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A/ISS/IPS, Department of State

E.O. 12958, as amended

October 11, 2007

Department of State

~~TOP SECRET~~

TELEGRAM

AID

ACTION: ECON

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Classification

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FM SECSTATE WASHDC

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TO AMEMBASSY COLOMBO NIACT IMMEDIATE 7534

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C O N F I D E N T I A L STATE 208625

CHRON

AMB

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POL

AID

E.O. 11652: GDS

TAGS: CE, PFOR, EAID

SUBJECT: PL 480 TITLE I: WHEAT FLOUR ALLOCATION FOR SRI LANKA

ACTION TAKEN  
3/12/74  
J  
INT

for info on PL

REF: STATYM208088

1. IN ABSENCE ASSISTANT SECRETARY SISCO, ACTING INS DIRECTOR (KUX) PHONED AMBASSADOR KANAKARATNE OCTOBER 20 TO INFORM HIM OF 20,000 TON WHEAT FLOUR ALLOCATION FOR SRI LANKA (REFTEL). AID ASSISTANT ADMINISTRATOR MACDONALD ALSO WILL ENDEAVOR REACH KANAKARATNE (IN NEW YORK) TO BRIEF HIM FURTHER ON DECISION. KUX MADE FOLLOWING POINTS:

(A) MR SISCO REGRETTED THAT HIS DEPARTURE FOR MOSCOW MADE IT IMPOSSIBLE FOR HIM TO CONVEY GOOD NEWS BUT HE HAD ASKED THAT DEPT INFORM AMBASSADOR THAT WE HAVE MANAGED OBTAIN ALLOCATION 20,000 TONS WHEAT FLOUR FOR SRI LANKA PL 480 PROGRAM (ABOUT DOLS 5 MILLION) DESPITE EXTREMELY TIGHT SUPPLY SITUATION. THIS OBVIOUSLY NOT FULL AMOUNT WE HOPED FOR AT TIME AID GROUP MEETING LAST FEBRUARY, BUT IT REPRESENTS SIGNIFICANT MEASURE IN PRESENT CIRCUMSTANCES.

(B) IMPORTANT REASON WHY WE WILLING PROVIDE WHEAT FLOUR FOR SRI LANKA WAS HIGH PREMIUM WE PLACED ON CORDIAL BI-LATERAL RELATIONSHIP. DECISION FAVORABLE TO SRI LANKA NOT EASY ONE FOR US. WE HAVE HAD TO DISAPPOINT MANY FRIENDS IN THEIR PL-480 EXPECTATIONS. ALLOCATION PUTS SRI LANKA IN SELECT FRATERNITY.

(C) WE REALIZE ALLOCATION DOES NOT FULLY MEET SRI LANKA'S NEEDS, BUT WE HOPE IT WILL HELP; SOLUTIONS TO SRI LANKA FOOD PROBLEM, OF COURSE, REST PRIMARILY WITH CEYLONESE WHO MADE COMMENDABLE START WITH OCTOBER 1 REFORMS. OUR ALLOCATION AT THIS DIFFICULT TIME INDICATES WE ARE FULLY WITH SRI LANKA IN ITS EFFORTS ACHIEVE ECONOMIC STABILITY.

(D) ALLOCATION TO SRI LANKA IS, OF COURSE, ONLY FIRST

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STEP IN OUR APPROVAL PROCESS. PROGRAM WILL HAVE TO BE DISCUSSED WITH GSL. IN THESE DELIBERATIONS WE WILL TAKE UP LONGSTANDING PROBLEM OF EXCHANGE RATE TO BE APPLIED TO RUPEE DEBT OWED BY SRI LANKA. WE HOPE THIS PROBLEM WILL BE SPEEDILY AND SATISFACTORILY RESOLVED.

2. AMBASSADOR KANAKARATNE EXPRESSED APPRECIATION FOR NEWS AND SAID 20,000 TONS WILL PROVIDE IMPORTANT HELP TO SRI LANKA. SAID HE WOULD REPORT INFORMATION TO HIS GOVERNMENT WHICH HE WAS SURE WOULD WELCOME OUR DECISION AS FURTHER EVIDENCE OF HIGH US REGARD FOR SRI LANKA.

3. WE WILL KEEP YOU INFORMED OF PROGRESS IN APPROVAL PROCESS THROUGH INTER-DEPARTMENTAL (FOOD) SUB-COMMITTEE (ISC) CHAIRED BY DEPT OF AGRICULTURE AND NATIONAL ADVISORY COUNCIL (NAC) CHAIRED BY TREASURY. AS INDICATED REFTTEL, ONE ISSUE TO BE ADDRESSED WILL BE QUESTION OF EXCHANGE RATE FOR CEYLONESE REPAYMENTS OF RUPEE DEBT. WE WILL BE SENDING NEW INSTRUCTIONS THIS REGARD SHORTLY. RUSH  
BT