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NEA Chiefs of Mission Conference: Country Summary for Sri Lanka

5 April 73
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sick and

1. Economically ~~sick and~~/faced with increasingly adverse terms

of international trade, Sri Lanka is also experiencing growing ~~unstable~~

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The Ambassador
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DECEMBER 31, 1979

Classification

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political problems as Prime Minister Bandaranaike's Coalition Government flounders about in struggle to find solutions to economic ills while caught in constraints of doctrinaire Marxist thinking. US-Sri Lanka relations have improved significantly since initial period in 1970 when Mrs. Bandaranaike's election victory led to foreign affairs steps unfriendly to remain, US. Some differences ~~continuing~~ such as GSL's unhelpful attitude on terrorism and its sponsorship of Indian Ocean Peace Zone. Nevertheless, this Government is probably best that can be expected under current circumstances and should continue be supported.

2. Political Situation: Present Government is in trouble. General election in 1970 gave United Front coalition of Sri Lanka Freedom Party (SLFP), Trotskyite Lanka Sama Samaja Party (LSSP), and Communist Party (Moscow) (CP/M) more than two-thirds majority in parliament based on voters' expectation it would deliver on extravagant socialistic election promises. Government has not carried through, now recognizing that many of promised measures would contribute to economic disorder. Meanwhile radical left within coalition continues call for full implementation of Election Manifesto and internal pressures increase within Coalition and within each party in coalition.
3. Internal cohesiveness of nationalistic, socialistic SLFP (Prime Minister's party) is itself in question, for

substantial number of MP's especially back-benchers but also including several Cabinet Ministers, are closely identified with radical left. Most MP's, however, realize that defections could lead to new elections which no one believes present constellation of forces could win.

4. Opposition United National Party (UNP) of Dudley Senanayake, which suffered crushing defeat in 1970, has now begun vigorous campaign against Government, pointing to economic difficulties into which Sri Lanka has fallen.

5. Further complicating foregoing political struggle (which basically takes place among members Sinhalese majority) is prospect communal struggle with Tamils who form large minority in Sri Lanka.

6. New Left insurrection of 1971 was virtually crushed in about six weeks, though it came within hair's breadth of succeeding despite leaders' somewhat naive, anarchist approach. Scattered insurgent bands, probably no more than 400 individuals, still exist, leaders are now on trial, and between 3,000 and 5,000 participants are still in prison. Insurrection seems to have been unique event, unlikely to be repeated here and unlikely carry lesson for elsewhere. It has had continuing disruptive effect, however, of heightening internal pressures in all established parties, often along lines of "generation gap." Younger, more radical members of these parties have found sympathizers in own

age group across party lines and clash with older politicians in respective parties who no longer are considered proponents of true line. Insurrection also served to focus attention on problems of youth in increasingly youthful nation, but significant action is still lacking.

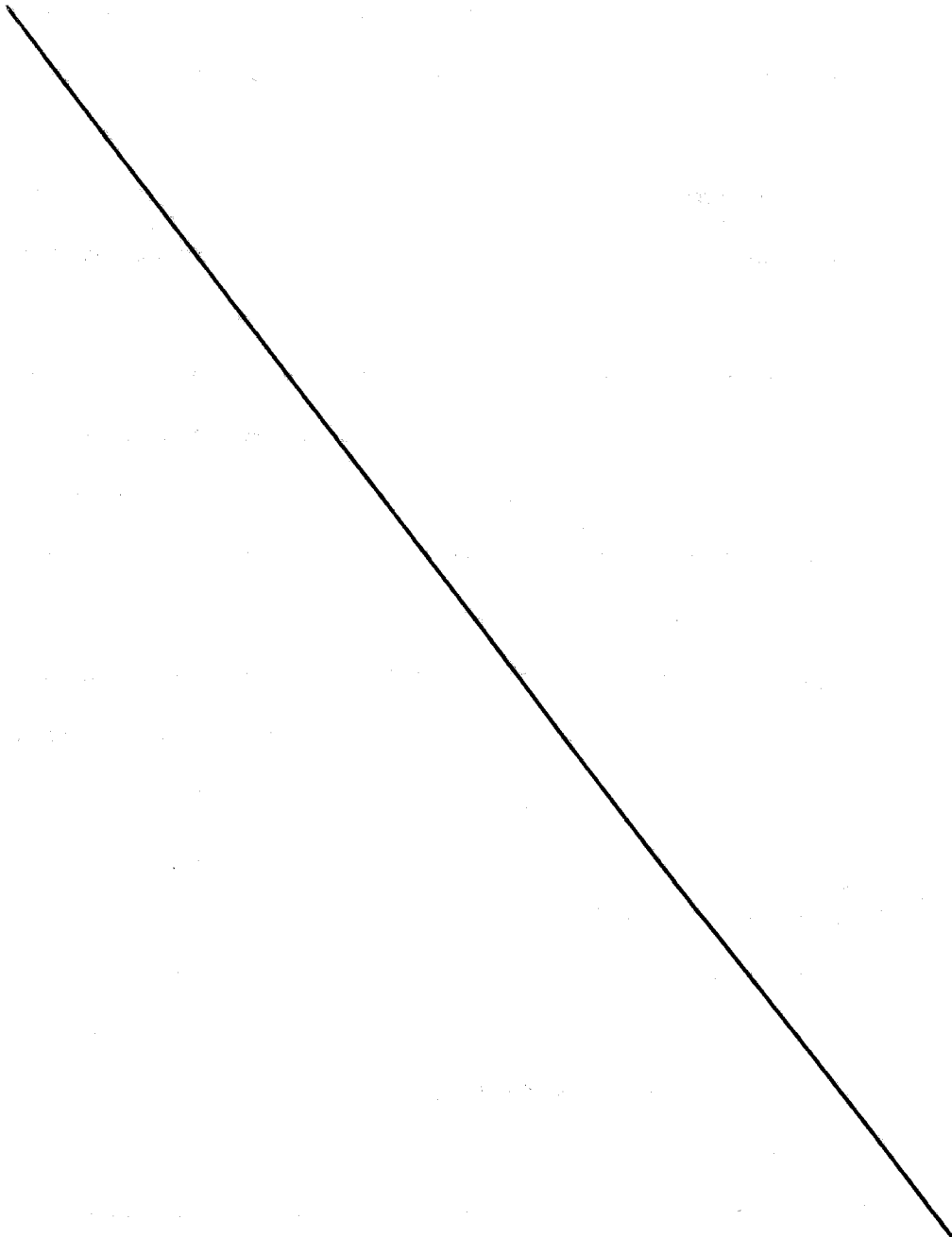
7. In sum, PM Bandaranaike's Government has become unpopular and faces opposition from without and within as it struggles cope with crushing economic burdens which are at bottom of many of political problems.

8. Economic Situation: Sri Lanka's economy has long been troubled by combination of domestic and international forces that have imposed rigorous constraints on growth. Continuing balance of payments and recurrent budgetary deficits have contributed to prolonged economic crisis and ~~severely~~ severely limited scope for new initiatives. One example of hardships caused by external factors is expected increase of \$46 million in ~~the~~ major food imports bill alone this year because of rise in world prices. Situation further complicated by mounting unemployment and rising domestic price levels.

9. Thrust of Government economic policies should be to stimulate production and encourage domestic savings while discouraging unneeded imports and limiting sharply Government spending on social welfare/~~services~~ services. Because of steep political price GSL considers it would have to pay, however, it has taken only limited action, and that reluctantly.

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Minuscule market dominated by traditional trading partners
is becoming less attractive as local economy shrinks, imports
are curtailed, and socialism discourages private enterprise.



12. Military: Since infusion foreign military assistance after April 1971 insurgency (U.S. provided \$3 million in grant military aid), Army and Air Force have improved capability but Navy still ineffectual. Sri Lanka military can probably handle any indigenous threat if no outside assistance in training and arms is given to potential insurgents. Foreign military influence is primarily from Commonwealth, with ~~increased~~ increased training in ~~Commonwealth~~/South Asian states. Prime Minister apparently wishes avoid military training abroad by big powers and therefore utilizes "special relationship" with Commonwealth nations for Sri Lanka's needs.

13. Military are subject to same stresses as civilian population and some were active sympathizers of rebels in 1971. Nevertheless, direct military involvement in politics is unlikely because no potential leader is visible and basic disorganization of military establishment would probably spell failure if coup were ever attempted.

14. Foreign Policy: Though Prime Minister Bandaranaike considers herself a pillar of "non-aligned" world, her ~~actions,~~ actions, as distinct from avowed policy, are increasingly pragmatic, influenced by such factors as altered regional power balance and need of economic assistance. Because of continued suspicions of India's motives, particularly since signing of Indo-Soviet pact and Indian invasion of East Pakistan in 1971, GSL has drawn ~~much~~ closer to PRC and to lesser degree to U.S.

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15. GSL-U.S. relations are ~~worst~~ good, improvement resulting from U.S. material assistance following the insurrection, Ceylonese perception of the need to adjust to shifting power balances in Asia, and U. S. lead in Aid Group. One manifestation of new footing was silence which GSL maintained throughout crucial period of President Nixon's efforts wind down Viet-Nam war last December. Another is tacit virtual abandonment of non-nuclear declaration policy; U.S. Navy ships and U.S. military aircraft can visit Sri Lanka despite GSL espousal of Indian Ocean Peace Zone. While U.S.-Sri Lanka relations are thus markedly better than when Mrs. Bandaranaike's Government took office in 1970 (when Peace Corps was terminated, Asia Foundation ousted, and Communist regimes recognized), continuation of U.S. aid will probably be significant element in maintenance current good state.

16. Issues in U.S.-GSL Relations: Indian Ocean Peace Zone proposal has caused problems for U.S. in UN but is one of importance to Prime Minister's claim to be leader in non-aligned world and has attracted increasing support among UN members. Failure of GSL to support U.S. on terrorism issue at UN last Fall was disappointing but is perhaps remediable.

17. Mission Organization: Mission has authorized complement of 41 American positions and 86 local positions. Principal elements are combined Political/Economic x Section (seven officers); Consular Section (one officer); Administrative Section (four

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officers); USIS (Public Affairs Officer, Information Officer, Cultural Affairs Officer); VOA (one Radio Engineer in charge of Colombo Relay Station); AID (one Acting AID/~~XXXXXXXXXXXX~~ Representative); Defense Attache (one Navy Commander and two enlisted assistants); and six Marine Security Guards.

GDS

CVH
VAN HOLLEN

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