and sustain it to achieve 4 billion nuts by 2015. If production of 3 billion nuts is achieved national demand for coconut can be distributed in the following manner.

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|   | mn nutst | **%** |
| Household consumption | 1,800  | 60  |
| DC Industry | 560  | 18 |
| Coconut oil industry | 500 | 17 |
| Copra and other products | 140 | 5 |
| **Total** | **3,000** |  |

(Ministry of Plantation Industries) |

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