

FINAL DRAFT

Sri Lanka Policy Guidance Paper  
April 16, 1976

I. Overview

A small and poor country, Sri Lanka in the 1970s has faced two broad challenges. Externally, the key to its effective independence and sovereignty lies in the state of its relations with India. The Sinhalese majority in Sri Lanka historically has been acutely conscious of its vulnerability to its giant neighbor. A cautious deference to Delhi where India's prestige and basic interests are involved and reciprocal Indian sensitivity to Sri Lanka concerns, especially on the Tamil minority problem, have yielded a good bilateral relationship, largely free of the frictions that plague India's relations with its other South Asian neighbors.

At the same time, Sri Lanka's chronically poor economic and financial position has created an urgent need for large-scale external aid. A non-aligned but pragmatic foreign policy has been the mechanism through which Sri Lanka has sought aid from both East and West and the broad-based support which reminds India that the Ceylonese have other windows on the world. Equally important, the long-standing commitment to non-alignment has expanded Sri Lanka's external horizon from a regional perspective with India as its focus, to global issues and a worldwide network of diplomatic contacts. In the process Sri Lanka's freedom of action has increased, enabling it to carve out its own sphere of initiative within the non-aligned movement.

The current cordial state of U.S. - Sri Lanka relations contrasts with earlier strains caused by expropriation problems and ideological friction. We have worked hard to overcome the initial suspicion of U.S. intentions and motives within Prime Minister Bandaranaike's socialist-oriented government while stressing the compatibility of U.S. interests with Ceylonese non-alignment. We accept the GSL's posture as adding to stability in South Asia and offering us equal access in dealing with Sri Lanka as an Indian Ocean state and a Third World moderate. We have adopted a low profile in Sri Lanka, a self-denying posture which is important to the Ceylonese as it reduces opportunities and the rationale for other powers (i.e., India, PRC, USSR) to seek a dominant position in Sri Lanka.

In turn, Prime Minister Bandaranaike has taken the lead within the GSL in reorienting Sri Lanka's relations with the U.S. but leftist opposition remains strong. Our present relationship is thus delicately balanced and will remain so even if the more conservative opposition should form a government after the 1977 parliamentary elections. Our aim will be to consolidate our improved relations, but slowly and with no sudden expansion of U.S. involvement or resources.

## II. Major U.S. Interests

Sri Lanka impinges directly on our interest: (a) in encouraging regional stability in South Asia; (b) in balancing the Soviet presence in the Indian Ocean region; (c) in evolving a constructive relationship and dialogue with non-aligned Third World countries on a variety of multilateral issues. However, the Ceylonese capacity to function in a manner which complements U.S. objectives in all three areas and which supports specific assets such as our VOA facilities rests on the viability and evenhandedness of Sri Lanka's non-aligned posture.

Our interest lies in promoting a politically stable and economically viable Sri Lanka whose internal strength offers no vacuum for an outside power to exploit. While accepting Indian preponderance in South Asia, we have no wish to see a neighboring state such as Sri Lanka lose its capacity to maintain its own independent policies. Our bilateral relationship is important to both countries independently of each other's relations with India.

We wish to see Sri Lanka avoid a condition of dependence on others which could jeopardize the GSL's existing policy of not permitting foreign military facilities in Sri Lanka. Such a development would seriously disturb the strategic situation in South Asia and the Indian Ocean generally and could undermine our naval ships' current access to Sri Lanka for shore leave and bunkering services, a valuable asset in maintaining our naval presence in the Indian Ocean.

Finally, Sri Lanka's prominence in the non-aligned movement has enhanced the value of our bilateral ties as a channel for encouraging a moderate LDC stance on issues directly affecting American interests. Sri Lanka's role as host of the 1976 Non-Aligned Summit Conference, as Chairman of the Coordinating Secretariat of the Non-Aligned Movement, as likely President of the 1976 UNGA, its leadership in key fora such as the Law of the Sea negotiations, UNCTAD, Group of 77, illustrate its exceptional involvement in multilateral affairs. Our bilateral ties to Sri Lanka thus have a significance and value to U.S. multilateral interests beyond the normal scope of relations with a small country.

III. U.S. Policy Objectives and Courses of Action

1. Stable Bilateral Relations

Objective: Against a background of considerable fluctuation in the past, we should aim for stable relations capable of surviving a change of government. Cordiality rather than intimacy should be our goal as this will best assure good relations over time.

Courses of Action:

--Maintain a low profile in our approach to Sri Lanka in personnel levels, operating style, and general conduct of relations.

--Our support should be for a democratic political system and not for any particular party. We should eschew any appearance of partisan political preference or interference in Ceylonese internal affairs and maintain continuing contact with all main elements of the political spectrum, including the opposition and the left.

--Our aid should be carefully scaled to our official profile, oriented to development, and not be seen as captive of a single party's domestic politics.

--Encourage quietly an atmosphere conducive to American private investment and trade.

2. Domestic Political Stability

Long-Term Objective: To support the territorial integrity and institutional stability of Sri Lanka.

Short-Term Objective: The survival of Sri Lanka's democratic parliamentary framework including the transition to a younger leadership committed to parliamentary democracy.

Courses of Action:

--Offer no encouragement to Tamil separatists or to the concept of a Tamil state in Northern Sri Lanka.

--Orient IV grants and other official, semi-official and private exchange opportunities to potential leaders.

--Promote broad-gauged receptivity to Western influence, including USG-sponsored educational exchange, USIS efforts, etc.

3. Encouragement of Production Oriented Economic Policies

Objective: To promote long term prospects for domestic stability and growth by encouraging agricultural self-sufficiency and more effective economic policies.

Courses of Action:

--Orient development lending assistance in channels which offer long-range growth possibilities.

--Coordinate aid policies with the IBRD, IMF, and Western aid donors as means of encouraging GSL adherence to financial, fiscal, pricing and import policies supportive of increased food production aiming at agricultural self-sufficiency.

--Encourage a positive attitude to the potential contribution of private American capital and technical resources and to private sector capabilities in Sri Lanka.

4. Cooperation on International Issues

Objective: We wish to encourage Sri Lanka's commitment to DC - LDC cooperation and to promote a GSL role in fashioning non-aligned consensus in a moderate direction.

Courses of Action:

--Keep the Ceylonese informed of our priorities on multilateral issues.

--Consult with the GSL in general terms on our conception of global economic problems to influence GSL interaction with other LDCs in international fora.

--Consult with the GSL on the advantages and benefits to Sri Lanka from U.S. policy initiatives on multilateral economic issues.

IV. Resource Allocation

A. Personnel Resources - The total number of U.S. personnel in the U.S. Embassy in Colombo has been reduced to the point where further reduction would impair attainment of our objectives in implementing existing programs.

<u>Agency</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>
State	29*	29*	29*
A.I.D.	3	3**	3**
USIS	4	4	4
DOD	<u>3</u>	<u>3</u>	<u>3</u>
TOTAL	39	39	39

\* including 7 MSG

\*\* Subject to revision as programs evolve

B. <u>Program Resources</u>	<u>FY 76</u>	<u>FY 77</u>	<u>FY 78</u>
1. P.L. 480 Title I	140,000 tons of* wheat	140,000 tons* of wheat	140,000 tons* of wheat
2. P.L. 480 Title II	\$3million	\$3million	\$3million
3. A.I.D. (Developing Lending)	\$8million	\$8million	\$8million
4. International Visit- tors Program (IVP)	\$31,040	\$40,535	-----
5. U.S. Educational Foundation (Fulbright Program)	\$168,554**	\$184,941	-----
6. U.S. Information Service	\$292,000**	\$320,000**	\$353,000

\* Projected commodity levels

\*\* Calculated on basis of 12 month Fiscal Year

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