

Sri Lanka—US Relations : 1948—1965

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C E R T I F I C A T E

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P_R_E_F_A_C_E

Much of the existing literature on Sri Lanka's Foreign Policy provide in the main a general perspective of it. As regards Sri Lanka's relations with the US, they have been dealt with in these studies at best on a piecemeal basis. This dissertation covering the period 1948-1965 (during which the UNP and the SLFP alternated in power) aims to provide an indepth study on this theme. In the absence of a full fledged study on the subject, it is a modest attempt to fill the gap.

In the present work, the name Ceylon and Sri Lanka have been used inter-changeably. For, till 1971 Sri Lanka was officially designated as Ceylon.

In the completion of the work, I am indebted to many. First and foremost, I owe a profound debt of gratitude to my Supervisor, Professor (Mrs) Urmila Phadnis, who patiently read my drafts, and constantly encouraged me to finish my work in spite of my ill health. I would like to thank her for having allowed me to use her vast collection on Sri Lanka. I am also grateful to all the faculty members of the South Asian Studies Division, for their concern and help in the furtherance of my academic pursuit.

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CHAPTER ONE

FOREIGN POLICY OF SRI LANKA : OBJECTIVES AND DETERMINANTS

The most notable consequence of the Second World War for post-war international relations was transforming the earlier balance of power system into a bipolar system. The United States and the Soviet Union rose to ascendancy to international powers in place of ex-colonial powers. By 1947, the major segments of international relations had become bipolarised and the cold war had set in. Both the blocs engaged in complex global conflict in which the military, political, economic, diplomatic, ideological and cultural forces of two sides were virtually poised against each other.¹ Both also tried to draw various countries in their respective bloc, through a number of ways: force, threat and temptations. It is in such a context that the newly independent Afro-Asian countries opted for strategies like alignment and non-alignment to further their own national interests in a bipolar system.²

1 J. Bandyopadhyaya, The Making of India's Foreign Policy - Determinants, Institutions, Processes and Personalities (New Delhi, 1979), pp. 1-4 and 100-03.

2 Sivanand Patnaik, "Small States in International Politics : A Case Study of Sri Lanka's Foreign Policy" (M.Phil Dissertation, School of International Studies, JNU, New Delhi, 1979), Chap. 1.

The principal objectives of these countries in international system has been to secure for themselves stability, security and status. These significant foreign policy objectives, may get precedence over each other at a given time depending on the conditional factor. During the 40s and 50s, the prime objective for most of these states appeared to be security. In many cases, however, the detente era saw the change in the emphasis from security to stability and status.³

Like any other third world country, Sri Lanka too has framed its foreign policy in the perspective of the three major elements of its national interest, namely, security, national development and a niche in the world order. These objectives have been set in terms of various determinants of foreign policy such as geography, economic development, socio-cultural compulsions and national leadership as well as the external milieu. More often, the variation in the political regimes and external setting has led to the shifts in its foreign policy.⁴

As such, Sri Lanka's relations with US need to be viewed in the wider context of its foreign policy determinants

3 George Liska, Alliances and the Third World (Baltimore, 1968), pp. 21-40.

4 For a general discussion on this point see, S.D. Muni, Foreign Policy of Nepal (New Delhi, 1975), pp. 37-38.

e. g. geo-strategic location, levels of economic development, socio-cultural complexes, nature of political leadership and to a great extent, the regional as well as global milieu.

Geo-Strategic Location

Ceylon, officially known as Sri Lanka since 1972, is a mango-shaped island of great charm and beauty situated slightly north of the equator and South-East of India and separated from the Indian sub-continent by a narrow strip of water -- the Palk Strait. Its area is 25,332 square miles being therefore, a little smaller than Ireland and a little large than the size of the United Kingdom.⁵ Sri Lanka's unique position in the Indian Ocean is of great importance for commercial and strategic purposes. Historically too, owing to its geo-political significance in the Indian Ocean, it attracted many powerful States, which tried to colonize it. If such a strategic position made it susceptible to external pressure and pulls, its smallness (particularly in power terms) accentuated its vulnerability.⁶ The situation has hardly changed in the contemporary era.

5 Namasivayam, S., Parliamentary Government in Ceylon: 1948-1958 (Colombo, 1959), pp. 9-10.

6 Howard Wriggins, Ceylon: Dilemmas of a New Nation (New Jersey, 1960), p. 377.

Thus, Sri Lanka occupies a central position in the Indian Ocean.⁷ The ports of Colombo, Trincomalee and Galle are strategic links between East and West sea routes via the Suez Canal. Moreover, the principal airports of the Island, Katunayake and Ratmalana function as a stopover for many airlines operating routes between east and west, gaining added importance during any international crisis.⁸ Because of Sri Lanka's position as an important commercial sea route Western countries like the UK and the US have been interested in having Sri Lanka as an ally in the Indian Ocean and would not have liked it to be close to Soviet Union or China affecting thereby, their strategic-commercial interests, nor these two countries would have liked it to be closer to Britain or America in the early days of cold war. For the NATO powers as well as their rivals, thus, the Island was and continues to be of great value because of its geographic location. Besides these powers, India has its own interest in the security and stability⁹ of Sri Lanka as it lies within

7 Gerald Peiris, "The Physical Environment", in K.M. De Silva, ed., Sri Lanka - A Survey (London, 1977), p. 3.

8 A. Jeyaratnam Wilson, Politics in Sri Lanka, 1947-1979 (London, 1979), p. 245.

9 S.U. Kodikara, Indo-Ceylon Relations Since Independence (Colombo, 1965), pp. 1, 24-31.

its security parameter.¹⁰

Due to changed climax in the Indian Ocean since the 60s, resulting in the expansion of naval presence of great powers and militarization of the Indian Ocean, Sri Lanka's strategic placement in the Indian Ocean has also placed it on the nuclear map of the globe. The Island's naval ports especially Trincomalee Harbour has tremendous potential to provide easy shelter for nuclear submarines and Galle, an important city in South of Colombo provides an excellent location for launching of nuclear missiles at Soviet Union and China.¹¹ The water to the South of Sri Lanka affords vast

10 Trincomalee as an important bastion within defence network in the East is a matter of grave concern for Indian strategic thinkers as India does not have any potential harbour in the East. K.M. Panikar wrote in 1945 that the strategic unity of India, Ceylon and Burma was so obvious that one of the prerequisite to a "realistic policy of Indian defence" was the "internal organization of India on a firm and stable basis with Burma and Ceylon". In fact, he advocated the concept of the Indian Ocean as "Mare Nostrum" for India justifying an extended Indian security sphere in the Indian Ocean area." K.M. Pannikar, India and the Indian Ocean (London, 1948), p. 95.

11 A polaris or Posedon nuclear missile located in this area could hit both the Soviet Union and China. From the point of view of power opposed to either of these countries, the waters of the South of Sri Lanka offered vast possibilities. See for more details, A.J. Wilson, "Sri Lanka's Foreign Policy - Continuity and Change", Ceylon Journal of Historical and Social Studies, vol. 4, New Series, nos. 1-2, 1974, p. 54.

possibilities, leaving many military strategies in USA, UK, USSR and China to view that there is a conjunction of forces in the Island in the context of nuclear warfare which is somewhat rare on the surface of the globe.¹²

Consequently, Sri Lanka's location in the Indian Ocean underscores its geo-strategic importance for the great powers like UK, USA, and USSR as well as regional powers like India and China. At the same time, such a significance contributes to its vulnerability as a small State.

Economic Setting

Moreover, Ceylon's economic structure has been such as to aggravate its vulnerability. Over the past two centuries, it has developed as an export-import economy.¹³ The country's economy depends on its export trade namely tea, rubber and coconut (not so much now) and the money secured by selling these and certain other products helps it to pay for its imports of essential commodities chiefly rice, other foodstuffs and textiles. Over the years oil has become an important import item.

12 Wilson, n. 8, pp. 247-8.

13 Wriggins, n. 6, p. 378.

Long colonial rule in Sri Lanka by foreign powers particularly, Britain resulted in the development of mono-culture type of economy heavily dependent on plantation sector. Simultaneously, its subsistence economy was characterized by the large scale import of commodities like rice from Burma and India.¹⁴ Adding to it was the welfare schemes introduced at the fag end of the colonial rule. It included free public education (since 1945), health services and provision for some items of subsidised foodstuff.¹⁵ The repercussion of these social services was felt in the post-independence era when it became a strain with export prices declining and witnessing pressure of population which rose by 237.4 per cent in less than 85 years¹⁶ as is evident from the following table:

14 Ibid., pp. 52-53. See for more details on Sri Lankan economy, Donald R. Snodgrass, Ceylon: An Export Economy on Transition (Illinois, 1968), H.N.S. Karantilake, Economic Development in Ceylon (New York, 1971); Pradeep Bhargava, Political Economy of Sri Lanka (New Delhi, 1987).

15 Wilson, n. 8, p. 55.

16 Namasivayam, n. 5, p. 10. The population of the Island increased from 6.6 million in 1946 to 12.7 million in 1971.

Table 1 - POPULATION BY SEX (in thousands)

Census Years	Total	Males	Females	No. of persons per sq. kilometers
1871	2,400	1,280	1,120	37
1881	2,760	1,470	1,290	43
1891	3,008	1,593	1,414	46
1901	3,566	1,896	1,670	55
1911	4,106	2,175	1,931	64
1921	4,498	2,381	2,117	69
1931	5,307	2,811	2,495	82
1941	6,657	3,532	3,125	103
1951	8,098	4,269	3,829	125
1961	10,582	5,499	5,083	164
1971	12,690	6,531	6,159	196
1981	14,857	7,568	7,278	230

Source: Sri Lanka, Department of Census and Statistics, Statistical Pocket Book of the Democratic Socialist Republic of Sri Lanka - 1987 (Colombo, 1987), p. 9.

Over the decades, though Sri Lanka has been trying to diversify the economy, make it less dependent on the export crops and control large import bills, due to growing population and its subsistence sector it has not been in a position to cope up with the increasing needs of the population coupled with the economic strains due to welfare measures. Added to this has been the international price fluctuations and the increase in import costs. All this has resulted in ever increasing imbalance in payments because the rise of prices of essential import commodities has drained the foreign earnings.¹⁷ This has been aggravated further due to the price fluctuation often adverse of its major export commodity namely tea.

Economic stagnation, unemployment, growing population, welfare services,¹⁸ increasing burden of foreign debt and growing imbalance of payments have thus been the achilles heel of Sri Lankan State. Consequently, such economic dependence

17 Buddhadasa Hewavitharana, "Economic Compulsions and Foreign Policy : A Case Study of Sri Lanka", in S.P. Verma and K.P. Misra, eds, Foreign Policies in South Asia (New Delhi, 1969), p. 108.

18 Wilson, n. 6, p. 52. See for more details Buddhadasa Hawavitharana, "The Management of External and Internal Finances in Sri Lanka", Asian Survey, vol. 13, no. 12, 1973, pp. 1131-54.

on the global market forces has made it vulnerable. This has effected Sri Lankan foreign policy in many ways. To a large extent, economic compulsions have determined its relations with Western as well as Communist countries. This has been evident by its outlook and approach on a number of issues in international forums.

Socio-Cultural Compulsions

The mosaic that comprises Sri Lanka's multi-racial society¹⁹ is instructive in appraising the nexus of socio-economic imperatives and its attitude on some of the foreign policy issues. As evident from Tables 2 and 3, Ceylon is a plural society of self-aware communities, distinct from one another on the basis of racial, linguistic and religious grounds. Ceylon's political life has been closely bound up with these communal and other traditional social differentiations.²⁰

The majority of Sri Lankans are Sinhalese, tracing their ancestry to the Aryan of the North India and are supposed to have come from Bengal and Bihar. They speak Sinhala, and

19 Wilson, n. 8, p. 10.

20 Wriggins, n. 6, p. 20.

Table 2 : POPULATION BY RACE (CENSUS YEAR)

Race	Percentage Distribution				
	1946	1953	1963	1971	1981
All Races	100.00	100.00	100.00	100.00	100.00
Low Country Sinhalese					
Kandyan Sinhalese	69.41	69.36	70.99	71.96	73.95
Ceylon Tamils	11.01	10.96	11.00	11.22	12.70
Indian Tamils	11.73	12.03	10.61	9.26	5.52
Ceylon Moors	6.52	5.73	5.92	6.52	7.05
Indian Moors*	0.53	0.59	0.52	0.21	-
Malays	0.34	0.31	0.32	0.34	0.32
Burghers and Euro Asians	0.63	0.52	0.43	0.35	0.26
Others	0.62	0.40	0.18	0.13	0.19

* From 1963 onwards it has been included under others.

Source: Sri Lanka, Department of Census and Statistics, Statistical Pocket Book of the Democratic Socialist Republic of Sri Lanka - 1987 (Colombo, 1987), p. 14.

Table 3

POPULATION BY RELIGION (CENSUS YEARS)

Religion	Numbers ('000)			Percentage Distribution		
	1963	1971	1981*	1963	1971	1981*
All Religions	10,582.0	12,690.0	14,850.0	100.00	100.00	100.00
Buddhists	7,003.3	8,536.9	10,292.6	66.18	67.23	69.31
Hindus	1,958.4	2,238.7	2,295.8	18.51	17.64	15.46
Muslims	724.0	901.8	1,134.6	6.84	7.11	7.64
Roman Catholics and other Christians	884.9	1,004.3	1,111.7	8.36	7.91	7.49
Others	11.4	8.3 ^c	15.3	0.11	0.7	0.10

* Provisional

Source: Sri Lanka, Department of Census and Statistics, Statistical Pocket Book of the Democratic Socialist Republic of Sri Lanka - 1987 (Colombo, 1987), p. 12.

are, by and large Buddhists. Concentrated in the South and Centre of the Island, they are divided into two categories: the 'low country' Sinhalese and Kandyan Sinhalese. The 'low country' Sinhalese mainly residing in Ceylon Littoral, were exposed to European influence for nearly four and a half centuries. Consequently, they have become more cosmopolitan and responsive to changes than others. On the other side, the Kandyan Sinhalese living in the heartland of the country are mainly subsistence peasants cultivating rice and relatively untouched by transformation accompanying colonization.

Numerically, next to Sinhalese, the Tamils constitute the dominant minority group. Like Sinhalese, Tamils too are of two types - the Ceylon Tamils who are descendants of the early Tamil migrants from South India to Sri Lanka and are largely concentrated in the Northern and the Eastern provinces. Highly conscious of their socio-cultural background, Tamils are fairly well off as compared to other races. Jaffna peninsula is the main centre of Tamil politics and is in closet proximity to the Indian mainland.²¹ The Indian Tamils on the other hand, are recent migrants brought by the British planters to work on the plantations in the central highlands. Unlike Ceylon Tamils, the economic status of the Indian Tamils has been somewhat depressed in comparison to

21 A.J. Wilson, n. 8, pp. 58, 115-16; Wriggins, n. 6, p. 20.

other groups.²²

Besides them, there are Moors or Muslim population (about 7%) mostly descendants of Arab traders who came to Sri Lanka around the 8th century AD. While in the Eastern Province, they are mostly engaged in agriculture, they are prominent in business, in the rest of the country.

Other than these are the Burghers, the offspring of Euro-Sinhalese marriages, who are Christians and usually are bilingual, speaking English and Sinhala.

Social incohesiveness and majority-minority cleavages have been an important input in the foreign policy of the Island State and is closely linked with its economic and political structures.

Political Regimes

Barring India, Sri Lanka is the only democratic country in the South Asian region where orderly transfer of power between political parties has taken place several times at fairly regular intervals since independence. Since 1956 the politics of Sri Lanka has centred around two main

22 Urmila Phadnis, "Sri Lanka : Stresses and Strains of a Small State", in U.S. Bajpai, ed., India and Its Neighbourhood (New Delhi, 1986), pp. 239-41.

political parties²³ namely the United National Party (UNP) and the Sri Lanka Freedom Party (SLFP). Power has alternated between these two major parties.

Over the decades Sri Lankan politics has evolved a two dominant party system with the minor parties often allying with one of the major parties.²⁴ The manifestations of shifts in emphasis in the foreign policy objectives from regime to regime is basically because of UNP's broadly pro-Western foreign policy and the SLFP which has been a left of the centre party. Even so, imperatives of continuity has led to a bipartisan approach on a number of foreign policy issues.

Personality Factor

It is difficult to determine the authority actually responsible for decision making in domestic as well as foreign policy under any form of government except in the case of personal dictatorships.²⁵ It is compared to a presidential

²³ Urmila Phadnis, "Trends in Ceylon Politics", India Quarterly, vol. 27, no. 2, April-June 1971, pp. 122-39. She maintains that the elections of 1956 marked "the beginning of a process which eventually resulted in the polarisation of the Sinhalese electorate and the emergence of the two major parties - the UNP and the SLFP - having almost equally support base and virtually all the minor parties and all other minor parties aligning themselves with one of the major two." p. 115. For more details see Jupp James, Sri Lanka: A Third World Democracy (London, 1978), and Robert N. Kearney, The Politics of Ceylon (Sri Lanka) (London, 1973), pp. 90-123.

²⁴ For elaborate discussion, see Calvin A. Woodward, The Growth of a Party System in Ceylon (USA, 1969), and Kearney, ibid.

²⁵ Bandopadhyaya, n. 1, p. 283.

form of government where the President in theory is the ultimate authority for making all major decisions. In the Cabinet form of government the authority responsible for decision making is even more diffused, although in theory the Cabinet is the ultimate decision making authority. A cabinet functions through conventions and political pulls and pressures rather than through well defined rules and regulations subjecting to wide variations. A politically strong and charismatic or semi-charismatic Prime Minister may personally decide all major domestic foreign policies and Cabinet just following it.

In the case of Sri Lanka, the foreign affairs of independent Island have throughout been the responsibility of the Prime Minister. The eminent position of the Prime Minister at the apex of the foreign policy decision making process,²⁶ has made the Prime Minister not only the chief architect of foreign policy but also directing the conduct of its external affairs. As such, the options and strategies of foreign affairs depends, to a great extent, on the personality of the Prime Minister. The first Prime Minister of the Island after independence, D.S. Senanayake, an able

26 Section 46(4) of the Independence (Soulbury) Constitution required that the Prime Minister should also hold portfolios of Defence and External Affairs. Shelton U. Kodikara, Foreign Policy of Sri Lanka - A Third World Perspective (New Delhi, 1982), p. 4.

administrator but with little knowledge about world politics, did not follow an independent path. His foreign policy was mainly confined to Ceylon's relationship with the UK and the Commonwealth,²⁷ advocating "responsive cooperation with the British". Dudley Senanayake too followed his father's footsteps during his tenure, but as his term was too short he could hardly make any distinct mark over Ceylon's foreign policy.

Sir John Kotelawala's personal dislike for Communism and over emphasis on anti Communism gave a sharp touch to Sri Lankan foreign policy. Kotelawala's foreign policy was more pro-Western than his predecessors because of his own appreciation for the Western point of view.

S.W.R.D. Bandarnaike, as compared to UNP premiers, had a clear grasp of world politics and had handled foreign affairs with much more ability. S.W.R.D. Bandarnaike's world view had "a distinct security orientation and also envisaged a definite role for small and weak states like Sri Lanka."²⁸ According to a Ceylonese leader he was "the

²⁷ Urmila Phadnis, "Foreign Policy of Sri Lanka in the Seventies", IDSJ Journal, vol. 8, no. 1, 1975, p. 95.

²⁸ Ibid., p. 97.

foreign office" in Ceylon "in his personal capacity".²⁹ Mrs Bandarnaika continued the perception of her husband in the realm of foreign policy till she remained in power (July 1960-March 1965). Though she tried to apply his principles of "non-alignment" in a changing world situation but her policy was more tilted towards the Communist countries.

External Milieu

The external environment impinges on the foreign policy and on the domestic policies of a state much more heavily today than in pre-Second World War period. The growth of multi-international law and organizations, technological advance, and the political evolution of the national states are some of the major factors giving a dynamic character to the international milieu within which a state has to formulate its foreign policy.³¹

Post Second World War period saw the emergence of military alliances like NATO, WARSAW, SEATO, CENTO etc. The development of bipolar system, the growth of UN, the emergence of a large number of Afro-Asian States as independent countries provided the major components of the inescapable

29 Quoted from D.M. Prasad, Ceylon's Foreign Policy under the Bandarnaikes : 1956-65 (New Delhi, 1973), p. 405.

30 See Bandopadhyaya, n. 1, pp. 98-110.

international in the context of which, Sri Lanka, itself an ex-colonial State, its foreign policy evolved.

There was the choice of joining military alliances on the one hand and that of keeping out of it on the other for the preservation of newly attained independence. In this perspective many small and weak powers like Sri Lanka, followed a mix of certain strategies. This can be identified as follows:

- (1) Maximisation of the scope of manoeuvrability in international politics through the exploitation of mutual differences and rivalries of the big and middle powers.
- (2) Neutralisation and diffusion of threat sources through diversification of dependence in economic, political and military spheres.
- (3) Initiation or partnership in group mobilization of the countries experiencing similar problems and challenges.³¹

As will be explained in the following chapters, in the post-Independence period, the Western oriented UNP regime, was to a great extent influenced by the ex-colonial powers, the Britain. Signing of the defence pact with Britain through which British could retain one naval base at Trincomalee and air base at Kautnayake, was one of its manifestations.

31 Muni, n. 4, p. 129.

Despite ideological inclination towards the Western countries Sri Lankan government could not ignore the vulnerability of its domestic economy. This brought it closer to the People's Republic of China, particularly since 1956. It was because of the convergence of politico-strategic interest of China, with that of Sri Lanka.

The external dependence of the Island's export-import economy has been an important factor in Sri Lankan policy of promoting international cooperation and avoiding alliances with power blocs.³³ Adoption of the non-aligned policy thus was in view of furtherance of national interests and foreign policy objectives.

The success of foreign goals depends on the ability of the political leadership of the country to regional and global setting in its favour. In such a task how has Sri Lanka dealt with one of the Super Powers, namely the USA (during 1948-65), is the theme of this dissertation.

As such, in this chapter an attempt has been made to identify the constants and variables of Sri Lanka's foreign policy.

In Chapter II an effort would be made to highlight the major trends in Sri Lanka's foreign policy during 1948-1956.

32 Kodikara, n. 26, p. 11.

This will be followed by an appraisal of its response on the major global and regional issues to the extent it converged or diverged with those of the United States.

Chapter III would discuss the similarities and differences on major foreign policy issues with the US under the Bandarnaike's regime in the context of broader domestic imperative and global configuration.

Chapter IV would deal with the details of economic interaction mainly at two levels - trade and aid. Alongwith examining the quantum of bilateral trade between two countries during the UNP and SLFP regime it will analyse as to why bilateral affinity in political realm has not always synchronised in economic relations.

Chapter V would focus on various socio-cultural arrangements between the two countries. The concluding chapter will summarise the major strands of Sri Lanka-US relations during 1948-1965.

Taking Sri Lanka as a case in point, this study puts forward two propositions. First, in determining foreign policy options and choices the political elites, whatever be their ideological inclinations, cannot ignore the vulnerability of internal socio-political processes, especially domestic economy. Secondly, bilateral affinity in the political realm need not necessarily converge in the economic realm.

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In the light of these proposition posited in the broader gamut of the determinants and objectives of Sri Lanka's foreign policy, Sri Lanka-US relations during 1948-1956 under the UNP regime would be analysed in the next chapter.

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CHAPTER TWO

FOREIGN POLICY ISSUES DURING THE UNP REGIME - 1948-1956 :
AREAS OF CONVERGENCE AND DIVERGENCE WITH THE UNITED STATES

Sri Lanka, the Island-state, then known as Ceylon to the outside world, attained independence on 4 February 1948, after nearly 450 years of foreign rule.¹ Unlike their Indian counterparts, the early ruling elite of the Island did not evince much interest in international politics of the day.² Political programme of the ruling elite at the time of independence gave less significance to the foreign policy. The first official foreign policy statement of the UNP was a paragraph in the Governor's address of 25 November 1947 which referred to maintaining friendly relations with the Commonwealth countries and the desire to live in peace with others.³

As a new nation it still had to develop a foreign policy. There were two constraints on its foreign affairs:

1 For more details on colonial rule in Ceylon, see Chandra Richard De Silva, Sri Lanka - History (New Delhi, 1987); and K.M. De Silva, A History of Sri Lanka (Delhi, 1981).

2 Election manifestos of major political parties in 1947 general elections did not project foreign policy issues in a major way. The exception to this however, were the left parties like the Trotskyites Lanka Sama Samaj Party and the Communist Party. See Urmila Phadnis, "Foreign Policy of Sri Lanka in the 70s", The IDSA Journal, vol. 8, no. 1, July-September 1975, p. 94.

3 Ibid.

the indirect control retained by British after the grant of independence⁴ and secondly, the innate conservatism of the national leaders to whom power was transferred.⁵ The early leadership of the Island after independence in 1948 continues to steer Sri Lankan foreign relations in more or less the same pattern as set up by the British. Presumably, the United National Party headed by D.S. Senanayake thought it safe to let the British do the thinking for Ceylon on foreign policy. Though some party men were in favour of Ceylon following an independent line of action, but it was largely within the Commonwealth framework⁶ in which all the three premiers of the UNP regime in the first eight years functioned.

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- 4 The Governor General, the representative of the British Crown in the island and nominal head of State, was a Briton, as also the chief justice, and all the service commanders, while there were Britons in key positions in the administration and in commerce industry and plantations. Navaratne called it a classic case of "neo-colonialism". Gamini Navaratne, The Chinese Connexion (Colombo, 1976), p. 11.
- 5 The United National Party, headed by D.S. Senanayake, "represented the capitalist class...the plantation and merchantile bourgeoisie whose interests more or less dovetailed with imperialist interests." Ibid., p. 11.
- 6 D.S. Senanayake saw clearly the need of a small country like Ceylon placed in a strategic position in the East, for friendship with England and the Commonwealth. He spoke freely of his wish that Ceylon, a small dot in the map of Asia, should always retain and promote friendship with 'Great Britain' and the Commonwealth...." J.L. Fernando, Three Prime Ministers of Ceylon : Inside Stories (Colombo, 1963), p. 30.

Furthermore, the cordial transfer of power to Ceylon by the British Government consolidated and perpetuated mutual understanding and friendly relations. In his message to the people of Ceylon on the first Independence Day, Prime Minister, D.S. Senanayake declared:

"Whatever disagreement we may have had with the British in the past, we are grateful for their goodwill and co-operation which have culminated in our freedom. The seed of voluntary renunciation which they have sown will grow into a stately tree of mutual and perpetual friendship." ⁷

The UNP leadership comprised in the main, of highly Westernized elite who politically as well as emotionally were close to Britain. Such proclivities of the leadership considerably influenced stages of the formulation of Ceylon's foreign policy. Not only this, alongside the long historical association with the Britain coupled with the cordial manner in which power was transferred to Ceylon, existing commercial ties i.e. the heavy British investment in tea and rubber (on which the export-import economy was based) and in the import-export trade, banking, insurance, shipping and manufacturing industries, ⁸ was another important factor in this respect.

7 Ceylon Daily News, 5 February 1948.

8 W. Howard Wriggins, Ceylon: Dilemmas of a New Nation (New Jersey, 1961), pp. 378-83.

Added to this was the ideological delineations of the UNP leadership marked by strong anti-communist overtones. In various statements one can discern strong antipathy of the UNP towards Communism and the perception of a threat to the newly established parliamentary institutions from Communist subversion in Ceylon.⁹ Though the UNP leadership had condemned colonialism and perceived it as the threat to freedom of nations but it had also viewed with concern the growing threat from International Communism.¹⁰

Three significant factors may be said to have determined the UNP's attitude towards the Communist countries in the initial stages! First, the intimacy of the association with the British. Regarding Ceylon's close relationship with the UK, Premier D.S. Senanayake used to say that "the known devil was better than the unknown devil." The first Prime

9 Shelton Kodikara, Foreign Policy of Sri Lanka: A Third World Perspective (Delhi, 1982), p. 83.

10 Premier D.S. Senanayake, speaking in the House of Representatives on the Governor General's address had maintained:

"We want friends. By no means do we wish to be aggressors but to my mind, if we try to get too close to Russia, we would be embracing dangers, we would be embracing the bear. I think it will be very much better, till we are able to protect ourselves, to depend on the people who have not got a sort of madness to upset this world and who are not anxious to bring about revolution....I would appeal to my good friends....Let them not play the game of Russia and made us slaves again."

Ceylon, House of Representatives, Parliamentary Debates, vol. 10, 1951, cols. 260-61.

Minister of Sri Lanka, D.S. Senanayake stated:

We are in a specially dangerous position because we are in one of the strategic high-way of the world. The country which captures Ceylon would capture and dominate the Indian Ocean. We cannot defend ourselves....Let us confess that our freedom depends on somebody or others, undertaking to help us defend ourselves....As I look around the countries of the world, I see at the moment only one country with sufficient interest in us to defend us at their expense and that country is Great Britain. 11

The connections with British revealed itself in the decision to grant bases to Britain in Ceylon. Under a defence agreement signed with the United Kingdom by Prime Minister D.S. Senanayake¹² in 1947, Britain continued to be responsible for the Island's security, retaining the use of the main air base at Katunayake about 26 miles north of the capital of Colombo, and the strategic naval base at Trincomalee on the East Coast.¹³

11 Ceylon, House of Representatives, Parliamentary Debates, vol. 1, 1947, col. 445.

12 Premier D.S. Senanayake declared in the House of Representatives: "I cannot accept the responsibility of being the Minister of Defence unless I am provided with the means of Defence." He further argued that considering her size, her limited resources and her strategic vulnerability, she could not afford to cherish her newly won independence in isolation and also without the protection of a great power.

Ceylon, House of Representatives, Parliamentary Debates, vol. 1, 1947, col. 444.

13 Navaratne, n. 4, p. 11.

Then Home Minister, Sir Oliver Goonetilleke said in a press conference that the agreement was in the mutual interests of the two parties. The UNP government saw the defence agreement with Britain as defence on the cheap, because according to the agreement terms, Sri Lanka was to provide Britain with naval and air base facilities, and Britain in return guaranteed Sri Lanka's defence from foreign aggression. Ceylon with no standing, arming or without navy or any air force, Britain's military strength was seen as the only option. Senanayake had feared foreign designs on Sri Lanka and cited the USSR as the possible aggressor. He had hinted the possibility of 'red' and threats from India too.¹⁴

The defence agreement was sharply criticized and created suspicions and fear in the section of the Ceylonese elite which were not pro-British.¹⁵ In a debate over Governor General's speech, D.S. Senanayake's policy towards

14 Premier D.S. Senanayake said that "as far as Reds in Ceylon are concerned, no one seems to be worried at all". Ceylon, House of Representatives, Parliamentary Debates, vol. 5, 1949, col. 1846.

15 The Opposition accused him as an Asia Traitor No. 1. Dr N.M. Perera, the leader of the Lanka Sama Samaja Party, viewed "Ceylon's independence and the agreement as a shady transaction which was nothing less than bartering away of the country." Ceylon Daily News, 19 November 1947.

the British was severely criticized by the opposition. The opposition accused him of having a secret agreement with the British to hand over Trincomalee and Katunayake naval and air bases.¹⁶

Not only this, the attitude of the Soviet Union to Ceylon's application for the membership was another factor in determining the Island's foreign policy orientation during the first eight years of UNP rule. Soviet attitude hardened Ceylon's pre-Western affiliations. The allergy against Communism in D.S. Senanayake was so much that he once remarked that "he continued in politics only to fight Communists at home and abroad as well".¹⁷

Finally, the UNP had come to power at the 1947 general elections after a contest with parties which were Marxists and Marxist parties constituted the main parliamentary opposition group until 1951. The UNP alleged that the Marxists aimed at a totalitarian form of government and destruction of democratic forces.¹⁸ The bogey of Communism in their foreign policy

16 H. Sri Nissanka, Q.C., MP, for Kurunegala argued that there was no need for the defence agreement on the part of Sri Lanka as she had no enemy to be afraid of and the Defence Agreement was in the interest of the British. H. S. S. Nissanka, Sri Lanka's Foreign Policy - A Study in Non-Alignment (New Delhi, 1984), p. 11.

17 Ceylon Daily News, 24 November 1947.

18 According to Mendis, it was a personal threat to the government which was representative of capitalist and land owning interests and somewhat of a feudal oligarchy in its social image. V.L.B. Mendis, Foreign Relations of Sri Lanka from Earliest Times to 1965 (Dehiwala, 1983), p. 368.

thus also served a purpose at home i.e. containing the Marxists. Policy of keeping relations with Communist countries at arm's length was because of the alleged fear that propaganda by the Communist countries in the social and economic spheres and 'subversive assistance' to the local Marxists would disrupt democratic traditions in the country.¹⁹

The exceptions to such an approach however was the recognition of China by Ceylon. This was largely influenced by the attitude of the UK which had also accorded recognition to China. But recognition of Ceylon did not lead to immediate diplomatic ties. Secondly, at the end of 1952 Ceylon signed an important Rice-Rubber pact with China which was the only way out to economically stabilize Ceylon, to minimize the deficit in its trade and payment's balance, and avert the drain on its external assets.²⁰

The policy of "middle way" professed by the UNP leadership in international relations consisted mainly opposition to colonialism, opposition to arms production and the rejection of the idea of collective security. Premier D.S.

19 S.U. Kodikara's Chapter on Ceylon's Foreign Policy, "Global Compulsions and Regional Responsibilities", in S.P. Verma and K.P. Misra, ed., Foreign Policies in South Asia : Issues, Models and Methods (New Delhi, 1969), p. 231.

20 See S.P. Amarsingham, Rice and Rubber (Colombo, 1953).

Senanayake had declared that Ceylon was not interested "in favouring this bloc or that bloc", but was concerned about maintaining peace in this world "which could not be established by hatred or revenge or by suspicion or by keeping under subjugations."²¹

In practice, however, D.S. Senanayake's "middle way" policy, independent of rival ideologies and power blocs, was not something like neutralism but that of "restricted middle path" or "limited non-alignment", because of its overt support to Western powers on issues concerned with Ceylon's security and international communism.

The policies set by D.S. Senanayake on foreign affairs were followed by both Dudley Senanayake in his brief tenure as premier²² and Sir John Kotelawala who succeeded Dudley after his resignation in 1953. The defence agreement continued. Faith in the fundamental principles of Commonwealth was followed by Dudley Senanayake as well as by Sir John Kotelawala.²³

21 Ceylon, House of Representatives, Parliamentary Debates, vol. 10, 1950, col. 3848.

22 For more details on political manoeuvring for Prime Ministership, see T.D.S.A. Dissanayake, Dudley Senanayake of Sri Lanka (Colombo, 1975), and Sir John Kotelawala, An Asian Prime Minister's Story (London, 1956), pp. 77-89.

23 John Kotelawala in his first speech as Prime Minister had declared, "Ceylon believed in the British Commonwealth we are member of a club which believes in mutual assistance like the Colombo Plan." Faith in Commonwealth was

On non-alignment Dudley Senanayake followed his father's footsteps. He stated in the House of Representatives: "Our foreign policy...is not to align ourselves with one bloc or other blindly and regardless of the interest of our people. When there are two contending blocs our foreign policy will be primarily guided by the interest of the people of this country."²⁴

An important point to be made here is that it was during the regime of Sir John Kotelawala that the Asian component of the concept of middle path was given a greater interest. Kotelawala accepted non-partisan independent attitude towards international issues but at the same time favoured united, free Asia and opposed to any kind of interference in Asian state's affairs. He stood for Asian solidarity. More emphasis was placed on the two crucial issues of that time. One, support to anti-colonialism and second, abstention from participation in the organization of collective defence sponsored by either of the Big Powers.

(from prepage)

emphasized again by Sir John Kotelawala. "We value our membership of the Commonwealth of nation based as it is on the free association of independent countries for mutual assistance. Ceylon, House of Representatives, Parliamentary Debates, vol. 16, 1953, col. 709.

²⁴ Ceylon, House of Representatives, Parliamentary Debates, vol. 14, 1953, cols. 554-5.

Before discussing Sri Lanka-US relations under the UNP regime a brief resume of US policy towards South Asia in general and Sri Lanka in particular, is called for.

American foreign policy proclamations in South Asia can be broadly described as follows.

First, the US would like to see the South Asian States to settle inter-state conflicts through negotiations rather than open conflict.

Secondly, the US supports democratic regimes responsive to the wishes of the people in each nation.

Thirdly, US support will be provided to the states for the economic development.

Finally, the US neither seeks a position of primacy in the area nor wishes to see any outsider to gain such a position.²⁵

In practice, there is a hiatus between the US policy and actions. The US governments have sought to achieve these goals by providing economic and technical assistance. But US security arrangements in Asian subcontinent have taken precedence over these goals as is evident from its military assistance to Pakistan - a country with poor records on democratic institution and human rights.

25 Craig Baxter, V.K. Malik, H. Kennedy and Robert Oberst, eds, Government and Politics in South Asia (London, 1987), p. 385.

In general, the US has probably been the major power that has induced a degree of anxiety, bewilderment and frustrations in the governments in the subcontinent. The objectives and strategies adopted by Washington in South Asia have fluctuated widely over time. One consequence has been that the US has a reputation in the sub-continent for being unpredictable and thus unreliable as a support or for that matter opposition. These inconsistencies in US policies towards the subcontinent, including changes in administration in Washington have on occasions led to reversions in the basic principles of American foreign policy.²⁶ Another factor is the low priority attached to South Asia, the exception being 1962 and 1965. And as regards Sri Lanka, during 1948-1965 it seemed to have hardly any priority in the US calculations. If at all, as the details of Sri Lanka-US relations indicate, Sri Lankan interests were virtually ignored, if not sidetracked in the overall US foreign policy framework.

It will be in the light of this general framework of foreign policy attitudes of both the countries that Sri Lanka-US relations from 1948 to 1956 would be analysed. An attempt would also be made to discuss areas of convergence and divergence during this period.

26 A.J. Wilson and Dennis Dalton, eds, States of South Asia: Problems of National Integration (New Delhi, 1982), p. 324.

Sri Lanka-US Relations under the UNP Regime

As mentioned earlier, during 1948-56 antipathy to communism and the perception of the threat to the newly established parliamentary institutions became guiding factors in determining Ceylon's relations with the Western countries including the USA. Thus speaking in House of Representatives, the first UNP premier D.S. Senanayake said: "As far as the US is concerned, there is not the slightest doubt that she holds the view that we hold. That is, they are for democracy."²⁷

The choice for Western democracies was quite clear.²⁸ R.G. Senanayake, a junior minister of Defence and External Affairs, supporting the pro-Western attitude of its foreign policy remarked: "It is normal that our alignment should be on the side of the democracies of the world."²⁹

27 Ceylon, House of Representatives, Parliamentary Debates, vol. 8, 1950, col. 487.

28 J.R. Jayawardene, Minister of Finance, had stated: "In this world today there are really two powerful factors, the United States of America and the USSR. We have to follow either the one or the other. There can be no half way house in the matter. We have decided and we intend as long as we are in power, to follow the United States of America and its democratic principles." Ceylon, House of Representatives, Parliamentary Debates, vol. 8, 1950, col. 293.

29 Ceylon, House of Representatives, Parliamentary Debates, vol. 8, 1950, cols. 453-6.

"The democracies of the world", referred to none other than the countries of the British Commonwealth, the USA and other West European countries. Explaining this, V. Nalliah, a Junior Minister of the Cabinet,

However, during this period, Ceylon is believed to consider its relations with the US less important than with the United Kingdom, as a member of the Commonwealth. Sri Lanka in these eight years looked up to UK for guidance and leadership. Kodikara called Sri Lanka's relations with the UK as sheet-anchor of Sri Lankan policy. Such a dependence on the ex-colonial power divested D.S. Senanayake's image as the protagonist of non-alignment and neutralism.³⁰

Even so, ideological attachment to the West by the UNP governments could not persuade Ceylon to join collective security arrangements. As early as 1950, D.S. Senanayake refused Ceylon's entry into South East Asia Defence Organization. Though the UNP governments opposed any type of military pact, they allowed American embassy to distribute anti-Soviet and anti-Communist literature through its provincial government offices on the plea that "we are pro-democratic and anti-Communist".³¹ D.S. Senanayake did not consider this as an

(footnote contd.)

said: "Today there is conflict between two ways of life and possibly, our sympathies are, because of our political view, with America and other democracies of the world." Ceylon, House of Representatives, Parliamentary Debates, vol. 10, 1951, col. 249.

30 A.J. Wilson, "Sri Lanka's Foreign Policy - Change and Continuity", CJHSS, vol. 4, nos. 1-2, 1974, p. 57.

31 Ceylon, House of Representatives, Parliamentary Debates, vol. 8, cols. 1012-13.

interference by a foreign power in its internal affairs.³² On the other hand, government officials were not allowed to distribute pro-Marxian literature. Instead, Premier Kotelawala took steps to ban the import of Communist books, periodicals etc. into Ceylon.³³

From 1950 onwards Sri Lanka seemed to have drawn closer to the USA. An exception to this was however the signing of bilateral trade agreement with China in 1952, involving Sri Lanka's rubber and China's rice, during the tenure of Dudley Senanayake, who succeeded his father D.S. Senanayake after his untimely death. The rice-rubber pact, in its relations with the US was the cause as well as the consequence of Sri Lanka's dischantment with the policies of the USA. The agreement came about only when Sri Lanka failed to obtain from the US the favourable terms for the sale of rubber and the purchase of urgently needed rice.³⁴

32 Ceylon House of Representatives, Parliamentary Debates, vol. 5, 1951, cols. 1042-3.

33 S.U. Kodikara, "Ceylon's Relations with Communist Countries (1948-1966)", South Asian Studies (Jaipur), vol. 2, July 1967, pp. 106-7.

34 Economic interaction between Ceylon and the US will be discussed in Chapter IV of this dissertation.

Despite this irritant, the USA remained in a privileged position in relation to Ceylon. It remained the only country with majority of contracts with business firms in the country. Again, there were complaints of American interference in the General Elections in Ceylon in favour of the ruling elite,³⁵ which was not denied by the government.³⁶ A considerable amount of money was flown in through American Committee on Free Asia.³⁷ S.W.R.D. Bandarnaike, the leader of the SLFP, called this committee as "a sort of unofficial SEATO".

Throughout this period in its opposition to Communism,³⁸ Ceylon was following the US.

35 P. Keuneman, the leader of the LSSP, Ceylon, House of Representatives, Parliamentary Debates, vol. 1, 1954, col. 579.

36 Replying to the question of P. Keuneman Sir John Kotelawala replied, it may be, but it was not done by the Government. Not one dollar was taken by Government. Ibid., col. 602.

37 Ceylon, House of Representatives, Parliamentary Debates, vol. 20, 1954, col. 631.

38 Premier Kotelawala remarked, "One of the most dangerous things in the world today is the spread of Communism".

Areas of Divergence and Convergence

On issues pertaining to combat Communism there was much consensus. But on some of the major global issues,³⁹ relating to alliances, there existed divergent views between the two countries even though Sri Lanka under the leadership of UNP had close affiliations with the Western countries. The cold war issues on which Sri Lanka shared the American view of containing Communism encompassed the Korean crisis, Indo-China and only partially SEATO.

39 Global issues are those questions, problems, dilemmas and challenges that pertain significantly to the basic requirements of international peace, security, order, justice, freedom and progressive development. These issues are political, diplomatic, military-strategies socio-economic in the broadest sense and they are characterized more by disagreement and conflict than by agreement and cooperation.

Certain indications to make issues global:

First, they occupy the attention of the policy making elite of a large number of governments including some principal ones, and government engaged in public argument about them.

Secondly, they receive persisting coverage in the world press in newspapers, magazines, radios, TV etc.

Thirdly, they are subject of continuing serious study inquiry and debates by professionals, scholars, experts and by International Community Organization (both of political and specialized functional nature) definition given in Gavin Boyd S. Charles Penttand, eds, Issues in Global Politics (London, 1981), pp. 5-6.

Cold War

The cold war issues had, as their pivot the division of the two worlds into two blocs, the Eastern bloc headed by Soviet Union and Western bloc led by the USA. United States in order to combat Soviet expansion adopted economic assistance programme which came to be known as Marshall Plan and military organization in the form of NATO in 1949 (more or less in fulfilment of Mackender's prophecy that the North Atlantic states would have to combine in order to meet the potential challenge from the heartland of Russia) as well as initiating a series of military moves and counter moves in the form of alliances in the rest of the world like SEATO, Warsaw Pact, the Baghdad Pact and its successor the CENTO. The victory of Communist armies in the Chinese Civil War and close military and political alliances with the Soviet Union brought the cold war to the doors of Asia, with America's strong determination to combat Communist expansion with all its strength.

The fear of Communist subversion was the important factor for a pro-Western tilt in Ceylon's foreign policy. The bogey of Communism in the domestic politics due to the growing strength of the left wing parties had its repercussions in foreign policy arena too. For a considerable period of time after independence, however, Ceylon was not affected by the issue of "cold war" except in the form of ideological issues

like "freedom" or "Democracy Vs. Communism", "totalitarianism".⁴⁰ Even so, the Soviet veto of Ceylon's membership in the United Nations first, on the grounds that very little was known about "the national and democratic status or Constitution of Ceylon" and second that there was no evidence that Ceylon was independent and sovereign state, it was evident that the USSR for all purposes considered it as a "British Colony".⁴¹ In the Indonesian Crisis of 1949, the Sri Lankan ruling elite showed sympathetic attitude. It supported the national liberation movement. The Prime Minister, D.S. Senanayake decided to close all shipping and air facilities for Dutch military personnel and war material which would have utilized to suppress the freedom movement in Indonesia. The government action was hailed by the opposition, but the government stand of not extending the support to the Communist elements of the nationalist movement left many leaders of the Marxist parties disheartened.

40 For a lively debate on the ramification of the Cold War the speeches and writings of the Communist and Trotskyist left leadership are highly instructive.

41 The UNP government criticized the USSR for calling it as "a British Colony". Prime Minister Sir Kotelawala had remarked that "Now the question arises 'who shall be our friends.... The very fellow who insults us, who does not allow us to get into the UN, who says that we are stooges, should be our friend.'" Ceylon, House of Representatives, Parliamentary Debates, vol. 21, 1955, cols. 159.

Korean Crisis

In the Korean crisis, the geo-strategic affiliation of Sri Lanka vis-a-vis American linkages was clearly evident. The "Cold War" became a live issue in Asia after the outbreak of Korean war in 1950. Korea as a result of Second World War was divided by the 38th parallel into South Korea (under the US influence) and North Korea (under the USSR influence). On 25 June 1950, a serious international crisis broke out as a result of North Korean attack on the South Korea. At the request of the US an emergency meeting of the UN Security Council was held. Because of the Soviet veto, the USA was successful in declaring the North Korea as the aggressor and called upon all the members to repel the aggressor.⁴² President Truman ordered the US forces under the UN flag to proceed towards Formosa.

As Ceylon was not the member of the UN, D.S. Senanayake showed little interest in the Korean crisis in its early stages. In an unofficial statement, he said: "Ceylon is not involved at the moment because the latest directive to the member nations of the UNO to assist South Korea does not concern us as Ceylon is not a member of the UN. In the

⁴² For detailed discussion on Korea, see W.A. Wilcox, Asia and United States Policy (London, 1967), pp. 44-48.

circumstances the use of Ceylon bases by either party in the dispute doesn't arise."⁴³

J.R. Jayawardene, the Finance Minister's announcement regarding Ceylon joining the nations backing the UN military operations in opposing aggression by Communists led North Korea came as a surprise. Justifying the announcement he said that as long as the UNP was in power it will continue to follow the USA. Ceylon's action in the Korean crisis became more pronounced when it granted facilities to an American Flotilla in Colombo Harbour, on its way to Korean waters.⁴⁵

The opposition leaders such as Dr N.M. Perera and P.G.B. Keuneman criticized the Government's attitude in the Korean Crisis and its decision to grant facilities. Dr N.M. Perera maintained:

Just as much as on the Indonesian question, we refused facilities to the belligerents, I do not see any reason why we should not follow

43 The Hindu, 1 July 1950.

44 Outbreak of Korean war led the ruling elite in Ceylon to believe that the USSR had a well thought out plan to launch aggression in every part of the world. It was believed that the North Koreans who attacked South Korea "had been trained and drilled and supplied with USSR tanks". D.M. Prasad, Ceylon's Foreign Policy under Bandarnaikes (New Delhi, 1973), p. 23.

45 Urmila Phadnis, "India-Sri Lanka Relations in the 1980's", in D.D. Khanna, ed., Strategic Environment in South Asia During 1980s (Calcutta, 1979), p. 30.

the same procedure and not grant any facilities to any of these ships. If they are really adopting an attitude of neutrality then they might as well refuse to grant any facilities to those American ships which are obviously going across to help one particular side. 46

To this criticism, Premier D.S. Senanayake replied, "I do not see any reason why facilities which were available to the Americans in the past should not be made available now." 47

The UNP regime's attitude towards the Korean crisis in which both the blocs were involved was thus a clear indication of its orientation towards the Americans.

Indo-China War

Indo-China too have many parallels with Korea. Both regions experienced the severe ravages of war and were divided by the Allies in the armistice. In Indo-China, as in Korea, both communist insurgents and pro-Western loyalists found sources of arms and supplies. In both cases nationalist

46 Ceylon, House of Representatives, Parliamentary Debates, vol. 8, 1950, cols. 1856-7.

The opposition leader, P. Keuneman, too remarked that the grant of facilities to Americans to be used against China might involve the Ceylonese government in hostility against the new Chinese government to whom Ceylon had just recognized.

47 Ceylon, House of Representatives, Parliamentary Debates, vol. 8, 1950, col. 1860.

leaders found it expedient to invoke foreign support for their cause. Recognition of insurgent Democratic Republic of Vietnam and providing it with support by the Chinese and the USSR in 1950s, was seen as a coordinated Communist assault on Asian States. The Korean stalemate, pictured by Peking as a victory for the Chinese arms and resolve was probably produced by ^{the} a US threat to use nuclear weapons against China in the absence of a Korean truce, but the public opinion at home in the US was a major constraint against direct American support for the French army as the Vietnams began winning the war. Large amount of American military supplies were made available. But in March 1954, a grave situation in French Indo-China was created by the siege of the French fortress of Dien Bien Phu by the Communist dominated Viet-Minh.

The USA government tried to have the Indo-China problems discussed as early as possible. At this juncture the attitude of Ceylon became very important, after India's and Burma's refusal to American military aircraft carrying French troops to Indo-China to fly over their territories. At this stage, the UNP government adopted a different attitude.⁴⁸ The

⁴⁸ J.R. Jayawardene, Minister of Food & Agriculture: "For the last five or six years we have allowed French ships to pass through Colombo Harbour, ships carrying French troops in Indo-China." Ceylon, House of Representatives, Parliamentary Debates, vol. 17, 1954, cols. 227-8.

Ceylonese government maintained that the freedom movement in Indo-China was in the hands of Communists.⁴⁹ The determination of the UNP government to stop the growth of Communism was the reason for Ceylon to allow American globe masters carrying French troops to Indo-China to make use of Ceylon air base at Katunayake in 1954. Carrying of the troops and landing of the planes in Ceylon was a matter entirely between the American and Ceylon governments. Use of Sri Lankan bases were viewed as assisting against Communist expansionism, not against colonial rule.

The government's action had initiated a hot debate in parliament.⁵⁰ As such, whether it was the issue of Korea or Malaysia or Vietnam, the government's stand was heavily

49 J.R. Jayawardene, Minister of Food and Agriculture, "Communists were trying to gain ground and in the interest of progress of South East Asian countries it was necessary to help the forces which could suppress them." Ceylon, House of Representative, Parliamentary Debates, vol. 17, 1954, col. 234.

50 The opposition leader P.G.B. Keuneman in his speech said, "I have no hesitation in stating that this action of the Prime Minister was a stab in the back of the Asian freedom and shameful deed that has been rightly condemned." Extracts from the speech of P. Keuneman initiating the debate on fuelling of U.S. planes en route to Vietnam. Ceylon, House of Representatives, Parliamentary Debates, vol. 17, 1954, cols. 172-7.

criticized by the left parties.⁵¹ Replying to opposition question on Ceylon's stand in Vietnam, Premier Kotelawala said, "Even if the devil wants my help to fight Communism I am on his side".⁵²

Like Korean crisis, Indo-China war reflected the anti-Communist convergence of Ceylon and USA.

SEATO

After being engaged in open conflict in Korea, Indo-China with China, the US regarded it as a challenge to its dominant position in the Far East. American Government had in its mind the "China-syndrome". To this the US response was the parallel to that in the West which was the establishment of an Asian, NATO type, military bloc for the "unified action", embracing the States in the region.⁵³ The Asian countries were invited to join South East Asia Treaty Organization, mainly to prevent any further expansion of communism in Asia. There was

51 The opposition felt that the dirty work was being done by USA in Korea and by the British in Malaya and French in Vietnam. The Russians had not fired a shot but were still accused.

52 Ceylon, House of Representatives, Parliamentary Debates, vol. 17, 1954, col. 369.

53 See for more details Leszek Buszynski, SEATO - The Failure of an Alliance Strategy (Singapore, 1983).

a debate in parliament on 3-4 August 1954 regarding the US invitation to Sri Lanka to join SEATO before a settlement had been reached on the Indo-China question. Premier Kotelawala told the House: "There are these two blocs - Russia and China - on the one side, America and England on the other, trying to prevent each other from upsetting the status quo. Therefore, small country like Ceylon, are in a position to say that they will continue to follow the democratic way of life."⁵⁴

At this stage, thus, Sri Lanka government decided to have an open mind on SEATO. S.W.R.D. Bandarnaike, the leader of the opposition in the parliament viewed SEATO as a well planned design to contain China, and Sri Lanka would have to give in to the USA if she were to join the SEATO and face the consequence of losing the trade with China. He further stated that one aspect of SEATO would be the domination of South-East Asia by the white powers.⁵⁵ He advised Sir Kotelawala to preserve the country's neutrality. It was, however, believed that there was an element of ambivalence on the part of Sir John's attitude. He was attracted to SEATO because it was

54 Ceylon, House of Representatives, Parliamentary Debates, vol. 17, 1954, col. 369.

In his speech, Sir John Kotelawala had said that he wants to make Ceylon "the Switzerland in Asia" and Colombo the "Geneva of the Orient". Ibid., col. 412.

55 Ceylon, House of Representatives, Parliamentary Debates, vol. 19, 1954, cols. 452-62. Sir John had in his mind the opposition who had labelled SEATO as a dirty and dangerous proposal to sabotage the arena and Colombo Conference decisions.

essentially a pact against Communism but did not wish to deviate from the neutralist position avowed by him as well as his predecessors.⁵⁶

The Manila Treaty was signed on 9 September 1954 after the American government's failure in persuading Commonwealth members to join it. Ceylon did not join SEATO on the ground that it was too early to say what the attitude of Sri Lanka towards SEATO would be. Though Kotelawala had sympathy with the objective of SEATO which was to check Communism in South East Asia, but he believed that "the stress in SEATO is on the military aspect, but my belief is that the defence against Communism should be in economic defence".⁵⁷

56 Shelton U. Kodikara, Foreign Policy of Sri Lanka - A Third World Perspective (New Delhi, 1982), p. 91. In parliament the opposition members were very critical. "There a very dangerous position arises because as long as Great Britain is a member of SEATO, whatever the formal position of the Government of Ceylon may be, Trincomalee and Katunayake which are British bases in this country will be a part of SEATO." Extract from the questions raised by P.G.B. Keuneman to know about the attitude of Government's relation to SEATO. Ceylon, House of Representatives, Parliamentary Debates, vol. 20, 1954, cols. 35-37.

57 That is why he did not find it possible to agree with SEATO but still kept an 'open mind' and that what SEATO failed to take into account was the fact that the defence of Asia was first and foremost to be on economic front while the stress was wrongly on the military aspect. See John Kotelawala, An Asian Prime Minister's Story (London, 1956), p. 140.

At Bandung in April 1955 Premier Kotelawala showed his inclination towards joining SEATO.⁵⁸ The principle of collective security according to him was accepted at Bandung. Not only senior members of his cabinet were opposed to the idea of joining SEATO but the public opinion was also opposed to it. R.G. Senanayake, Minister of Commerce and Trade, stated that Sri Lanka would invite an "atomic pearl harbour" if she offered herself as a military base. He also criticized it on the ground that by joining SEATO the Western powers would penetrate in their economies and would find themselves in "economic bondage" to the United States. The Times of Ceylon called SEATO a "billion dollar fallacy" and accused the USA and Britain of having failed to understand the misery and salvation in the newly developed countries.

Even for the United States it was felt that SEATO was a useless alliance from the military point of view and a harmful one from politics and economically in that it alienated the broad masses of Asians, according to Hans Morgenthau.

⁵⁸ See for more details John Kotelawala, An Asian Prime Minister's Story (London, 1956), p. 115.

Conclusion

To sum up, an assessment of Ceylon-USA relations during the UNP period, one can discern ideological affinity with the US and common opposition to Communism. All the three UNP premiers adopted the parliamentary system of governance. Though they all professed a policy of neutralism, but because of their ideological attachment with the West, they brought it closer to the US. The only deviation was the signing of a trade pact with China in 1952. Trade pacts were signed with other Communist countries too, but Ceylon consistently refused to establish any diplomatic relations with these countries. It was argued that the trade pacts had only economic significance and not political significance.

The UNP leadership's western oriented ideology further reinforced by the leftist opposition resulted in a pro-American stand on any issue in which the Communist bloc was involved as evident from the Korean Crisis of 1950 and in Indo-China war of 1954. In both the crises the containment of Communist advance and expansionism, was the common objective of America and Ceylon governments. In these two close cooperation and interaction was evident between Ceylon and the US. But Sri Lanka did not support the policies devised by the United States government to combat Communism through collective security pacts. Though Kotelawala did show some

inclination to join SEATO, he had some reservations. In any case, as long as the UNP was in power the western countries especially the United States and UK found a special place in the foreign policy. But the general elections of 1956 brought a new phase in Sri Lankan domestic as well as in foreign relations with other countries. In the light of this, the next Chapter will analyse the Sri Lanka-US relations under the Bandarnaikes (1956-65).

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CHAPTER 3

SRI LANKA-US INTERACTION DURING THE BANDARNAIKE
REGIMES : 1956-1965

The year 1956 is of great significance in the Sri Lankan politics. General election, which was held ahead of its schedule in April 1956, brought in power the People's United Front (Mahajan Eksath Peramuna - MEP) under the leadership of S.W.R.D. Bandarnaike, the former leader of Opposition in parliament. The MEP was a coalition front consisting of various political parties and groups - the Sri Lanka Freedom Party (SLFP) of S.W.R.D. Bandarnaike, Vipalavakari Lanka Sama Samaja Party (VLSSP) of Philip Gunawardena, Bhasa Peramuna of W. Dahanayake and some independents.¹ The MEP victory was seen by many as a shift of political power from the westernized bourgeoisie into the hands of the national and petit bourgeoisie.² The year 1956 was also seen as a watershed in Sri Lankan

1 See for more details Howard Wriggins, Ceylon: Dilemmas of a New Nation (New Jersey, 1962), pp. 104-62.

2 Cited in Gamini Navaratne, The Rice Rubber Connexion (Colombo, 1976), p. 48.

politics in evoking a Sinhalese-Buddhist ascendancy.³

The SLFP was formed by S.W.R.D. Bandarnaike who was earlier a member of the UNP government. His socialist ideas for Ceylon's economic problems with a greater measure of government planning and social justice were not in line with the declared policies of the UNP. Added to his political thinking was also the issue of succession after the death of D.S. Senanayake when his right as the senior leader of the UNP was side tracked and Senanayake's son became his political successor.⁴ Consequently, Bandarnaike resigned from the UNP in 1951 and founded the SLFP.⁵

3 The MEP in its election manifesto promised the establishment of a republic, withdrawal of the British bases, nationalization of banks, estates and other foreign owned enterprises, land reforms, extension of the social services, reduction in the price of rice and most important elevation of Buddhism to a position of pre-eminence and declaration of Sinhala as the sole state language. See for details, Calvin A. Woodward, The Growth of a Party System in Ceylon (USA, 1969), pp. 100-34.

4 On breaking from the UNP, Bandarnaike declared that he intended to take "politics" from some bodies and transfer it to "no bodies". K.M. De Silva and Dennis Dalton, eds, States of South Asia - Problems of National Integration (New Delhi, 1982), p. 19.

5 Though the SLFP did fight on its own in 1952 elections, but it was not properly organized. Still, the party managed to secure 9 seats enabling SWRD Bandarnaike to be the leader of the Opposition, the post he held till the General Elections of 1956. See for details, Wriggins, n. 1, pp. 104-56.

Though, even earlier, Bandarnaike had the conception of what Sri Lanka's foreign policy ought to be, it was during this period that the content of the policy of non-alignment got crystallized in his speeches and writings. Thus as early as in 1951 he propagated an independent foreign policy:

Our foreign policy must be governed by the paramount need in the interests of our people of preserving peace. The object is best achieved by our country steering clear of involvement with power blocs and by the establishment of friendly relations with all countries. Therefore no bases can be permitted in our country to any Foreign Power and all foreign troops must be immediately withdrawn from our country. 6

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- 6 Sri Lanka Freedom Party, Manifesto and Constitution of the Sri Lanka Freedom Party (Wellampitiya, 1951), p. 9.

In his subsequent speeches he reiterated that his policy remained fundamentally the same as that was expressed by the Governor-General in the two speeches: "In all our international relations, we will continue to have an independent approach without alignment ourselves with any 'power bloc'." Ceylon, House of Representatives, Parliamentary Debates, vol. 16, 1953, cols. 709-10.

Bandarnaike's idea on foreign policy matters, before he became the Prime Minister, came mostly in the form of criticism of his predecessors' foreign policies. On 17 June 1952, on the occasion of the debates on the Throne Speech at the House of Representatives, he advanced the following arguments:

- (1) Sri Lanka so far had failed to formulate a well defined and independent foreign policy and those in power apparently had no sophistication in current and international affairs.
- (2) Sri Lanka, though small, in her own interests and in a wider context, should play an important and constructive role in international affairs.

Therefore, when the party was voted to power, it not only brought about a political change of far reaching character but also resulted in the reorientation of the foreign policy of the country.⁷

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- (3) In foreign affairs her dependence on British advice and guidance was not conducive to the interests of Sri Lanka.
 - (4) Wherever bipolar power bloc conflicts existed, she should show an attitude of neutrality.
 - (5) Sri Lanka should in South East Asia, occupy a position analogous to that of Switzerland in Europe.

S.W.R.D. Bandarnaike, Towards a New Era (Colombo: The Department of Information, 1961), pp. 803-20.

- 7 The SLFP differed from the UNP in two ways. The first was that it was based on a philosophy namely the concept of neutralism, and non-alignment. Secondly, Sri Lanka's foreign relations were dependent upon universality for its relationship rather than identification with power blocs. The prime motivation in this regard was pursuing the Buddhist middle path that was avoidance of extremes. S.W.R.D. Bandarnaike urged most of the Asian countries to follow a "third way" to discover the form of society that was suited to them the most. In foreign policy he wanted its basic theme to be "pro-Ceylon" rather than "anti-West" or "anti-communist". "...there is only one 'pro' that we have to be pro Ceylon." Ceylon, House of Representatives, Parliamentary Debates, vol. 14, 1953, cols. 510-11 and 434.

In the germination of Bandarnaike's ideas on foreign policy, the 1947 Asian Relations Conference in New Delhi and the 1949 Delhi Conference were presumably important factor. Bandarnaike envisaged the problems of common interest faced by countries, in the Asian region, either recently emancipated from colonial status or on the eve of such emancipation.

The SLFP period which again like the UNP lasted for eight years, except for four months i.e. March-June 1960, when Dudley Senanayake was voted in and out of the power, brought a significant shift in the external relations of the Island. Both the UNP and the SLFP, appear to agree on the two fundamental objectives of Ceylon's foreign policy namely, security and world peace. On a number of issues like colonialism, disarmament and arms control, a consensus existed among the two parties. Nonetheless, the two parties' attitude towards the West and Communist countries led to a reorientation of Ceylon's relations with the two blocs.

Explaining the SLFP's conception of non-alignment policy SWRD Bandarnaike maintained that Ceylon should play the role of a Switzerland in Asia,⁸ following a neutral policy and non-alignment with any power bloc.⁹ Leaders of the UNP government had also spoken vaguely about it, but their policy was pro-West.

Bandarnaike's policy of non-alignment appears to have two facets. On the one hand it meant the refusal to be

8 Ceylon, House of Representatives, Parliamentary Debates, vol. 25, 1956, col. 1600.

9 Under this pattern of the policy of non-alignment, Ceylon advocated close relationship with countries of either bloc, provided such relationship did not involve Ceylon in the politics of cold war.

drawn into defence pacts.¹⁰ On the other hand, it envisaged a role for a small non-aligned country like Sri Lanka for the maintenance of world peace and security.¹¹

Addressing the UN General Assembly on 22 November 1956, S.W.R.D. Bandarnaike made it clear that the SLFP policy of non-alignment was not an "opportunist doctrine"¹² aimed to get the

10 Explaining the term co-existence as a policy of live and let others live, the Ceylonese representative in the UN, P. Gunawardena maintained that "the fear of nations to their territorial integrity was not always the result of threat of violence and aggression but sometimes also of the defensive alliances built around that nation. However, defensive these alliances might be, they hardly made for the peace and security of the nation surrounded." United Nations General Assembly Official Records (hereinafter referred to as GAOR), 1st. Com., mtg. 939, 13 December 1957, col. 436. Ceylonese representative Mr Gunawardene in an another speech in the General Assembly of the UN said: "It is our view that the alignment of the countries in military pacts in any part of the world will create an atmosphere of suspicion and distrust and consequently lead to an increase in international tension." GAOR, mtg. 698, 2 October 1957, col. 246.

11 "The strength of Sri Lanka lay in its weakness; the role it could play was that of a conciliator and mediator to bridge over the gulf between the opposing factions." Urmila Phadnis, "Foreign Policy of Sri Lanka in the Seventies", IDSA Journal, vol. 8, no. 1, 1975, p. 97.

12 The opportunist doctrine means taking advantage of the circumstances arising out of the cold war politics. Non-alignment not only provided an ideological corpus to Sri Lankan foreign policy, but also was seen as an appropriate strategy" that suited the needs and vulnerability of the Island states. Besides the SLFP, the pro-West UNP, LSSP, pro-Soviet Communist parties and the federal party also accepted the tenets of non-alignment.

best of both the worlds, but it is a product of circumstances, when combined with the policy of non-hostility towards ideology and countries proves to be the most effective mean to preserve the world peace. As a result of this policy, SWRD Bandarnaike visualized Ceylon to be "friends of all and enemy of none". Also, Bandarnaike did not fear about the subversion of "international communism".¹³ In his first speech as the Prime Minister, the SLFP leader had already referred to the need for the establishment of diplomatic relations with Communist countries.¹⁴ Consequently, in September 1956, Ceylon signed joint communiques with China and the USSR for the establishment of diplomatic, and cultural relations. It was a sign of his desire to strengthen Ceylon's links with the Communist countries marking a definite turning of UNP policy towards Communist countries in general. Not only this, the SLFP government lifted the ban on the import of Communist literature which was imposed

13 As regards International Communism which according to the UNP posed a great threat to world peace, Bandarnaike had a different view. According to him "if the Communist parties of different countries had sympathy for each other, it was understandable, because they stood for the working class in all those countries." D.M. Prasad, Ceylon's Foreign Policy under the Bandarnaike, 1956-65 (Delhi, 1973), p. 47.

14 SWRD Bandarnaike stated in his speech that "consideration will be given to the exchange of diplomatic representation with countries in which Ceylon is not at present represented. Times of Ceylon, 19 April 1956. Further, reference in S.U. Kodikara, "Ceylon's Relations with Communist Countries : 1948-65", South Asian Studies, vol. 2, no. 2, 1967, pp. 103-30.

by Sir John Kotelawala, then Prime Minister, in 1953. Possibilities of increased trade, technical and economic assistance with the Soviet bloc was also sought by Sri Lanka. The SLFP era also saw close collaboration with China. Ceylon's trade with China as well as other Communist countries increased considerably. It also signed Maritime agreement with China in 1963 which provided for the most favoured nation treatment¹⁵ to the contracting parties in respect of commercial vessels engaged in Cargo.

Another important feature of the implementation of the new policy was Bandarnaik's request for the withdrawal of all the foreign bases from Ceylon. This was an issue which Bandarnaik had strongly advocated in the past. He made it clear that the transfer of these bases was not made in any spirit of hostility but because "our foreign policy which is based on friendship with all nations and non-alignment with any power bloc of the world necessitates such a step".¹⁶ Negotiations for the transfer of the bases was agreed for the handing over of the bases in 1957 with the evacuation of Trincomalee Naval base on 15 October 1957 and Kautnayake air base on 1 November

15 Ceylon, House of Representatives, Parliamentary Debates, vol. 53, 1963, cols. 709 and 880.

16 SWRD Bandarnaik, Speeches and Writings (Colombo: Department of Broadcasting and Information, 1963), p. 408.

1957.¹⁷ Bandarnaiké making a speech in the House of Representatives maintained that with the removal of bases, "the last remnants of colonialism in this country have been removed".¹⁸ Commenting on the takeover of the bases Premier Bandarnaiké said: "Today our independence is complete."¹⁹

News of the withdrawal of the British bases at Trincomalee and Katinayake was not welcomed in the US. Thus, a New York Times commentator had written that "the blandly neutralist administration in Ceylon applies its neutralism in a manner entirely benevolent to Moscow and Peking".²⁰

Bandarnaiké wanted to change Sri Lanka's status from a dominion to a republic within the Commonwealth. At the 1956 Commonwealth Prime Ministers Conference in London, he said that "Ceylon would become a republic and would probably stay in the

17 The July agreement of Ceylon-UK on the withdrawal of the bases, created a sense of disappointment among the UNP in opposition circles. J.R. Jayawardene, a senior member of the UNP, said that the agreement represented a pyrrhic victory for Bandarnaiké. *Lucey Jacob, Sri Lanka: From Dominion to Republic (Delhi, 1973), p. 74.*

18 Ceylon, House of Representatives, Parliamentary Debates, vol. 28, 1957, col. 1778.

19 SWRD Bandarnaiké, The Foreign Policy of Ceylon: Extracts from Statements, 3rd edn. (Colombo, 1961), p. 21.

20 Quoted from S.U. Kodikara, Foreign Policy of Sri Lanka - A Third World Perspective (Delhi, 1962), p. 100.

Commonwealth". The example of India, he maintained, had shown the possibility of "remaining within Commonwealth without impairing one's sovereignty".²¹

In 1959, Bandarnaik was assassinated. After a brief interlude of uncertainty his widow Mrs Sirimavo Bandarnaik, led the party to victory. Mrs Bandarnaik tried to follow her husband's neutralist policy. Speaking at the Governor General's speech Mrs Bandarnaik maintained "in external affairs, my government will maintain its policy of non-alignment with power blocs and of neutralism and co-existence."²² In reality, Sri Lankan foreign policy became even more vociferous on issues like military pacts, colonialism, disarmament etc. From her husband's "centre party policy", Mrs Bandarnaik's coalition with the Trotskyite LSSP also gave a sharper tilt to his criticism of the 'rapacious west'.²³

21 SWRD Bandarnaik, talking to the reporters at London in 1956 had stated that "remaining in the Commonwealth will not in any way derogate from the sovereignty and a number of advantages will accrue. These included membership of the sterling area, Colombo Plan for South East Asian Development, and the fact that the countries concerned had a common tradition for democratic parliamentary government.

22 Ceylon, House of Representatives, Parliamentary Debates, vol. 39, 1960, col. 51.

23 S.U. Kodikara, Foreign Policy of Sri Lanka : A Third World Perspective (Delhi, 1982), p. 106.

Sri Lanka-US Policy : 1956-1965

The change in the Government from pro-West to neutralist in 1956 general elections was viewed by the Western countries with concern.²⁴ Bandarnaike's emphasis on non-alignment and attempts to develop friendship with all nations, was viewed with suspicion by the Western countries. But Bandarnaike reiterated that his non-alignment policy was not anti-Western or hostile to the United States. It was explained that Ceylon's friendly relations with the USSR or for that matter China did not aim at hostility to the United States. On the contrary, Premier SWRD Bandarnaike declared that "we are closer to the United States than the others because we too believe in a democratic way of life".²⁵ He wanted to retain those along with some important countries like the USA and UK with whom the country had established cordial relations in the past.

It is noteworthy that the policy of non-alignment was not widely appreciated in the United States for a long time. It was criticized by the American Secretary of State John Foster

24 The defeat of the UNP under the leadership of Sir John Kotelawala, an ardent supporter of "Western bloc" and staunch 'anti-Communist' was seen as a heavy blow to the West. The New York Times (International Edition), 5 April 1956.

25 Ibid, 26 May 1957.

Dulles as "an immoral and short sighted conception",²⁶ as well as by President Eisenhower.²⁷ As regards Ceylon, though the USA government had 'penalised' the pro-Western government, of the UNP for signing Rice-Rubber Pact in 1952 with the People's Republic of China, J.F. Dulles did try to persuade Premier, Sir John Kotelawala, on his visit to Ceylon to join SEATO.²⁸ In any case, the victory of the SLFP put an end to Ceylon's prospect of joining SEATO.

Even so, ironical though it may be seen, the revocation of economic embargo on Sri Lanka (which had begun earlier) was announced by the US within the first few days of the coming into being of the Bandarnaik regime. The US-Ceylon agreement signed on 26 April 1956 did not carry any condition with it.²⁹

The US government was quite aware of SWRD Bandarnaik's foreign policy. Still, the US authorities were requesting the

26 Ceylon Daily News (Colombo), 14 June 1956.

27 President Eisenhower in 1954 said, "The times are so critical and the difference between the two worlds systems so vital and vast that grave doubt it cast upon the validity of neutralist arguments...." Quoted from Prasad, n. 13, p. 53.

28 Tribune, Ceylon News Review (Colombo), vol. 2, 15 March 1956, p. 695.

29 The agreement signed between the US and Ceylon was the result of negotiations conducted by the UNP regime under Sir Kotelawala's leadership, the beneficiaries of American aid was not Sir John Kotelawala but the Bandarnaik's regime.

Congress for more aid to the MEP government for the year 1957. Bandarnaik was not hesitant to sign the treaty that was to grant economic aid to Sri Lanka. This was done in spite of the Bandarnaik's allegations during the campaign in 1956 elections that the UNP government was "under the influence of American dollars".³⁰ But the 1956 elections were seen as a democratic consideration rather than a question of international relations. George V. Allen, the Assistant Secretary of State in the Foreign Affairs Committee of the House of Representative of Congress maintained that "Ceylon was still an important member of the 'free world' and the most significant fact, he said, was that government change in Ceylon was accomplished through a democratic process."³¹

30 During the elections, the UNP was criticized as the party which had "sold Ceylon to the Americans" and it was further alleged that it had a secret deal with the USA to make Sri Lanka a member of the SEATO. This was meant to imply that Ceylon too would have to share the fate of Korea and Vietnam. The untimely visits of J.F. Dulles and Bishop Lucas early in 1956 was seen by the opposition parties with suspicion of UNP's close links with the USA. During the election campaign the struggle between the Sinhalese Buddhist nationalist against the "American-influenced anti-nationalist" was highlighted. H.S.S. Nissanka, The Foreign Policy of Ceylon under SWRD Bandarnaik (Colombo: Sri Lanka, Department of Information of the Government of Sri Lanka, 1976), p. 10.

31 Ceylon Daily News, 26 April 1956.

During Bandarnaike's tenure, Ceylon's relation with the US began to expand.³² But during Mrs Bandarnaike regime, Ceylon relations with the US began to deteriorate because Mrs Bandarnaike took positions which tended to evoke the wrath of the US government. One of the principal factor was the nationalization of the import and distribution of oil in Sri Lanka.³³ Increased influence of the Chinese despite Bandarnaike's reiteration for non-aligned policy at Cairo Conference in 1964, was also evident. Even so, Mrs Bandarnaike renewed the agreement with the US on VOA.

Against this background of the MEP and SLFP's foreign policy, an attempt will be made to assess Ceylon-US stand on some of the major international issues - Suez dispute, Hungarian uprisings, West Asian crisis, Sino-Indian war of 1962, Disarmament and finally Indian Ocean as a zone of peace to the extent it diverged or converged with the US.

The Suez Crisis

Ceylon, being a small and by no means a strong country, the Suez crisis of 1956 is very significant in the sense that

32 Premier Bandarnaike remarked that he was glad to notice that the US was "taking a more sensible and more realistic view of the situation". The Times (London), 26 April 1956.

33 Economic relations will be discussed in detail in Chapter IV of this dissertation.

it was during that year that Sri Lanka began to function as a member of the UNO for the first time and got the opportunity to make its voice felt on the major crises in a world forum under the changed leadership of SWRD Bandarnaika in the 1956 general elections. Suez Crisis of October 1956 was preceded by several months of increasing tension following the American decision to cancel its planned aid for the Aswan High Dam in July 1956, leaving no option for the Egypt except to nationalize the Suez Canal Company on 26 July 1956. It was a matter of grave concern for Sri Lanka too, as it started at a time when negotiations for the withdrawal of British bases from Ceylon were in progress.

Ceylon's interests were at stake in Suez Crisis. Bandarnaika, speaking at the House of Representatives, described the situation as the most serious one single thing that happened to jeopardize the rather uneasy peace which "we are enjoying at the moment in the world. Since the Second World War we are personally concerned because most of our trade, our exports of goods pass through the Suez Canal, and so do most of the imports we receive from Europe."³⁴

Mr Bandarnaika made it clear in the parliament that Ceylon had already declared its independent position on the

34 Ceylon, House of Representatives, Parliamentary Debates, vol. 25, 1956, col. 1104.

issue of sovereignty of Egypt. It was also assured by the UK that Ceylonese bases would not be used by UK "for any purpose connected with military action in the event of outside hostilities".³⁵

From the very onset the Ceylon government's stand was endorsed by many political parties in Ceylon when they affirmed at a public meeting Egypt's right to claim control over its own territory in the same way that Ceylon was claiming control over foreign bases in the island.³⁶

Ceylon was the first country to call for an international conference on the dispute and had suggested the need to have immediate discussion among the powers (like USA, UK and France) closely connected with the issue. The solution suggested by President Eisenhower was the same when he proposed "immediate consultation among the largest possible number of maritime nations affected by the canal's new states, only Ceylon being one day ahead in coming out with the proposal. At the London Conference of August 1956 Ceylon whole-heartedly supported a compromise solution of the problem which proposed a consultative body to advise Egypt in accordance with the interest of the

35 Ceylon, House of Representatives, Parliamentary Debates, vol. 27, 21 April 1956, cols. 425-7.

36 Ceylon Daily News, 8 August 1956.

users of the Canal. This body would maintain contacts with the UN.³⁷ At the London Conference, the Sri Lankan delegate, Sir Claude Corea, opposed the plan put forward by the US Secretary of State, John Foster Dulles, for an international operating board for the canal.³⁸ The proposal to set up a canal users' association was condemned by Sri Lanka, describing the measure as "a giant step towards war".³⁹

Meanwhile, a grave situation was created in the Middle East by the invasion of Egypt by Israel followed by British and French troops landing in Egypt. Asian members of the Commonwealth and the USA did not support the hasty action of French-British forces. The US initiative to summon the General Assembly was welcomed by Sri Lanka's permanent representative at the UN, R.S.S. Gunawardena. Sri Lanka supported the US sponsored resolution demanding ceasefire and creation of a UNEF⁴⁰ in the Suez. Thus, Sri Lanka played an active role in the Suez Crisis

37 UN Year Book (New York, 1957). Suggestion of Ceylon to Egypt to go to UN was opposed by the LSSP on the ground that "UN was not impartial but functioned as a framework within which a group of great powers seek to impose their will to the rest of the world." Ceylon, House of Representatives, Parliamentary Debates, vol. 28, 1957, cols. 118-19.

38 Shelton Kodikara, n. 22, p. 102.

39 Ibid.

40 United Nations Emergency Force.

by voting on all the 11 resolutions as did the USA.

In sum, on Suez, Bandarnaike and President Eisenhower were at a considerable and substantial agreement in their views. Bandarnaike expressed the gratitude to the US stand during the crisis and declared that the policy in the Middle East had greatly enhanced its prestige with the Asian powers and helped to remove the misunderstanding about America which had existed in some countries.

Ceylon was also appreciative of the role played by the US during the Suez Crisis and Bandarnaike on his way back from Canada, made it a point to visit the US. Mr Bandarnaike speaking at a news conference endorsed the position taken by the US vis-a-vis Egypt and denied any type of the "imperialist design" by the US.⁴¹

Hungary Crisis

Unlike Suez where Ceylon took a firm stand on Hungary, SWRD Bandarnaike was unable to make up his mind and Ceylon's ambivalence varied between greater extremes. The Hungary crisis came at a time when Suez crisis was still a burning issue. 22 October 1956 revolt in Hungary, and presence of Russian troops in Hungary, were condemned by the non-aligned countries and Colombo powers. At a press conference, Bandarnaike declared:

⁴¹ New York Times, 11 November 1956, p. 14.

"I feel that the steps taken by the Soviet Union in Hungary are to be deplored. Violence, whether in the Middle East or in Hungary, could not solve international problems."⁴² He was of the opinion that the Soviet forces should be withdrawn from Hungary specifically and that Hungarian people should be free to decide their future and growth of government. All the political parties except the Communist, were of the same views.

USA had requested the Security Council to consider the situation in connection with the alleged violation of Human Rights of the people of Hungary. Because of the Soviet veto in the UN Security Council, the US sought a special session of the General Assembly on the basis of "Uniting for Peace Resolution".⁴³ Although earlier, Ceylon deplored and condemned the Hungarian incidence but throughout the debates in the General Assembly it abstained⁴⁴ from all resolutions sponsored by the West or Hungary. Colombo powers adopted very careful attitude in the UN which was condemned by the rest as "lukewarm attitude".

42 Ceylon Daily News, 8 November 1956.

43 UN Year Book, 1956, p. 67.

44 Abstention in the third resolution was on the basis of the strong language used by the US in the draft resolution. Gunawardene had said "though Hungary needs material help with all the sympathy and goodwill and let us do in humanitarian sense not making the use of the situation for vindictiveness, for revenge or for the gospel of hatred."

The policy followed by SWRD Bandarnaike showed cautious attitude till she got enough facts on Russia. Ceylon's representative at the UN, R.S.S. Gunawardene was appointed chairman of the Special Committee on Hungary. The attitude of the Soviet Russia and Hungary resulted in Sri Lanka condemning Russian activities in Hungary. In the early stages of the crisis, Bandarnaike had faith in the UN's ability to resolve it. Therefore he voted with the United States on the Cuban resolution No. 1127. But later on when Sri Lanka Government realized that the UN efforts were going to be a failure because of the attitude of both the blocs a shift came in Ceylon's attitude towards Hungary. Sri Lanka's left-wing leaders mostly Communists criticized RSS Gunawardene as an "American stooge"⁴⁵ and alleged that Ceylon had played wilfully into the hands of the USA. Dr Colvin R. de Silva in Parliament on 17 July 1957 criticized Colombo about the feasibility of Ceylon recognizing the leadership of the US in the free world which went directly against the announced policy of the government. On Hungary, the policy pursued by Ceylon was conditioned by certain considerations designed to minimize the recriminatory relationship between the two power blocs resulting in a divergent approach to that of the US, as it had wished Ceylon to view that Soviet Union had committed aggression on Hungary.

45 H. S. S. Nissanka, Sri Lanka's Foreign Policy - A Study in Non-Alignment (New Delhi, 1984), p. 77.

West Asian Crisis

In West Asia, Americans were actively involved. Instability in the region following the withdrawal of Anglo-French forces brought the US into the picture through CENTO, a military alliance in the region. It was felt that such an interference, to begin with, could be used by unpopular government to support and maintain themselves in power against the wish of majority of their people and thus deny to the people the elementary right of freedom that of self-determination. Secondly, in view of the threat to the world peace and stability it demanded the withdrawal of the UK and US forces from Lebanon and Jordan and urged the Arab states to solve their disputes themselves.⁴⁶ It was in consonance with this policy that Ceylon considered the Eisenhower doctrine as a 'power move' in Western Asia between warring great powers. Bandarnaike was in favour of the UN efforts to solve the dispute to which President Eisenhower agreed saying that they would work through the UN to establish peace whenever peace was threatened in various parts of the world.⁴⁷

46 Ceylon, House of Representatives, Parliamentary Debates, vol. 34, 22 April 1959, cols. 1342-3.

47 Ceylon, House of Representatives, Parliamentary Debates, vol. 27, 17 January 1957, cols. 1342-3.

USA's action in Lebanon and Jordan⁴⁸ was viewed as an interference in the internal affairs of the State. In the UN General Assembly, Ceylon's representative supported the Soviet resolution calling the withdrawal of the forces.

Also, on the initiative of Ceylon, a resolution was adopted in the Emergency Special Session of the General Assembly asking the Secretary General to help in the early withdrawal of foreign troops from the countries. Nonetheless, Sri Lanka was careful not to unnecessarily offend the USA.

In sum, in the West Asian Crisis, where the USA was directly involved, Ceylon took a clear stand in the interest of peace through its general policy of anti-imperialism and adherence to the Bandung resolution i.e. non-intervention of one country in the internal affairs of another.

Sino-Indian Border Dispute - 1962

Sino-Indian border dispute of 1962 came at a time when the world had witnessed another grave situation i.e. the Cuban nuclear missiles crisis. Sino-Indian border dispute saw the difference of approach between the two states. It was important for Ceylon as its two friendly countries were involved.

The news of massive attack on 20 October 1962 on India by China pressurized Nehru to ask for the help of USA, the USSR,

⁴⁸ The USA and the UK had taken the action in conformity with the two resolutions passed in the UN General Assembly in 1949. "The Essentials of Peace Resolution" and "Peace through Deeds Resolution".

UK and other non-aligned nations for the help and for the condemnation of China as the 'aggressor.'⁴⁹ But no country came forward except the USA. Mrs Bandarnaike refused to do so, at the most she was prepared to concede being that "India would not wish to do any thing to prejudice its territorial integrity of self respect by submitting to negotiations under pressure of armed conflict."⁵⁰ Sri Lanka's inability was because of its own economic interests as it was of the view that such a declaration would jeopardize its interest with serious economic consequence in view of the rice-rubber pact with China. On the other hand, pro-China policy would have meant India's non-cooperation on the citizenship problem. Consequently, Sri Lanka favoured a neutral stand in Sino-Indian dispute. This was criticized by the opposition (except the Communist parties) as well as by the Press that the Sri Lankan Government should declare that it was China who was the aggressor in the Sino-Indian border dispute.

Nehru had asked for the US help and US Government's 7th Fleet was, accordingly, alerted in the Indian Ocean to aid and help Indians. Meanwhile Mrs Bandarnaike convened a

⁴⁹ V.P. Dutt, India's Foreign Policy (New Delhi, 1984), pp. 72-130, and 277-344; and J. Bandyopadhyaya, The Making of India's Foreign Policy (New Delhi, 1979), pp. 115-16.

⁵⁰ O. Jayaratne, "A Closer Look at the China-India Border Dispute", Young Socialist, vol. 2, no. 3, pp. 125-31.

conference in Colombo of six non-aligned nations to find a settlement to the problem.⁵¹ As a result ceasefire and withdrawal of forces took place. At Colombo Conference of 1962 it was decided that negotiations for the purpose of settling the border dispute peacefully. Sri Lanka's role as a peace maker in the Sino-Indian dispute was moderated by her manifest desire to prevent an open rupture between the two countries with both of which it had close economic and commercial ties and with neither of which it could have afforded a breach of the existing goodwill and friendly relations. In Sino-Indian border dispute Ceylon played a positive and mediatory role on the ground that the principle of non-alignment applied equality to conflicts between power blocs as to the China and India war which was but an extension of the rivalry of the power blocs as compared to the US offer to help India with military aid to combat Communist China's attack.

Disarmament

Issue of Disarmament also saw divergent stand of two countries. America, after the Second World War, emerged as the Super Power on the world scene. Bipolarization of the world brought a competition among both the blocs to have more

51 "Colombo Powers" included Indonesia, Burma, UAR, Ghana, Cambodia and Ceylon.

and more weapons. Both the countries were engaged in the competition to acquire more and more sophisticated weapons.⁵² Technological superiority of the US in the field of nuclear weapons was overshadowed by the Russians in 1957. This brought further acceleration in the arms race. Arms race, after the Sputnik satellite, spread armament to the outer space also.

Along with other Afro-Asian countries Ceylon, through the UN, made its voice felt over the issue of disarmament. On issues like disarmament and suspension of nuclear weapons it maintained that one of the ways in which this world trend towards destruction could be arrested through abandon^{ing} military blocs and to enter into treaties of non-aggression and non-interference. Peaceful co-existence in the economic as well as political sphere would facilitate in creating an atmosphere of confidence and trust. This could also help in dealing with the problem of disarmament. Keeping with the spirit of disarmament Sri Lanka urged the US to abandon underground tests and work towards total disarmament.

Bandarnaike government's concern over nuclear stock-piling had also been repeatedly expressed in various forums

52 See for more details Hilsman and Good, Foreign Policy in the 60s (Maryland, 1965).

requesting the immediate suspension of atomic and hydrogen bomb testing.⁵³ Ceylon was also keen that space should be free from military activities. It had urged both the USA and USSR to co-operate in coming to an agreement over the non-contamination of the outer space.⁵⁴ It maintained that the huge expenditure in the destructive weapons could be more profitably channelized for the economic development of the developing countries.⁵⁵

About the dangers of nuclear weapons three proposals put forth by Mrs Bandarnaike were accepted unanimously by the Conference and incorporated into the final declaration of the Cairo Conference of 1964. The proposals were: (1) The concept of nuclear free zones should be extended to cover areas and occasions that have not been free of nuclear weapons. (2) All non-aligned nations should take immediate action to close their ports and airfields carrying nuclear weapons. Colonial powers should not only undertake to liquidate existing bases in colonial territories, but they should refrain from

53 SWRD Bandarnaike reiterated that "the significance of the atomic age was that it opened on the one hand, vistas for progress of mankind, on the other it also provided ways and means for its annihilation. Thus, it was out of the immense potentialities of good and evil that mankind had to pick up good and discard evil." SWRD Bandarnaike, n. 19, p. 5.

54 GAOR, 1296 mtg., 1962, p. 247.

55 GAOR, 821st mtg., 1960, pp. 380-84.

establishing colonial territories' new bases capable of being used for aggressive purposes.⁵⁶ In the implementation of the same, it not only refused refuelling facilities to the Soviet aircrafts going to Indonesia as part of the USSR and to Indonesia against Malaysia but also denied facilities to the UK and US military missions to Malaysia. Ceylon signed Partial Nuclear Test Ban Treaty in 1963.⁵⁷ The Partial Test Ban Treaty was viewed by Ceylon as a significant step toward relaxation of international tensions and hoped that it will be a first step towards further developing the detente between the USSR and the US. Establishment of hot line between USA and USSR and signing of the outer space treaty aimed at elimination of weapons of mass destruction from outer space and unilateral reduction of military budgets, were seen as healthy signs for disarmament moves.

Indian Ocean as a Zone of Peace

Unlike the US stand, Ceylon was also in favour of nuclear free zones and making oceans as zone of peace. As

⁵⁶ Ceylon Today, vol. 13, no. 11, November 1964, pp. 4-8.

⁵⁷ Commenting on the NTBT, Ceylonese Ministry of Defence and External Affairs on the signing said that "Ceylon's position has always been that it would be satisfied only when an agreement on total disarmament" is formulated. But it was considered as important because it created climate necessary for a wider agreement. Ceylon, House of Representatives, Parliamentary Debates, vol. 53, 1963, cols. 1167-8.

regards Ceylon, the concept of Indian Ocean as a nuclear weapons free zone can be traced back to the Cairo Summit meeting of the non-aligned countries held in September 1964. On Mrs Bandarnaike's initiative, two resolutions having a direct bearing on the concept of the Indian Ocean as a zone of peace were adopted. One of the resolutions in Part 7 of the programme recommended the establishment of zones free of nuclear weapons covering the oceans of the world, especially by those oceans which had been hitherto free of nuclear weapons. The other resolution in Part 8 was a total condemnation of the big powers efforts to establish and maintain bases of cold war rivalry in the Indian Ocean as a calculated attempt to intimidate the emerging countries of Africa and Asia and an unwarranted extension of the policy of neo-colonialism and imperialism.⁵⁸

Sri Lanka's views on Indian Ocean clashed with that of the US. The Indian Ocean is of importance to the United States primarily as: (a) an ocean de passage; (b) a critical source of energy for the whole world economy; (c) a region affected by Asia's particular geostrategic structure; and a conflict prone region at times have threatened to involve major powers more deeply in regional affairs. The USA has several old bases in the Indian Ocean or in close proximity to

⁵⁸ Quoted from H.S.S. Nissanka, n. 45, p. 216.

it. It has large bases in Japan, the Philippines and Thailand. The formation of ANZUS and the SEATO have also resulted in a large US presence in the Indian Ocean. For military strategic importance, the US in 1964 had carried out strategic surveys in the Diego Garcia in the heart of the Indian Ocean⁵⁹ and had sent a Nuclear Task force. Sri Lankan Government's appeal not to send naval vessels with nuclear capability to the Indian Ocean was ignored. Washington had also been irritated by the 'Indian Ocean as a Zone of Peace' proposal of Sri Lanka as it had its own reservations about the proposal. From the very inception of the concept, it was perceived by the United States as a threat to its vital national interests in the Indian Ocean, the region and the adjacent areas. But still, the US Government in response to several appeals made by Ceylon argued that if Ceylon government objected, Ceylon ports would not be used.⁶⁰ Sri Lanka's objective was to contain the

59 Howard Wriggins, "Interest of the Major Powers in the Indian Ocean", in UN Disarmament Year Book, 1989, p. 14. The US government had justified its increasing presence in the Indian Ocean on the grounds of 'vacuum theory'. The decision of the British withdrawal from the Indian Ocean was projected as a move which might create a vacuum in the area, if the Americans did not rush to fill, would be filled by the USSR. K.R. Singh, The Indian Ocean - Big Power Presence and Local Response (New Delhi, 1977), p.218.

60 Sticking to its stand, Sri Lanka refused facilities to US aircraft going on military missions to Malaysia and refused permission to the US Seventh Fleet to enter into Sri Lanka territorial waters and protested against the presence of American fleet in the Indian Ocean as Sri Lanka was keen to have Indian Ocean free from the cold war politics. Kodikara, n. 20, p. 106.

activities of foreign powers and ensure that they did not make this part of the world a battle ground for their rivalries⁶¹ and had wished that all the littoral countries should join in giving effect to the proposal of making Indian Ocean as a zone of peace.

Conclusion

To sum up, a noticeable change in Ceylon-US relations may be perceived during the period 1956-1965. There were two important features of Ceylon politics during this period; one was the ideological neutrality, and second being the strategic neutrality.

The non-alignment of SWRD Bandarnaika was not oriented towards an anti-western stance. Indeed he carefully reiterated the common bonds which they had through the shared commitment to democratic institutions and freedom. But at the same time he did not hesitate to condemn the US government's policy on some of the issues e.g. West Asian Crisis. On Suez, Bandarnaika did his best to maintain good relations with America despite strategic neutrality. On Hungary, he showed a great reluctance to condemn the Soviet Union's intervention. This was explained in terms of cautious attitude

61 Ceylon Daily News, 14 October 1971.

on the part of Ceylon to maintain cordial relations with both the blocs.

Mrs Bandarnaika's policy was distinguishable from that of the previous MEP regime. Though she claimed that she followed the principles enunciated by her late husband in her foreign policy. But in reality her policies at times were stridently critical of the US postures especially after the expulsion of Asian Foundation and establishment of a State Petroleum Corporation affecting the US companies interest. Though she maintained ideological neutrality during the Sino-Indian border dispute of 1962. Her opposition to arms race and her stand on the Indian Ocean as a zone of peace were areas in which her government's outlook was divergent vis-a-vis the stand of the USA. On the whole, particularly after the suspension of the US aid, as will be discussed in the next Chapter, Ceylon's relations with US remained correct but cool in contrast to what they had been during the UNP era.

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CHAPTER FOUR

SRI LANKA-US ECONOMIC RELATIONS

R.G. Senanayake, the Trade Minister, had once remarked that -

it is impossible to fashion the Foreign Policy of the country merely out of the political consideration. The economic factor is an important one. 1

Since independent, economic development and increased economic and technical assistance had a high priority in Ceylon.² The priorities of Ceylon's economic development was largely influenced by its economic history and the economic circumstances obtaining on the eve of independence. These conditions were because of the prolonged colonial rule in the Island. The most important outcome of foreign rule was the development of Ceylon as an import-export economy par excellence at least in the initial decade of its independence.

The Ceylonese standard of living had been supported by the high level of productivity of three plantations crops:

1 Ceylon, House of Representatives, Parliamentary Debates vol. 13, 1953, col. 299.

2 On many occasions Sir Kotelawala regarded economic assistance as the proper defence against Communism.

tea, coconut and rubber. Among them tea had a lion's share. Ceylon imported food which accounted for a large chunk of its import bill.

Within fifteen years of independence, Ceylon was in serious trouble because of unfavourable trends in the terms of trade of exported crops.³ This was because the pound sterling was under great pressure as a world reserve currency and also due to the greater foodgrain supplies to meet the needs of rapidly increasing population. Besides, on the one hand, an increased consumption of foodgrains raised the import bill, on the other, the development of synthetic rubber (in lieu of natural rubber) and rapid world increase in the production of tropical products doubly weakened Ceylon's export earnings.

Various governments in Ceylon preached a foreign policy gospel of the "Cargo Cult",⁴ while relying upon the export economy to maintain the Island's fairly high standard of

3 Korean boom and the tea boom of 1955 in fact brought a false sense of security as it gave hopes that further favourable price increases for raw materials could be expected in the future.

4 The cargo cult are religious sects in the South Pacific who believe that if prices and airstrips are built, cargo will come to them and be offloaded to local benefit much as it was during World War II. The analogy with foreign aid is too obvious to require explanation. Cited in Wayne Ayres Wilcox, Asia and United States Policy (New Jersey, 1967), p. 58.

living.⁵ This has been far from easy as has been evident from the stresses and strains on Ceylon's economy during the period under review. It is in such a general backdrop that Ceylon's relations with the US need to be understood.

Ceylon-US Trade Relations

It is noteworthy that though Ceylon had its trade relations with the US way back in the 19th century, from 1871 to 1929, the trade with the US constituted 7-20 per cent of all its total foreign trade. After the Great Depression of 1930, a downward trend was evident in their mutual relations, which continued till mid 1950s. As a result, Ceylon's trade with the US did not exceed Rs. 180,000 a year,⁶ with the export of rubber being an important item of export and rice being an important ^{import} item. After the Second World War, the US as well as Britain did only limited bulk of purchases of rubber from Sri Lanka, preferring to buy it from the open market. Adding to this was the large use of synthetic rubber (used and produced) by the US companies, affecting the price of rubber. The rubber

5 Donald R. Snodgrass, Ceylon: An Export Economy in Transition (Illinois, 1966), p. 56.

6 Ceylon, House of Representatives, Parliamentary Debates, vol. 3, 1948, col. 994.

industry enjoyed a brief respite during the Korean war. But in 1951-52 prices began sliding resulting in the substantial fall in the revenue of the government.

Besides this, rice-(the staple diet of the Ceylonese)- was also in shortage in the world. Its low production in the country and increase of rice in the prices, further affected Ceylon's economy. To make things worse for Ceylon, in May 1951, the US succeeded in getting a resolution passed in the United Nations, imposing a ban on the export of "strategic materials" including rubber to China and North Korea. In order to strengthen the effectiveness of the embargo, the US Congress passed the "Kem Amendment" to the Foreign Assistance Act. The American Government attempted to strengthen the effectiveness of the embargo through legislation known as the Battle Act designed to prevent any country contravening the embargo from receiving American military or economic assistance.⁷

The worst contrary to be hit by such embargo was the close follower of the US-Sri Lanka, because it was supplying rubber to the Communist China since January 1951. During this period, Sri Lanka made several appeals to the US for assistance through the payment of a reasonable price for rubber. When the

7 William A. Brown, Jr. and Redeves Opie, American Foreign Assistance (Washington, 1953), p. 165. ("Kem Amendment" and the "Battle Act" will be discussed in detail under the foreign aid)

legislation was passed by the American Congress, the US government made proposals for the bulk purchase of Sri Lanka rubber, but the negotiations did not materialize as the US government offered the Singapore price.⁸ Moreover, the UNP government's request to the US for sale of rice at a cheap rate was also turned down and the US Government asked it to buy rice from the open market.

Though many countries got the exemptions from the Ken Amendment, but in the case of Ceylon despite various requests for the exemption no reply was received from the US in 1951 either granting or refusing it. To make things worse, during this time there was a plant disease called Oidium,⁹ which could be controlled only by sulphur spray. But no sulphur was available to Ceylon from the principal supplier, the US, because of the imposition of ban on the export of any item to Sri Lanka under Ken Amendment.¹⁰ Even so, the Ceylonese Government

8 H. Wriggins, Ceylon - Dilemmas of a New Nations (New Jersey, 1960), pp. 404-5. The Singapore price which was also the world price was offered by the US government but since the Ceylonese traders were selling rubber to Red China at a high prices, so Ceylon demanded the same price from Americans too.

9 A leaf disease of rubber trees caused by the fungus *oidium heveae stein*.

10 A leading Sri Lankan politician, Dr E.M.V. Naganathan alleged that the US had brought "most improper pressure to bear upon France, Italy and Japan from whom also we get supplies of sulphur, to cut off our imports of that commodity so essential for our rubber industry. In fact, we know that a ship laden with sulphur and bound for Colombo was stopped at Marseilles and the sulphur was unloaded at that port under US inducement and pressure." Cited in Gamini Navaratne, The Chinese Connexion (Colombo, 1978), p. 19.

made yet another attempt to settle the issue of sale of rubber. Supporting this, Premier D.S. Senanayake maintained: "We may feel America is not playing the game by us, and we may put our case before them, but whether we do so or not we know that there is much over-production of rubber."¹¹

Dudley Senanayake succeeded his father D.S. Senanayake in March 1952. Though he seemed to be a "chip of the old block", he was forced to develop trade relations with Communist China. As a Prime Minister he faced a grave domestic economic problem as there was no rice to feed the country and no fair prices of Sri Lanka's rubber could be obtained from the US or Britain. Compulsion at home forced him to enter into a five-year trade agreement with China on rubber-rice barter basis on 18 December 1952. By doing so, Sri Lanka not only became the only Asian country to enter into a long term trade agreement with China but also the first Asian country to defy blockade of the US. Economically, the trade agreement proved to be

¹¹ As far as trade was concerned, D.S. Senanayake's foreign policy was based on the "Middle Path" and his trade policy of "trading even with the devil if it was of advantage of Sri Lanka", remained mere statements as his government refused to sell this "surplus" to China or the USSR both willing to get supplies from Ceylon. Ceylon, House of Representatives, Parliamentary Debates, vol. 6, col. 206.

beneficial for both the countries.¹²

As regards the trade transactions with USA Dudley Senanayake felt that contrary to his expectations, the USA had let him down. According to a Ceylonese commentator:

The USA's hostility to Ceylon's trade with China, its clumsy manoeuvres to interfere with shipping and prevent it from handling the rubber and the rice, provoked a quick and angry reaction both from the opposition and also from Government quarters. If Washington had intended to win, then it had set about it most inauspiciously. 13

The Trade Minister, R.G. Senanayake (known as 'China Dick') in the UNP regime, accused the US of wanting to starve Sri Lanka when it was in dire need of good prices for its rubber.¹⁴ This became the central theme of the leftist leaders' statements too. America compounded its earlier action of refusing to buy rubber or supply rice at what Sri Lankan

12 Ibid., p. 20.

"The terms of the exchange were favourable to Ceylon from every point of view. It gave half of country's output of rubber an assured market at a reasonable price. The five year trade pact with China and another agreement with Burma assured Ceylon of its requirement of rice (270,000 tons from China and 203,000 tons from Burma). Wriggins, n. 8, pp. 407, 73 and 75.

13 E.F.G. Ludowyk, A Modern History of Ceylon (New York, 1966), p. 289.

14 The Times of Ceylon, 6 September 1954.

regarded as reasonable prices by cutting off economic assistance. According to one commentator, this could be described as one of the costliest error in judgement that the US made in Asia.¹⁵

The US suspension of aid to Sri Lanka was dictated by its own perceptions. Averall Harriman, retiring Director of Mutual Security, expressed a 'critical concern' over the Ceylon-China agreement. He alleged that Sri Lankans had concluded a five year agreement with China only after rejecting an American offer to buy the rubber at the prevailing market prices, because /China the Communist/ had agreed to pay prices 40 per cent higher than the market prices. The Sri Lanka Government also insisted on a 50 million dollar programme of United States economic aid, spread over the following five years, as part of its conditions for sale of rubber to the United States. As the US could make no such promises, Sri Lanka signed the agreement with the Communists "in spite of the fact that Sri Lanka has an anti-Communist Government". Harriman pointed out that this deal was important because Sri Lanka was the only non-Communist country shipping rubber to Moscow dominated areas.¹⁶

Commenting on it Premier Dudley Senanayake said that "it was a statement by an outgoing US official" and as such he

15 Gamini Navaratne, n. 10, p. 21.

16 The Times, 19 January 1953, p. 5.

did not think any significance should be attached to it. But Communist leader, P.G.B. Keuneman on a debate over the statement in parliament remarked that the report of Harriman revealed "a gross attempt" on the part of the US to "intimidate a small country" and was a "clear interference in internal affairs of Ceylon".¹⁷

Not only among the opposition, but also within the government, the agreement evoked a noted controversy with R.G. Senanayake on the one side and J.R. Jayawardene on the other. It was reported that the anti-China lobby was led by the then Finance Minister, J.R. Jayawardene nicknamed as "Yankee Dickie". Premier Dudley Senanayake however maintained a centrist position. Speaking in the House of Representatives, he said: "Those in the government, like J.R. J.R. Jayawardene, who were known to be against it were silent, probably unwilling to break away from the UNP on the issue....All the opposition parties supported the agreement....Only one member in the House of 101 spoke against it...."¹⁸ Continuing with the debate on Rice-Rubber agreement with China, Premier Dudley Senanayake remarked that in retrospect, "while the Sri Lankan government

17. Ceylon, House of Representatives, Parliamentary Debates, vol. 13, 1953, cols. 1388 and 1389.

18. Ceylon, House of Representatives, Parliamentary Debates, vol. 13, 1953, cols. 1431-76.

remains and will continue to be opposed to communism, its doctrine and methods, it considers it the primary and most important duty of any government to safeguard the economic well being of its people".¹⁹

As mentioned earlier, the US did try various means to persuade Ceylon to cancel the agreement. Thus Harold Stassen, Director of Mutual Security, told the US Congressional Committee that US tried to convince Ceylon that the agreement would "eventually collapse because he did not think the Chinese would live up to their end of the barter agreement".²⁰ In fact, Dudley Senanayake did make a move to send a mission led by Sir Oliver Goonetilake to Burma which was presumed by the Opposition parties as an attempt to scrap the agreement as a result of the US pressure. However, nothing came out of such moves.

Ceylon's agreement with China also demonstrated that it could not afford to depend totally on the Western countries for

19 In its editorial Ceylon Daily News wrote that in the present context "when the Government of Sri Lanka is in complete sympathy with the democratic world in its opposition to Communism, it cannot be a party to policies which sacrifice economic well being for political expediency and so are apt to produce just those undesirable consequences which are sought to be avoided or eliminated." Ceylon Daily News, 26 February 1953.

20 Cited in Gamini Navaratne, n. 10, p. 32.

its trade, who like the United States would have tried to dictate their terms to Ceylon too, if they so wished at the times of crisis. An apt example in this respect was the case of wheat. From 1949 to 1953, 49 nations including Ceylon signed the first international wheat agreement.²¹ But the US objected to the review of the agreement for the period 1953-1956 because the US government had announced that it would raise the maximum price under the agreement resulting in payment of an extra amount of Rs. 3 million more for the import of wheat every year²² for Ceylon, as it had agreed to pay the amount American had asked. The US was also adamant over the point that Ceylon government had to scrap the agreement with China if it wanted American aid.

Ceylon's agreement with China resulted in the diversification of Ceylon's trade with other countries as it helped in preparing the psychological ground for entering into further trade agreements with the Communist countries during the

21 Ceylon, Treaty Series No. 6, 1949.

22 P.G.B. Keuneman, Ceylon, House of Representatives, Parliamentary Debates, vol. 14, 1953, cols. 486-7.

time of Sir John Kotelawala (October 1953 to April 1956).²³
 J.R. Jayawardene, summarizing the trade policy of the UNP
 regime said:

We decided to enter into a trade agreement with China in spite of protests from some of the members of the democratic bloc (American bloc) in the world. Therefore it is quite clear that as far as our trade is concerned, we would trade with any country in the world. As the late Rt. Hons. D.S. Senanayake said, we would trade even with the devil if it suits our purposes and if it does not in any way barter away our freedom. 24

Even during Kotelawala's regime, the US government insisted on the termination of the agreement. The American proposal was that Sri Lanka should stop selling rubber to China and in exchange receive very substantial financial aid from America. Part of this aid would, it was suggested, be used to subsidise the rubber produced locally and the rest of the aid would be diverted to economic development. This deal provoked

23 Sir John Kotelawala was seen by the US Government as "one of the few leaders best fitted to organize the democratic forces in Asia against the spread of Communism." But it was during his time that Ceylon entered into more trade agreements with some of the East European Communist countries like with Yugoslavia, (Ceylon Treaty Series No. 5 of 1953), Poland (Ceylon, Treaty Series No. 2, 1956), Czechoslovakia (Ceylon, Treaty Series Nos. 3 and 7, 1956), Rumania (Ceylon, Treaty Series No. 8 of 1956).

24 Ceylon, House of Representatives, Parliamentary Debates, vol. 21, 1955, col. 133.

an immediate and strongly critical reaction against it.

"Acceptance of aid with strings" was opposed by the leader of the SLFP as well as by others.²⁵

The issue of aid also affected Sri Lanka-US trade relations during 1948-1956 as is evident from Tables 1 and 2. Thus, during 1948-50 Sri Lanka's exports to US constituted 18-22 per cent of its total exports. But after the application of "Kem Amendment" and thereby suspension of aid from the US the exports to US declined from 22 per cent in 1950 to 11 per cent in 1951 and 7 per cent in 1954. By 1955 Sir John Kotelawala's open support for the Western bloc seemed to have paid some dividends. The export trade with the USA then went up to 9.4 per cent of the total export trade of Sri Lanka in 1955 but it still remained pretty low in comparison to the figures in 1948-50. Same can be said about the imports to Sri Lanka also. As given in Table 2, till 1949, the imports to Sri Lanka were stable, constituting 6-7 per cent of the total imports. From 1950-1954 onwards (except in 1952) decline in imports occurred. From 1955 onwards due to Sir Kotelawala's efforts imports improved slightly. However, during the 1955, Sri Lanka recorded a favourable balance of trade with the US.

²⁵ Navaratne, n. 10, pp. 38-39.

Table 1.

Percentage Distribution of Exports of Sri Lanka

Countries	1946	1948	1949	1950	1951	1952	1953	1954	1955
Commonwealth Countries	19.94	58.92	59.85	51.17	55.17	53.73	51.70	57.42	54.45
U.K.	56.12	32.30	33.50	24.57	32.18	29.39	25.91	28.87	26.89
India	4.97	2.13	2.03	1.93	2.57	2.55	7.75	3.79	4.16
Foreign Countries	20.06	41.08	41.08	43.83	44.83	46.27	48.30	42.58	45.55
USA	12.31	17.65	17.65	22.35	10.90	11.10	7.98	6.83	9.47
China	0.04	6.35	0.17	0.01	1.98	8.78	16.28	12.93	6.50

Source: Ceylon, Department of Census and Statistics, Statistical Abstract of Ceylon (Colombo, 1950 and 1956).

Table 2

Percentage Distribution of Imports of Sri Lanka

Countries	1946	1948	1949	1950	1951	1952	1953	1954	1955
Commonwealth Countries	65.76	54.37	53.91	52.98	55.08	54.74	56.01	49.84	51.91
U.K.	15.85	17.25	18.01	21.95	21.95	22.42	22.34	20.97	20.02
India	24.10	12.63	14.83	12.05	12.05	12.44	12.44	13.69	16.58
Foreign countries	31.83	44.60	46.04	43.89	43.89	45.24	43.94	50.12	48.08
USA	6.06	7.39	7.09	2.98	5.31	8.79	3.24	2.61	3.16
China	0.09	0.30	0.20	0.25	0.27	1.93	13.00	11.33	5.48

Source: Ceylon, Department of Census and Statistics, Statistical Abstract of Ceylon (Colombo, 1950 and 1955).

As regards Bandarnaike, he attempted diversification of Sri Lanka's foreign trade by entering into trade agreement with more countries belonging to both sterling and dollar and non-sterling and non-dollar areas. However, it did not substantially change the pattern of foreign trade that had existed before 1956. Nonetheless, during this period, because of the improvement in the relations with the USA, Sri Lanka had a satisfactory balance of trade. Though Sri Lanka's balance of trade declined from 147 million in 1957 to 135 in 1958, but it still had surplus trade balance of Rs. 264 million with the USA.²⁶

As is evident from Tables 3 and 4, the upward trend in exports to the US which had started during the Kotelawala period continued and US exports constituted 8-9 per cent of the total exports to Sri Lanka. Imports to Sri Lanka also increased, recording the highest in terms of the percentage of the total trade in the year 1959.

A period of turmoil, after the assassination of SWRD Bandarnaike in 1959, had a decisive impact on the economy of the nation. Besides, as during the UNP period, during Mrs Bandarnaike's regime, the nationalization of the oil companies affecting aid from the USA also impinged in the realm of trade. Sri Lanka-US trade relations during the year 1963-1965 (as evident from Tables 3 and 4) saw a downward trend. Thus,

26 H. S. Nissanka, The Foreign Policy of Sri Lanka under SWRD Bandarnaike (Colombo: Department of Information of the Government of Sri Lanka, 1976), p. 102.

Table 3

Percentage Distribution of Exports to Sri Lanka

Countries	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Commonwealth Countries	56.35	53.54	57.94	52.17	51.34	54.00	49.94	54.15	46.11	43.49
UK	30.24	28.91	34.29	28.39	28.28	29.20	29.98	30.53	28.87	26.37
India	4.33	3.14	2.26	3.15	1.96	2.16	3.58	2.95	3.57	2.22
Foreign countries	43.65	46.46	42.05	47.83	48.52	45.87	49.96	45.77	53.81	56.46
USA	8.50	9.28	8.19	9.69	9.28	8.84	8.61	8.52	8.07	7.64
China	11.06	10.56	4.71	4.60	6.79	4.93	7.54	5.90	6.62	8.97

Source: Ceylon, Department of Census and Statistics, Statistical Abstract of Ceylon, (Colombo, 1960 and 1966).

Table 4

Percentage of Imports of Sri Lanka

Countries	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965
Commonwealth countries	46.47	46.37	46.56	48.66	48.40	45.80	42.63	42.57	37.07	40.58
UK	21.15	20.46	24.26	24.71	22.12	21.25	20.64	20.08	16.30	17.90
India	13.06	12.53	12.83	12.30	13.69	12.15	9.81	9.94	8.85	9.30
USA	2.47	3.73	4.46	6.85	3.58	3.41	2.84	3.85	2.68	3.95
China	8.21	4.64	8.84	7.48	6.75	10.88	11.39	7.55	10.35	7.85

Source: Ceylon, Department of Census and Statistics, Statistical Abstract of Ceylon (Colombo, 1960, 1966).

trade and aid did seem to have a rebound, at least to some extent, in Ceylon-US relations.

Foreign Aid

Since independence though much importance was given on economic and technical assistance, Sri Lanka did not receive substantial aid before 1954. Economic aid from other countries received a momentum only after 1965. Prior to 1964, the majority of the aid received was for projects and technical assistance. Foreign aid received by Ceylon took various forms such as grants, loans, soft loans, hard loans, project aid, programme aid and bilateral and multilateral aid. Major portion of this aid was provided by international agencies, foreign governments and private institutions. Of these aid from foreign governments has been most important. The quantum of aid has varied and has been influenced by political considerations.²⁷

1950 witnessed efforts to launch schemes of assistance for development. In 1950, President Truman of US inaugurated the Point IV Technical Assistance Program. Soon after the

²⁷ Foreign aid can be described as a flow of resources from a developed country to a developing country. Edward S. Mason observes that it is hard to find any developed country which gives aid to a developing country with a purely "disinterested desire" to help the less developed countries, "...aid is a useless tool unless it can be assumed that there is a strong community of interest between the aid giving and aid receiving countries." E.S. Mason, Foreign Aid and Foreign Policy (New York, 1968), p. 4.

Colombo Plan for Economic Cooperation came into being at a meeting of Commonwealth Prime Ministers in Colombo. Ceylon was one of the first beneficiaries under the programme of assistance to accelerate the rate of growth.

During 1950-1956, no serious efforts were made to receive aid from the Communist countries. (The need was felt only after 1952, due to economic crisis.) In fact, one of earliest agreement for providing technical aid was signed with the US in November 1950 under the Point Four Assistance Programme. Under this agreement the two governments undertook to "co-operate with each other in the interchange of technical knowledge and skill and in related activities designed to contribute to the balanced and integrated development of economic resources and production capacities of Ceylon.²⁸ This agreement was the second to be concluded by the United States since the inauguration of Point Four, the first being with Iran. But Sri Lanka's agreement was the first of its kind in that unlike the United States agreement with Iran, which had provided for the development of specific projects, the agreement set up general conditions for United States aid and reserved for separate accords the function of covering specific projects for technical cooperation.

²⁸ Cited in H.N.S. Karunatilake, The Economy of Sri Lanka (Colombo, 1987), p. 343.

In this context, Ceylon had a frustrating experience contrary to its expectations because of the restrictive legislations in the United States following the Korean war. As mentioned earlier, the "Kem Amendment" passed in June 1951 prohibited the extension of economic or financial assistance to countries exporting to the Soviet Union or the other countries "arms or armaments or military material, or articles or commodities which may be used in the manufacture of arms, armaments or military materials or shipment of which to the Soviet bloc is embargoes by the United States".²⁹

This was followed by the enactment of the mutual Defence Assistance Control Act (also known as the Battle Act) in October 1951. It provided for the cutting off of military as well as economic assistance if certain conditions

²⁹ William A. Brown Jr. and Redeves Opie, n. 7, p. 165.

USA had sought institutional measure to increase its influence in the Korean crisis. Embargo on the export of strategic materials was imposed via the UNO and rubber was one of the commodities. At home she passed the Kem Amendment to the foreign Assistance Act which forbade aid to any country which contravened the terms of the Act and embargo on China and Korea. Finally, she passed the infamous Mutual Defence Assistance Control Act (Battle Act) which forbade trading of strategic materials with all Communist countries. She was also quite keen to protect the interests of the synthetic rubber industry at home against the natural rubber.

were not met.³⁰ Though the American President was empowered to waive the restriction if he considered that a particular country was making a contribution to the "mutual security of the free world",³¹ but Ceylon's request was turned down, compelling it to enter into a five year Rice-Rubber agreement with China. A senior member of the UNP Government, R.G. Senanayake, Minister of Trade and Commerce, said in the House of Representatives: "We waited for foreign aid, foreign assistance. As you know, Sir, over and over again we made appeal for Point Four aid. We got, in the form of assistance only a cook for the Kundasale Girls School."³²

Premier Dudley Senanayake supporting R.G. Senanayake's views remarked that "it is true that we have been denied Point

30 Title 1 of the Battle Act says: "The policy of the United States was declared to be to apply an embargo on the shipment of arms, ammunition and implements of war atomic energy materials, petroleum, transportation materials of strategic value and items of primary strategic significance used in the production of arms, ammunition and implements of war to any nation or combination of nations threatening the security of the United States, including the Union of Soviet Socialist Republics and of countries under its domination." Ibid., p. 257.

31 Brown, n. 29, p. 257.

32 Ceylon, House of Representatives, Parliamentary Debates, vol. 13, 1953, cols. 1467-8.

Four aid because of Rice Rubber agreement with China.³³ In 1954, Prime Minister Sir John Kotelawala said that "the only country which has not taken any help from America is Ceylon, we did not even take one dollar".³⁴ The harsh reality was not that Ceylon did not 'take one dollar' but was denied US aid.

The reappraisal of American aid to Ceylon was continued when Sir John Kotelawala visited the USA. Speaking in the House of Representatives on his forthcoming visit to the United States and certain other countries he remarked:

My visit to the United States is a goodwill visit to a country with which, despite any little differences we may have our relations are most cordial and friendly. I am one of those people who are able to go to the US with an open mind and a clear consciences. Ceylon is not a recipient of American aid

33. Ceylon, House of Representatives, Parliamentary Debates, vol. 14, 1953, col. 551.

34. Ceylon, House of Representatives, Parliamentary Debates, vol. 17, 1954, col. 602. J.R. Jayawardene, Minister of Agriculture and Food, remarked: "As far as our economic development is concerned, the largest amount of aid we are getting is from countries belonging to the Commonwealth of nations....We have received no aid whatsoever from the United States of America, yet...if we do receive any aid, it will be such aid as will come to us without any strings attached to it. In fact, we are prepared to receive aid from any country, in the world which is prepared to help us." Extracts from the speech of the Minister, House of Representatives, Parliamentary Debates, vol. 21, 1955, col. 134.

and I do not therefore have to go to America either hat in hand or with accounts to square. 35

But news of the proposed visit to the US by Premier Kotelawala resulted in the spread of the rumour that Sir John was going to negotiate for American aid after conceding to the proposal of scrapping the trade pact with China. Clarifying the remarks, Sir John Kotelawala said that "having a deal with China and getting aid from America are two different things".³⁶ Sir John, addressing the Overseas Press Club,

35 Ceylon, Collected Speeches of Sir John Kotelawala, Between Two Worlds (Colombo, 1954), p. 2. Defending America, Sir John said:

The war in Asia produced certain plans of aid the value of which some people do not seem to appreciate sufficiently. America, in her deep concern for saving Asia from lowering her living standard, has offered large scale assistance in men, money and materials, which various countries accepted as part of their programme of economic reconstruction. Ceylon alone of the countries in Asia which are friendly with America has received no such aid. Both in my country and elsewhere in Asia America's intentions have been suspected. That is a pity, because there is hardly another example in history of aid on the scale envisaged by America.

People talk of American aid with strings. America to my mind has no intention of dictating to Asia. She realizes as much as any other country that Asia consists of a number of independent nations which will brook no interference in their internal affairs, or in the conduct of their foreign policy.

36 Sir John Kotelawala, An Asian Prime Minister's Story (London, 1956), pp. 171-2.

New York, on 1 December 1954 said:

....Communism does not flourish on a full stomach. We want economic help in abundance. If America appreciates this and acts accordingly she would have done a great service to Asia. We want aid in the technological field and we want you to help us to build up our industries. If America will give us this aid, as others are doing, she can safely leave to Asia the job of defending herself against Communism. Incidentally Ceylon has not received a cent of American aid although Ceylon is the stoutest adversary of Communism in Asia. 37

Premier Sir Kotelawala's visit to the US resulted in a new beginning on the question of economic assistance to Sri Lanka. Talks on the resumption of aid began with the arrival of Harold Stassen, Director of the US Foreign Operations Administration, in Sri Lanka in 1955. John Foster Dulles, the American Secretary of State, during his visit to Sri Lanka in March 1956, reiterated that "no special exemption from the Battle Act was needed to provide US aid to Sri Lanka for the American Government". After a study of Sri Lanka's development programme, he found Sri Lanka qualified to receive American aid.³⁸ Sri Lanka, as indicated in Table 5, indicates that during the period from 1950 to 1955 did not receive any technical aid from the US.

37 Between Two Worlds, n. 35, p. 18.

38 New York Times, 12 March 1956.

Table 5

Foreign Aid - 1950-55
(in million Rs.)

Donor Country	Technical Aid	Capital Aid	Total
Australia	3.4	25.4	28.8
Canada	3.7	50.8	54.6
New Zealand	-	10.2	10.2
USA	-	54.5	54.5
Total	7.1	140.9	148.1

Source: The Colombo Plan for Cooperative Economic Development in South and South East Asia, Annual Reports, 1950-1956 (Australia).

It is noteworthy that in the resumption of aid, the parleys of British Premier Antony Eden with President Eisenhower in early 1956 was also an important input. Consequently, on 28 April 1956 Ceylon entered into an economic assistance agreement with the US which reaffirmed the conditions in November 1950 agreement.³⁹ Accordingly, Sri Lanka was to receive 5 million dollars which was increased

³⁹ Ceylon Treaty Series No. 4, 28 April 1956.

to 7 million dollars in 1957. These concessions came too late for the pro-UNP government and the actual beneficiary was the MEP government. Thus, during Bandarnaike's era Sri Lanka qualified to obtain aid from both the blocs. Sri Lanka entered into agreement with USA, Czechoslovakia, Canada, Federal Republic of Germany, USSR and China. During SWRD Bandarnaike period, the USA had pledged loans and grants worth Rs. 155.5 million. The US was the biggest donor of aid to Sri Lanka with the USSR being the second largest donor and China the third, as is evident from Table 6.

Table 6

Foreign Aid (Loans & Grants) Pledged to Ceylon : 1956-1959
(in million rupees)

Capitalist Countries Donors	Loans & Grants	Communist Countries Donors	Loans & Grants
Australia	11.3	USSR	142.8
Canada	20.3	People's Republic of China	125.0
New Zealand	1.9	Czechoslovakia	15.0
Federal Republic of Germany	6.9	Yugoslavia	73.1
USA	155.5		
Total	195.9		355.9

Source: The Colombo Plan for Cooperative Economic Development in South and South East Asia, Annual Reports, 1956-1959 (Australia).

It is noteworthy that US aid to Ceylon had three components. First, the dollar grants which covered a variety of projects such as agricultural extension schemes, mineral exploration, highway development etc. The second component of aid was the rupee grants which arose out of the sale of US wheat flour in accordance with the US Public Law 480 (PL 480). Under this Ceylon signed four agreements with the US in 1958, 1959, 1960 and 1962. Significantly each PL 480 agreement was followed by a loan agreement between the Export Import Bank and the government of Sri Lanka. Finally, Dollar loans were also made available from two sources: The Development Loan Fund and the International Cooperation Administration.⁴⁰

During the regime of Mrs Bandarnaike, as the Prime Minister of Sri Lanka the amount of total loans and grants received was comparatively smaller than the total amount received by Ceylon from the US earlier. This is evident from the Tables 7 and 8 on foreign. Before the nationalization of the oil companies the total US aid to Ceylon was 17 million rupees, but after 1962 the total US aid was reduced to 2.25 million rupees. During 1960 and 1965 USSR and China became the biggest loan and grants giving countries to Ceylon as is evident from Tables 7 and 8.

⁴⁰ For details see Karunatilake, n. 28, pp. 343-5.

Table 7

Net Receipts of Foreign Aid : 1960-1965
(in million of rupees)

LOANS						
Donor	1960- 61	1961- 62	1962- 63	1963- 64	1964- 65	Total
UK	-	0.4	10.4	4.9	2.3	18.0
USA	2.4	7.6	0.7	2.7	1.2	14.6
Federal Republic of Germany	-	-	11.5	0.4	7.4	19.3
China	-	1.0	-	12.4	18.4	31.8
USSR	1.8	3.4	13.5	32.0	28.9	89.5

Source: Central Bank of Ceylon, Annual Reports, 1960-1965 (Colombo). Cited in Nissanka, n. 26, p. 235.

Table 8

Net Receipts of Foreign Aid : 1960-1965
(in million rupees)

GRANTS						
Donor	1960- 61	1961- 62	1962- 63	1963- 64	1964- 65	Total
USA	5.3	1.6	0.9	1.4	-	9.2
Canada	4.2	4.4	5.7	5.7	5.1	25.1
Federal Republic of Germany	-	3.8	2.8	-	-	6.6
China	8.3	19.7	24.5	15.1	15.1	67.6
USSR	-	-	-	-	-	-

Source: Central Bank of Ceylon, Annual Reports, 1960-1965 (Colombo). Cited in Nissanka, n. 26, p. 235.

During Mrs Bandarnaike's tenure, Ceylon economic relations with the US began to deteriorate. One of the factors was the supply of large quantities of Soyabean and cotton seed oil by the US under aid programme to some of the countries where Ceylon's coconut oil had traditional markets.⁴¹

Another factor was the rubber stockpile disposal programme of the US government affecting Ceylon's rubber prices. Mrs Bandarnaike requested the US President to abandon the new disposal policy, who in return assured that the US would conduct its disposal sales of surplus rubber with great care.⁴² These modifications did not provide fully the degree of relief Ceylon needed in view of the adverse trends in its terms of trade. Moreover, the US government's decision to help natural rubber producing nations by issuing natural rubber in its stockpiles as a form of assistance to nations in receipt of American aid, which had also the purpose of popularizing natural rubber in countries where synthetic rubber was being used⁴³ resulted in further decline of Ceylonese rubber trade.

41 Ceylon Daily News, 10 February 1962.

42 Cited in D.M. Prasad, Ceylon's Foreign Policy under the Bandarnaikes, 1956-65 (New Delhi, 1973), p. 97.

43 Ceylon Daily News, 13 February 1962.

Another factor was the question of aid under Public Law (PL) 480.⁴⁴ Sri Lanka was receiving such aid since SWRD Bandarnaike's tenure. In Ceylon, the leftist and extreme nationalist opinion was not in favour of PL-480.⁴⁵ The Ceylonese government too was critical of the USA government's manner of distribution pattern complicating Ceylon's economy.⁴⁶

Last but not the least was the issue of oil. The import and distribution of oil in Sri Lanka had been a monopoly of three foreign countries - Shell (British Company), Caltex and Standard Vacuum (the American Companies). These companies used to supply 80 per cent of total oil requirements.

44 PL-480 was a special arrangement by which the American Government was authorized by American law to distribute the surplus commodities to underdeveloped countries for their use and the money to be paid for it was not to be paid in foreign currency, but in the currency of the recipient country. That money was to be accumulated in that country to be put to specific purpose. One purpose was the furtherance of American foreign policy. Prasad, n. 42, p. 98.

45 "Behind US Aid : False Treasury Lamentations", Tribune ; Ceylon News Review (Colombo), vol. 9, 16 February 1963, p. 18. Karunatilake, Economic Development in Ceylon (New York, 1971), pp. 294-300.

46 The purpose of the accumulated money was the development of a few projects in the Island. The accounts maintained by the US operation Mission in Central Bank of Ceylon created difficulties for Ceylon. F.R.D. Bandarnaike (Minister without Portfolio), House of Representatives, Parliamentary Debates, vol. 50, 1963, col. 2121.

Ceylon Government in 1961, in an effort to reduce the import cost of oil and to save foreign exchange, set up the Ceylon Petroleum Corporation. The Corporation was empowered to requisition a part of the existing oil import and distribution facilities in the Island. Second, to pay compensation for the facilities taken over, the amount payable was to be determined by a Tribunal and third, the Corporation was also empowered to control the price at which petroleum products were sold.⁴⁷ In the case of any dispute compensation should be paid to the companies for the facilities taken and the amount was to be decided by the tribunal.

The take over of the companies became effective from April-May 1962. P.G.B. Kutagalea, the Minister of Finance, had given the assurance to the US government that steps would be taken to expedite and assess the compensation amount for the takeover.⁴⁸ But meanwhile the US government had passed an amendment (Hickenlooper Amendment) to the Foreign Assistance Act which authorized the President to suspend assistance to any country receiving US aid, if such country had after 1 January 1962, nationalized or expropriated or seized ownership

47 Ceylon, House of Representatives, Parliamentary Debates, vol. 42, 1961, col. 4372.

48 Ceylon, House of Representatives, Parliamentary Debates, vol. 50, 1963, cols. 1635-43.

or control of any property owned by any US citizen or partnership or association not less than 50 per cent of which was owned by US citizens and failed within a reasonable time of 6 months to take appropriate steps (from the date of enactment) which might include arbitration to discharge its duties.

The US government warned the Ceylon government that it would cut its aid if appropriate steps were not taken by the government. Since Ceylon had accepted in principle the liability to compensation, and even agreed to the request of the companies that compensation should be paid as a lump sum, there did not appear any reason for bringing it under

50 Quoted from S.U. Kodikara, Foreign Policy of Sri Lanka - A Third World Perspective (Delhi, 1982), pp. 108-9.

According to P.G.B. Keuneman, the biggest problem in paying the compensation was the differences in the amount evaluated by two sides. The Ceylon government had estimated Rs. 12 million but the US companies insisted on Rs. 42 million and that too amount should be paid in lump sum. Ceylon, House of Representatives, Parliamentary Debates, vol. 50, 1963, col. 2094.

The US government had stated that compensation tribunal should evaluate all the properties rights in accordance with the accepted principle of international law, or provide for a fair evaluation by other means such as arbitration. Whereas Sri Lankan government insisted that the payment of compensation by Sri Lanka was laid down in Section 47, which provided for the payment of the actual price paid by the owners of the acquired property with additional value of improvement minus depreciation. If the purchase price paid by the owner was not ascertainable, the law provided for the payment at the market price.

the purview of the Hickenlooper Amendment. But before Sri Lanka government could take any decision, the US government had already suspended its aid under the Hickenlooper law, thereby becoming the first target of its application. The Sri Lankan government consequently called off negotiations for the payment of compensation.

The news of suspension of aid was condemned by all the parties. A wide consensus prevailed on the government of the suspension of US aid to Sri Lanka. Dudley Senanayake, the UNP leader, declared that the US would be well advised to take some lessons in the manner of dealing with these questions from other nations in the world who have done so far a much longer time and "who would, I think, certainly not have rushed in this hasty manner".⁵¹ J.R. Jayawardene also characterized the suspension of aid as being "too hasty".⁵²

51 Ceylon, House of Representatives, Parliamentary Debates, vol. 50, 1963, col. 2156. Every party had condemned the US act of suspension of aid. Communist parties condemned it as a "crude attempt to use aid as a political weapon to coerce the government and its people into obeying its dictates". Colvin R. De Silva (LSS), *ibid.*, col. 2067. "It is the claim of the USA to impose upon this little country, called Ceylon, the conditions and desires in respect of the takeover of property using the weapon it has in the form of aid given." United Left parties emphasized that by stopping aid the United States wanted to intimidate Ceylon and to force it to make concessions to the "American monopolies". L. Roschina, "Ceylon: Pressure by U.S. Monopolies", International Affairs (Moscow), no. 4, April 1963, pp. 84-85.

52 Ceylon, House of Representatives, Parliamentary Debates, vol. 50, 1963, cols. 2031-61.

FRD Bandarnaike (Minister without Portfolio) maintained that the Ceylonese government could not be coerced to pay compensation and since they learnt of the US aid suspension, they too, broke off negotiations being carried on with the oil companies. Everybody in Ceylon was shocked at the US decision and the government was not "prepared to accept aid as a condition to subordination, any political subordination of any sort of any kind".⁵³ Supporting his view, Prime Minister Mrs Bandarnaike said: "Though we are a poor nation, we cannot permit any intrusion in our internal affairs because we are bound to maintain and vindicate our self respect as a free and proud nation which has a distinguished history."⁵⁴

Hence Sri Lanka became the first victim of Hickenlooper Amendment.

The US went further and endeavoured to block other sources of aid to Sri Lanka namely, the loans from the International Bank for Reconstruction and Development which was refused on the ground that Ceylon failed to pay the compensation to the oil companies. The nationalization question led to deterioration of Sri Lanka's relations with the US. Later on, negotiations between Ceylon-US took place, for the payment of compensation to the oil companies and for resumption of aid

53 Ceylon, House of Representatives, Parliamentary Debates, vol. 50, 1963, col. 2125.

54 Ceylon Daily News, 4 March 1963.

by the USA but the aid was not revived till Mrs Bandarnaika was in office.

Conclusion

Ceylon's economic relations with the US saw many ups and downs, during the period 1948-1965. To begin with, the politics of aid and trade, as reflected in bilateral relations during the UNP period, indicated that there need not necessarily be a congruence in bilateral political and economic relations.

Under the two Bandarnaikes, the economic policies laid down by the UNP governments were continued. Under the SWRD Bandarnaika government, Ceylon's relations with other countries were enlarged for trade and technical assistance besides retaining traditional relations with the USA, the UK and the Commonwealth countries. From 1956 to 1959, Sri Lanka received non-stop aid from the US. But it was during Mrs Bandarnaika's tenure that suspension of US aid to Sri Lanka occurred once again as a result of oil nationalization. This soured Ceylon-USA relations as was evident from the uneasy bilateral political relations as well as the decline in trade transactions between the two countries.

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CHAPTER 5

SOCIO-CULTURAL RELATIONS

The previous chapters dealt with Ceylon's relations with the US in political and economic fields. In this chapter, an attempt will be made to discuss the relations between the two countries mainly, at educational level and at informational network level.

Education

Ceylon had signed an important agreement with the United States for Technical Co-operation under the Point Four Programme signed at Colombo on 7 November 1951.¹ The "Ceylon-USA Agreement on Technical Cooperation" under the Point Four programme enabled Ceylonese students to study in the USA from 1951 onwards.

The Governments of Ceylon and the United States of America concluded another agreement on 17 November 1952,

1 Ceylon Treaty Series No. 12, 1950.

Ceylon-USA Treaty on exchange of official publication was also signed and was published in Treaty Series No. 1, 1949.

providing for the establishment and administration of an educational exchange programme. The funds for the programme were provided from amounts realized from the sale in Ceylon after the last war of surplus American property.² Because of these two agreements, the number of students studying in various American universities increased from 23 students in 1951 to 41 in 1952 and 17 in 1953 and 19 in 1954.³ It was not one sided; under the US system of Fulbright Grants, Sri Lanka too received students and visiting professors. Thus, it helped the students in Sri Lanka to get an opportunity to know more about the American culture. In the following years too the cultural exchange expanded as is evident from the table below:



2 Ceylon Treaty Series No. 14, 1952.

3 H.S.S. Nissanka, The Foreign Policy of Sri Lanka under the SWRD Bandarnaik (Department of Information of Government of Sri Lanka, 1976), p. 116.

Table 1

Scholarships Granted and Experts Sent, 1959

Country	No. of Scholars	No. of Experts
USA	46	28
Colombo Plan	146	37
USSR	2	40
Yugoslavia	3	-
Netherlands	4	2
China	2	-
Poland	2	-
UN agencies	12	23
Total	217	130

Source : Ceylon Year Book (Colombo, 1959 and 1960).

The US agreed to pay \$ 581,200 for University of Ceylon expansion programmes. Ceylon's share in this programme was estimated at about \$1,00,000, out of which \$ 75,000 to be used for supplies and equipment for government agricultural research and extension centres on which Ceylon was to spend the rupee equivalent of \$ 3,733,000. In addition the US agreed to pay \$ 35,000 for the purchase of scientific and professional equipment to assist the Ceylon Institute for Scientific and Industrial Research.⁴

The original agreement embodied in Treaty Series No. 14 of 1952 was amended under the Treaty Agreement Series No. 12 of 1959 for the continuation of the exchange programme. Under this, the funds will come from Ceylon currency accruing to the United States government from the sale of Agricultural Commodities Agreement.⁵ During Mrs Bandarnaike's tenure, the USA and Ceylon renewed their agreement which enabled mutual exchange of scholars between them and facilities for research and higher studies for Ceylonese in the USA.⁶

4 "ICA Aid to South Asia in Fiscal Year 1956", Extracts from an article in Department of State Bulletin, 24 September 1956, in R.K. Jain, US South Asia Relations, 1947-1982 vol. 3 (New Delhi, 1983), p. 324.

5 Statement of the Education Minister Dehanayake on Ceylon-US education agreement. Ceylon, House of Representatives, Parliamentary Debates, vol. 37, 1959, cols. 1354-5.

6 Ceylon, House of Representatives, Parliamentary Debates, vol. 50, 1963, cols. 2117-18.

Increased interaction between Ceylon and the US at educational level encouraged certain American voluntary organizations to ^{start} functioning in Ceylon. Notable among them was the Committee on Free Asia (later came to be known as Asia Foundation).⁷ But this committee was not welcomed by the Sri Lankan people, who considered it as foreign intervention in the internal affairs of Ceylon. Director of the Committee on Free Asia, Holbrook Broadley, was criticized, being an American agent on Sri Lankan soil. SWRD Bandarnaike, the leader of the opposition in Sri Lanka, alleged that a considerable amount of American money was flowing through these centres and though their apparent proposal was philanthropic, many people were suspicious of their activities and their ulterior motive.⁸

Thus, some of the opposition members blamed the Asia Foundation for instigating the 1958 language riots in Sri Lanka with the motive of overthrowing SWRD Bandarnaike and bringing back in power the pro-West UNP.⁹ Besides Asia Foundation, the hand of the United States Information Centre

7 The Colombo Plan Technical Cooperation (Ceylon, 1964), p. 39.

8 Ceylon, House of Representatives, Parliamentary Debates, vol. 19, 1959, col. 460.

9 See "Asia Foundation" in Tribune ; Ceylon News Review (Colombo), vol. 2, 26 April 1956, p. 799.

was also alleged in helping the communal forces in Tamil dominated Jaffna. Bandarnaike however seemed to have ignored the allegations.

Under Mrs Srimavo Bandarnaike's tenure the government decided to find out in what way grants were made to certain people in Ceylon. After 1961, the Ceylon Government reviewed every activity of the Asia Foundation.¹⁰ Reports against Asia Foundation forced Mrs Bandarnaike to expel it from the Sri Lankan soil.¹¹

Another controversial agency was the Peace Corps. Peace Corps was established in 1961 by the US administration during Kennedy's tenure. The establishment of Peace Corps was with the alleged motive to help developing countries by providing assistance of trained Americans to help in the economic development and furthering the cause of peace in the world. Under this assistance programme, the United States government was to bear the whole expenses incurred on training,

10 Allegations made against the Asian Foundation was that they were financing influential journalists and helping them to visit the United States. Asia Foundation helped in establishing a publishing firm, the Saman Press. Tribune : Ceylon News Review (Colombo), vol. 2, 26 April 1956, p. 799.

11 Expulsion of Asia Foundation, a private US aid organization, was seen by many in the US government as an anti-American position taken by the Sri Lankan government.

medical facilities, transportation besides allowances of the peace corps members. The receiving country was to be provided with the shelter facilities. Ceylon government too showed its willingness to ask the US government to help in teaching science, health facilities and physical education at schools. After the talks between the Ceylonese government officials and US Department of Foreign Aid Officials, the US agreed to send its Peace Corps team to Ceylon.¹² Accordingly, 34 members Peace Corps arrived in Sri Lanka on 6 September 1962.¹³ But opposition leaders did not welcome the arrival of the Peace Corps in Sri Lanka. P.G.B. Keuneman, a Communist leader, criticized it as a "spy organization of the brother in-law of President Kennedy. They are not experts but trained people with a political purpose of subversion in Sri Lanka".¹⁴ Other opposition parties viewed them "meta diplomats". Criticism against the Peace Corps led to the government restricting the presence of number of such people in Sri Lanka.¹⁵

12 Ceylon Daily News, 1 November 1961.

13 Ceylon Today (Colombo), vol. 11, October 1962, p. 32.

14 Ceylon, House of Representatives, Parliamentary Debates, vol. 47, 1962, col. 285.

It was alleged that Sargent Shriver, Head of the Peace Corps, was the brother-in-law of President Kennedy and he was an ex officer of the CIA. In the establishment of the peace corps he had worked in close association with Mr Hoover, Director of Federal Bureau of Investigation.

15 "I understand that a request has been made by one of

Information Network

During the UNP regime, Ceylon signed an agreement in March 1951 for broadcast of Voice of America over Radio Ceylon in Colombo. Under the "Voice of America" agreement, the US was allowed to share external broadcasts of Radio Ceylon in exchange for the loan of one transmitting set.¹⁶ Another agreement was signed by the Government of Ceylon with the US for the extension of facilities agreed to under the 1951 agreement.¹⁷

(footnote 15 contd..)

the ministers - I am not sure which one - for some more of them [Peace Corps Volunteers] but I do not think at the moment it is the extension of the Government to add to the Peace Corps number in this country."

Extracts from the statement of FRD Bandarnaike (Minister of Agriculture, Food and Cooperatives), Ceylon, House of Representatives, Parliamentary Debates, vol. 53, 1963, col. 285.

- 16 On the agreement, the Department of State announced that the VOA has gained a new radio relay for broadcasts beamed to South Asia under an agreement just concluded between the Government of Ceylon and the Government of the United States. Under terms of the agreement, the USA government will furnish and install certain radio transmission and associated equipments for use by Radio Ceylon in return for certain facilities to be accorded by the Government of Ceylon for the broadcast of VOA programmes over Radio Ceylon. Starting from May 15, the Radio Ceylon facilities will be used to relay daily 30 minutes VOA broadcasts to India, Pakistan and in England and to South Asia generally. Extracts, Department of State announcement on VOA programme to South Asia in R.K. Jain, US-South Asian Relations, 1947-1982, vol. 3 (New Delhi, 1983), p. 270.
- 17 Ceylon Treaty Series No. 5 of 1951.

Project for powerful VOA transmitter was seen as an obvious advantage to Ceylon, as it would require the service of only 25 to 30 American technicians and if based on the pattern of Salonika Station would, in no way be derogatory to Ceylon sovereignty.¹⁸

C. Sittampalam, the Minister of Posts & Telecommunication, praising the agreement said that the important benefit to Radio Ceylon will be the sharing of the proratsic costs of the operation and maintenance of the transmitter at Ekola. The overhead costs of the Commercial Service will thus be considerably reduced.¹⁹

Criticizing the VOA agreement, P.G.B. Keuneman said:

....While preaching to us the virtues of independence and democracy, the Americans have first of all, established important position of control in this country over our press and Radio. The 'Voice of America' has taken over the internal broadcasts of Radio Ceylon in exchange for the loan of one transmitting set. 20

18 Extracts from Joseph C. Satterwaite's letter to Secretary of State, Dean Acheson, 19 February 1951. R.K. Jain, n. 4, p. 267.

19 Ceylon, House of Representatives, Parliamentary Debates, vol. 10, 1951, cols. 697-8.

20 Speech of P. Keuneman introducing an amendment, censuring the foreign policy of the Government, as stated in the Governor General's address. Ceylon, House of Representatives, Parliamentary Debates, vol. 14, 1953, col. 443.

During the UNP regime, extension was given to 'VOA'. Bandarnaike's regime in order to maintain its neutral position proposed to the Communist countries inviting them for the broadcast facilities on the lines of VOA broadcasts. The Ceylon Embassy in London was informed about the chances of communicating with the representatives of those countries.²¹ Also, VOA broadcasts came under strict supervision by the Ceylonese government after it misrepresented the facts about Chinese Premier Chou En-lai's visit to Ceylon in February 1957. The Ceylonese Government told the American Embassy officials to submit all the scripts of the broadcasting programmes in advance.²²

During Mrs Bandarnaike's tenure, the government agreed to extend the VOA in spite of many reservations about them. The renewal of VOA agreement on 30 April 1962 between Ceylon and the USA for the period of another ten years, allowing it to continue with broadcasts from Ceylon, was seen as a positive and important decision taken by the Sri Lankan government as far as the US was concerned. However, the impounding of a consignment of the American Time Magazine which contained an article on the Ceylonese premiers in

21 Ceylon Daily News, 18 July 1956.

22 Ibid., 5 April 1957.

January 1964²³ reflected the ebb in bilateral relations.

Conclusion

Ceylon-US cultural interaction followed the trends in political relations. During the UNP regimes, both in education and information areas Ceylon opened up to the USA. During the SLFP regimes, however, while the educational exchange did not decrease vis-a-vis USA, but it was increasingly diversified in relation to several other countries. Also, Ceylon took a critical posture vis-a-vis the non-official bodies like Asia Foundation and also Peace Corps. However, though tightening its supervision, Mrs Bandarnaike did renew the VOA agreement. However, during the period of Mrs Bandarnaike Ceylon US relations seem at best correct and somewhat cool.

23 New York Times, 23 January 1964.

CHAPTER 6

CONCLUSION

A perusal of Ceylon-US relations need as its backdrop the significance of the major variables governing the foreign policy of a small state like Ceylon and the placement of the US in its overall foreign policy outlook, approaches, objectives and goals. It is in the background of such a general overview of the UNP and the SLFP regimes that Ceylon's relations with the US can be scrutinized.

Thus, Ceylon-USA relations during the period 1948-1965 can be broadly divided into two phases: (1) Ceylon-USA relations during the UNP regime (1948-56), and (2) Ceylon-USA relations during the Bandarnaike's regime (1956-65) covering the short period of political instability from September after the assassination of S.W.R.D. Bandarnaike till July when his widow took over the power after the general elections of July 1960. During the two phases, one can discern the processes of continuity and change in the political, economic and socio-cultural realm of the two countries.

To begin with, the power asymmetry in the relations between the United States and Sri Lanka is on the extreme. On the one hand, the United States is the Super Power with unlimited global political and military interests. On the other hand, Sri Lanka is not only small in size but also a weak state. Besides this, the geographical distance is also not without significance.

Despite this, there are certain common factors with potential for harmonious relations. First, both the countries share the western type of democratic ideals and institutions based on free regular elections and constitutionally elected governments. In Ceylon, without exceptions, all the political parties in power seem to have exhaustively utilized their adherence to western style democracy for the advancement of relations with the United States. The Government of United States was one of the first countries to recognize Ceylon as an independent democratic state which had achieved its independent status within the British Commonwealth of nations. They also considered mutually beneficial relations based on enhanced trade, aid, assistance, communication and cultural exchanges.

During the period 1948-1956, in the political field, the critical variable which determined Ceylon-USA relations, was the ideological orientation of the UNP leadership. The

first three Prime Ministers identified democracy with a strong fervour of anti-Communism. The US had already assumed the role of containing Communist expansion during the hey days of cold war. On important Cold War issues like the Korean crisis, Ceylon permitted harbour facilities to an American flotilla, on its way to Korea. The stand taken by Ceylon was justified on the ground that the United Nations was opposing aggression by international Communism. Similarly, during 1954, American planes carrying troops to Indo-China were permitted airport facilities in Sri Lanka as they were engaged in checking "the danger of communist advance and expansionism."

Besides this, the perception of a threat to Sri Lanka from the Communist subversion at home (the leftist parties had formed the main opposition in the parliament till 1952) and from outside. The term "threat to newly parliamentary institutions from Communist subversion" used by the UNP politicians was directed against the Soviet Union, the adversary of the United States. Moreover, the UNP's perception that Communist determination to dominate the world by force and that the only hope of maintaining peace with freedom lay in the combined strength of the free nation was in consonance with the US perception of the USSR. As a consequence, there was an instinctive tendency for Ceylon's

ruling leadership to lean towards the Western bloc especially the US and UK. The US seemed to be satisfied with the existing relationship, on the basis of 'the continuance in power of a non-Communist government in Sri Lanka'.

Though Sri Lanka supported the idea of combating Communism, but it did not support the devices such as collective security pacts, to contain the further expansion of Communist forces. Alliance with a super power was seen as a dangerous move for a small power, as it would reduce the status of an independent State to a satellite position. Military ties with any country, either bilateral or multilateral, were perceived as inconsistent with the policy of neutralism which was professed by all the UNP premiers in the first eight years of independence. It was in this context that Ceylon decided not to join the SEATO.

In contrast to the UNP policy, S.W.R.D. Bandarnaike (1956-1959) tried to strike an even balance in matters of Ceylon's interests and relations with the West, especially with the US and the United Kingdom. S.W.R.D. Bandarnaike had criticized D.S. Senanayake's foreign policy, which according to him, was committed to be drawn at the "chariot wheels" of the United Kingdom and the United States. Keeping in view his concept of non-alignment he established diplomatic relations with the socialist countries also. With the

Dullesean version of non-alignment as being 'immoral', Bandarnaike's policy did concern the USA but was still viewed as a somewhat temperate one. However, in the absence of any serious coercive action by the big power, a balanced relationship continued as contrary to the concerns of the US as Bandarnaike did not had the same inclinations towards the USA as the previous governments of the UNP. Ceylon's stand on the Suez crisis brought it closer to the USA where both wholeheartedly supported the Egypt government's action and denounced the action taken by Anglo-French-Israeli forces. In the Hungarian crisis, Ceylon's stand diverged from that of the US who had favoured condemnation of Soviet intervention in Hungary. In West Asian crisis, the US intervention was seen as an interference in the internal affairs of a country. Bandarnaike's attitude on some of the international issues was based on the principles of merit for judging the situation.

Under Mrs Bandarnaike (1960-1965) there was a shift away from the West in foreign policy. Though non-involvement with power blocs, non-alignment, opposition to armaments and anti-colonialism remained essential elements of Ceylon's foreign policy, but some of her government's policies, such as the establishment of a State Petroleum Corporation, making

'Indian Ocean as a Zone of Peace' and disarmament initiatives irritated the US government. In the political field, Ceylon's relationship with the US moved from being cordial under the UNP regime to somewhat strained relations under Mrs Bandarnaike.

In determining foreign policy options and choices the political elites, whatever be their ideological inclinations, cannot ignore the vulnerability of internal socio-political processes, especially domestic economy. Secondly, bilateral affinity in the political realm need not converge in the economic realm. Ceylon's economic relations with the US during the UNP and SLFP regimes aptly elucidate both the propositions.

As an underdeveloped country, the UNP government was fully aware of the Island's economic problem. What Ceylon needed was aid and assistance from all countries. Though economic development was one of the objectives of the UNP governments, but due to their tilt towards the Western countries, they confined themselves to the Western bloc especially, United Kingdom and the United States of America. At the world level too during that time the USA and the USSR were competing with each other in giving aid to the newly independent countries with a view to win them over. Ceylon

witnessed a bitter experience in the case of economic aid and trade. What was surprising in the case of Ceylon was that despite the pro-US attitude of the UNP regime it did not receive any financial aid during the first eight years. The US government's decision to impose a ban under the 'Kem Amendment' and 'Battle Act' on Sri Lanka affected the sale of rubber to the US, and rice needed for the domestic consumption, forced Ceylon to enter into trade with Communist countries with whom it had distanced relations. The US government did pressurize Ceylon to scrap its trade agreement with China which further embittered Ceylon. It was only in 1955, thanks to the mediation of the British and also efforts of the UNP premier that discussion on the resumption of trade could be started.

The US aid started flowing not under the UNP tenure but under the Bandarnaika Government who did not share the same hostility towards Communism as the former government. The Bandarnaika era saw the revival of aid and increased trade with the US. During 1957-58, USA remained on the top of the chart of the donor countries.

The economic relations remained cordial till 1961. But after 1961 Ceylon-US relations began to deteriorate due to the nationalization of oil companies owned by the Britishers and Americans. Aid to Ceylon was suspended under the

"Hickenlooper Amendment" and was resumed only when the UNP came back in power after the 1965 elections.

In socio-cultural sphere, Ceylon-USA interaction increased. The most significant aspect of the socio-cultural relations was the access allowed to the "Voice of America" for information network. Another was the presence of Asia foundation (earlier known as Committee on Free Asia) till 1963 and the peace corps for educational assistance.

Thus, in the political realm, the UNP period was marked by a converging approach with the US on many issues of international importance. But under the MEP and the SLFP periods, divergence was more pronounced. In economic sphere, Ceylon-US relations had their tides and ebbs during both the UNP and the SLFP period. In the process, they indicated that while there was a non-congruence in political and economic relationship during the UNP regimes, the strains in Ceylon-US relations during 1961-65 were equally felt in political as well as economic spheres.

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