CHAPTER: III

INTERNATIONAL DETERMINANTS OF SRI LANKA’S SECURITY

The existence of the sovereign state in an anarchic system, where states are unable to coexist in harmony, makes national security a central issue for every state. It is in this context that Waltz’s, neo-realism places security at the centre of state.¹ States are made insecure by the very existence of other states and it is this which is considered as the prime source of threat. Security is freedom from threat and vulnerabilities. Therefore, states pursue policy in an attempt to increase their capabilities and also maintain its independent identity and territorial and functional integrity. Thus the international system is dominated by military security concern, which is the interplay of offensive and defensive capabilities of states and perception of each other intentions; and the economic concern of security is the capability to access resources, finance and markets, and also ability to sustain and enhance its power and level of welfare.² Besides, military and economic factors other factors like political, societal, regional and environmental which also effect security will be discussed in the subsequent chapters. Thus the foreign, military and economic policies of the states, the intersection of these policies with the general structure of relations can be seen as the aspiration of state to achieve national as well as international security. Therefore, the structure of the international system play an important role in intra-state and inter-state dimension of security of Third World states. In this sense it is one of the most decisive determinants of the security matrix and play a leading role in shaping their foreign policy strategy and behaviour. Therefore, it is imperative to understand the structure of the international system in the larger, as well as, immediate context of a country for analysing its security issues and concern.

This chapter thus attempts to examine and analyse the international environment in order to understand how the international milieu influences and determines the behaviour and foreign policy of Sri Lanka.

The International Setting: A Brief Background

Before, we undertake an analyses of Sri Lanka’s foreign policy it is necessary to discuss the background of the international scenario to lend clarity to the context in
which Sri Lanka's foreign policy were undertaken and how the international milieu determined its behaviour.

The end of WW-II marked a decline in the power and influence of European states and a shift in the distribution of powers to the US and the Soviet Union. The international system was divided into two camps dominated by two differing ideologies—capitalism and socialism/communism. The divergence of interest and perceived global role saw the blocs engaged in competition and conflict as each tried to enhance its sphere of influence as well as its military capabilities. With the unprecedented accumulation of military capabilities, resources, technologies they were able to penetrate and influence states' behaviour and policies. In fact, the cold war was an order based on perceived sense of nuclear parity in which it was the balance of terror rather than a balance of power which kept peace internationally.³

Furthermore, the withdrawal of the Western colonial power from most of the Third World created a vacuum of sorts leaving various sub-systems of the world open to super power influence and penetration. The newly independent states were affected by the global rivalry and tension depending on their geo-political setting. Therefore, if the cold war was characterised by the game—balance of power—the post-colonial era was also subjected to a kind of uneven imbalance (political, economic, military, etc.) which needed strategy to cope with. Thus the newly independent states had to find a role for themselves. They experimented with non-alignment as well as alignment to safeguard their security and counter super power interference. They also attempted the formation of regional fora to protect their economic interests. However, many depended on the powerful members of the international system for military assistance and economic aid for security as well as to bolster their capacity against regional adversaries and domestic insurgents.⁴

The newly independent and small states also faced the problems of political institution building, ethnic integration and were economically weak and politically unstable. However, given the nature of the international system, instability while having scope of spill-over effect in the region also made them vulnerable to intervention thus further complicating the security environment.⁵ Thus, the overriding
concern of these states have been their attempt to secure sovereignty and independence both internally and externally.\textsuperscript{6}

The South Asian region did not figure prominently in the global strategy of the super powers. However, its location in the Indian ocean made it geo-strategically significant as it lay between West Asia and South East Asia, the two areas of interest to the US. Further, its proximity to the Soviet Union and China the two dominant communist powers generated apprehension of communist expansionism and posed a threat to the Western style democracy and the so called ‘free world’.\textsuperscript{7} Thus the containment of communism became a major thrust of US foreign policy. The US extended support as well as economic assistance to states of the region to circumvent the influence of communism. Most of the South Asian states refused to join hands with the US as it did not want to be drawn into the cold war rivalry and instead opted for NAM. However, Pakistan joined the US led security alliance of SEATO and CENTO ostensibly with the motive to protect its national interest.\textsuperscript{8}

In the immediate years of the Post WW-II period Soviet Union under Stalin was mainly preoccupied with Europe and the Soviet bloc. Moscow did not develop close ties with any of the newly independent states and even NAM was not received with much warmth. Stalin branded the nationalist leaders of the post-colonialist regimes as lackeys of imperialism. The change in the rigid policy and a flexible approach towards Third World was bought about by Khrushchev. On the other hand, in response to the US policy of containment the Soviet Union tried to develop friendly relationship with the Third World countries and also came out in support of NAM. The refusal of US security arrangement saw a convergence of interest in resisting imperialism and the South Asia region emerged central to the Soviet policy. This led Soviet Union to lay more emphasis on economic assistance to Third World to enable them attain economic independence.\textsuperscript{9}

It should also be noted here that the Soviet Union considered the entire rim of South Asia as an area of its security concerns. Hence, the Pakistan, Iran, Iraq- US security alliance generated apprehension among the Soviet leaders as this could be inimical to its security interest. It thus tried to develop closer ties with India in order to safeguard its own security.\textsuperscript{10}
Besides the US and the Soviet Union interest to influence South Asian politics, China also played a decisive role in the region especially after the Sino-Soviet split. China shares common borders with four South Asian states and forms a physical entity linking it to the geopolitical landscape of the region. However, unlike the US and the Soviet Union, China never had any global agenda, but the rise of communism under Mao was seen to pose a challenge to US interest in the region. To counter the US policy of containment it did maintained close ties with the region. The rivalry with the Soviet Union and India’s conflict with Pakistan which was seen as a challenge to its dominance in the region, saw the Chinese growing interest in the region. Thus the South Asian sub-system was caught in the global tri-polarity rather than bipolarity. But it was the cold war and policy of the super powers that played a significant role in the decision making process and foreign policy formulation of small and weak states, while also imposing constraints on its foreign policy manoeuvrability.

Geo-politically Sri Lanka occupies one of the most exposed and central positions at the heart of the Indian Ocean and is considered to be a great oceanic cockpit of the world like the Mediterranean. It possess natural harbours, particularly Trincomalee, which has served as the entrepot for mariners and commercial purpose had been eyed by the colonialist—the Portuguese, the Dutch and the British—for its strategic potential. It was considered important for gaining access over the Asian region and the British had developed a full-fledged defence base for protecting its Asian interest. The importance of its strategic location was recognised by both the blocs and it figured in the calculation of the US and its allies and the Soviet Union. From the Soviet perspective it was considered that if Moscow could gain control of these well established and well equipped military bases it would not only be able to counteract American presence in South and South East Asia, but also use for its long term political and ideological goals. Alternately the Americans were keen to make their presence felt in Sri Lanka following the withdrawal of Britain, which was considered by the elites of Washington as a receding power and not in a position to discharge it Asian responsibilities. Besides, its enviable position it was juxtaposed next to India which was much bigger in size and population and was it only neighbour. Thus Sri Lanka’s geopolitical location in a competitive world, its relation
with great powers, its non-alignment policy stance and India's overwhelming presence dominated the security perception and shaped its foreign policy.\textsuperscript{14}

Sri Lanka foreign policy witnessed continuity as well as change depending on the changes occurring in international system as well as the changes in the regimes. Thus the foreign policy of Sri Lanka can be broadly considered in four distinct phase. The first phase extends from 1948 to 1956 when the UNP under the leadership of D.S. Senanayake (1948-1952); Dudley Senanayake (1952-1953 & 1965-1970); and Sir John Kotelawala (1953-1956) were in power. The second phase 1956-1965 was marked by the emergence of the Bandaranaikes, S.W.R.D. Bandaranaike (1956-59) and Mrs. S. Bandaranaike (1960-1965 & 1970-1977). The third phase was a 17 year rule of the UNP under the leadership of J.R. Jayawardene (1977-1988) and R. Premadasa (1988-93). The fourth phase saw the emergence of the People Alliance under the leadership of Chandrika Kumaratunga (1994-2005).\textsuperscript{15}

It should be noted here that W. Dahanayake took over as the caretaker Prime Minister from 1959-1960, following the death of S.W.R.D. Bandaranaike in 1959. The UNP under Dudley Senanayake came to power in March 1960 but lost the confidence motion in parliament and his tenure ended in July 1960. Further, following the death of R. Premadasa in 1993 Dingri Banda Wijetunge who was then Prime Minister took over as president for the period of 1993 to 1994. However, a separate analysis under the brief tenure of the above mentioned leadership is not undertaken as no major nor any substantial foreign policy decision or new policy formulation were undertaken during this period.

\textbf{Sri Lanka's Foreign Policy under the UNP – (1948-1956)}

Sri Lanka independence in 1948 coincided with the emergence of the cold war. Sri Lanka ruling elite then represented by the UNP realised its geo-strategic importance as well as its vulnerability and wanted to avoid being caught in cold war rivalry by siding with any of the bloc. Taking a pragmatic view, D.S. Senanayake thus refused to join the American led alliance- SEATO as it would drag Sri Lanka into the cold war rivalry and also antagonise India who was favouring non-alignment while opposing alliance politics. However, he carried the apprehension of India’s
domineering presence in the north and saw it as a threat at least in terms of its autonomy and identity in the region if not in security and strategic terms. Added to this was Senanayake’s own conviction that communists, both within the country and from outside posed threat to its independence. He thus steered clear from this predicament and constraints and secured Sri Lanka by entering into a defence pact with Britain. The defence pact was enshrined as a provision in the constitution itself. The pact envisaged that Britain could maintain control over the air base at Katunayake and naval base at Trincomalee for the protection of mutual strategic and security interests. The arrangement was a bilateral one, while keeping it outside any alliance system. But both the countries had the option to allow a third party to use them provided there was a mutual agreement between them. This arrangement offered Sri Lanka a ‘free ride in defence and external security in the crucially important years of independence’, as Sri Lanka had no credible defence capacity— no army, no navy and no air force. Britain was also keen in retaining its base in Sri Lanka for its own strategic interest. It provided the only fleet base between Male and Singapore and secured its links with Australia and New Zealand. Although, the use of the facilities were to be mutually agreed subject to Sri Lanka’s permission, British fighter planes based at Trincomalee have used the facilities for action against Malayan communist in 1948.

The agreement was strongly criticised by the left and the opposition who were not pro-British. The opposition denounced Senanayake as a ‘traitor’ and a ‘man who sold the country to the imperialist’. Senanayake was not taken aback by such criticism as he was convinced that to safeguard Sri Lanka’s independence it had to maintain close relation with Britain. There were acrimonious debates in the parliament over this agreement. Senanayake defended it boldly, “I ask honourable members to be honest with themselves and their constituents. They know as well as I do that we cannot defend ourselves.... Let us confess that our defence depends upon someone or other undertaking to help us defend ourselves”.

Sri Lanka had to pay a price for this agreement externally. The Soviet Union opposed its membership to the United Nations on the ground that Sri Lanka was not completely free of foreign domination. However, it later conceded to Sri Lanka membership in 1955 under the package deal where communist countries like...
Mongolia, Albania, whose membership had been vetoed by the US and its allies, were granted membership to the UN.23

In an official statement D.S. Senanayake pronounced that the Sri Lankan foreign policy was maintaining friendly relation with British Commonwealth nations and to live in peace with other nations. However, his antipathy towards communism saw him moving closer to the West. Thus his policy was not of friendship with all nations but with all non communist countries.24 D.S. Senanayake preferred to maintain a Dominion status like other Commonwealth countries and thus appease Britain. Sri Lanka was aware of the significance of Commonwealth as it gave strength to a small nation to be a partner in a larger comity of nations, besides making it feel equal not only with India and Pakistan but also to UK.25 In the early years Sri Lanka diplomatic relation were confined to few countries mostly Commonwealth countries – UK, Australia, Canada, India and Pakistan, as well as the US. It benefited from this connection as these countries were its main trading partners and received much of the necessary technical and monetary aid from them. Furthermore, prior to its membership to the UN it used the good office of the Commonwealth nation to carry its diplomatic relations.26

In January 1950, it hosted the meeting of the Commonwealth foreign ministers in Colombo. During this meeting steps were taken to prepare a scheme of economic cooperation with a view for provision of mutual aid arrangement between countries of South and South East Asia as well as other interested countries. This effort blossomed into the Colombo Plan, which was intended to provide economic cooperation. Sri Lanka active participation at the Asian Relation Conference in New Delhi in 1947 and the New Delhi Conference on Indonesia in 1949 and also the Bargio Conference in 1950 on problem of South East Asia clearly demonstrated it support to anti colonialism and national liberation struggle in Asia and Africa. This provided the main plank of Asian unity and solidarity and was later vigorously pursued by his successor Dudley Senanayake and Sir John Kotelawala. Being an advocate of the liberation movement it refused shipping and air facilities to the Dutch for carrying military personnel and material to suppress the freedom movement in Indonesia.27
Although, the Soviet Union was geographically distant from Sri Lanka, D.S. Senanayake carried apprehensions of Communist expansionist design. His anti-Communist stand was well known. On the domestic front he imposed severe inhibition on the activities of the local communist parties and restricted their interaction with the international communist movements, for e.g., he refused visas to the delegates from Soviet Union, France and China who were to visit Sri Lanka to attend the tenth anniversary of the Communist led Ceylon Trade Union Federation. Similarly, the president of British Peace Committee was also refused visa as he was an active member of the British Communist Party. Furthermore, unlike most Third World countries who tried to establish diplomatic relation with both the super power, Sri Lanka made no efforts to enter into diplomatic or trade agreement with the Soviet Union. In 1948, Sri Lanka even rejected Soviet Union's offer to buy the island entire rubber produce.

Due to his antipathy to Communism, Sri Lanka provided aid to Burma in order to safeguard the interest of the Burmese national government who was fighting against the communist force. Even during the Korean war American Battleship was permitted to use Sri Lanka's harbour facilities freely since they were fighting the communist. He further justified by stating, "...I do not see any reason why facilities which were available to the Americans in the past should not be made available now." The most glaring instance of his anti communist stand was its rejection of China's request to open an embassy in Colombo. Despite opposition to communism, Sri Lanka along with Britain openly advocated for membership of China not only to the UN but also worked to designate it as one of the permanent members of the Security Council.

He was drawn closer to the US as it stood for the principle of democracy and freedom. In parliament he said, "as far as the US is concerned, there is not the slightest doubt that she hold the view that we hold...." The pro American bias was evident from the fact that it did not prevent US embassy from distributing anti Soviet and anti communist literature through Sri Lanka's government officials. But pro Marxist literature was being prevented from being circulated in the island.
Sri Lanka entered into an agreement with US for mutual cooperation under President Truman's 'Point Four' programme for assistance to under-developed countries. Under the programme Sri Lanka was to get aid to the tune of $10 million from the US. Further in exchange for the loan of one transmitting set it permitted Voice of America to share broadcast facilities with Radio Ceylon.\(^{35}\)

Although the trade pattern with the US indicated signs of marked improvement with the balance of payment in favour of Sri Lanka trade relations with the US did not extend to greater level. In fact the US refused to purchase Sri Lanka rubber and also enquired into the purpose for the purchase of American helicopters. Thus though Senanayake tried to placate the US with its much-avowed pro-West policy the US did not reciprocate to the Sri Lankan need with much warmth.\(^{36}\)

Dudley Senanayake succeeded his father D.S. Senanayake after his untimely death in 1952. During his short tenure of one year he followed the policy line set by his father. He continued to be favourable towards the West and showed keen interest in maintaining cordial relation with the Commonwealth as well as its neighbours. In fact the domestic economic compulsion forced Dudley to deviate from the UNP's line of policy of not interacting with the communist countries. Following the Korean War and the arrival of synthetic rubber Sri Lanka rubber trade suffered heavily. This was further coupled with the declining price of tea and coconut leading to a decline in export earning by 20 per cent. On the other hand the price of rice, which Sri Lanka imported to meet its domestic needs, escalated. Sri Lanka approached the US for assistance but the US was not willing to purchase rubber at a higher price and sell rice at a subsidised rate.\(^{37}\) Sri Lanka had no choice but to accept the Chinese offer, who were willing to pay a price 40 per cent higher than that of the international market and agreed to provide superior grade rice at approximately 2/3 of the world price. These factor led Sri Lanka and China to enter the Sri Lanka-China Rice-Rubber pact where Sri Lanka was guaranteed 270,000 metric tons rice each year for five years and China agreed to buy 50,000 metric tons of Sri Lanka rubber each year for the same period. The pact thus provided a stable price for Sri Lanka rubber and a firm assurance of constant supply of rice to Sri Lanka.\(^{38}\)
The attitude of the US, despite Sri Lanka agreeing to pay a higher price for American wheat without protest, was not favourable to Sri Lanka's need. The pact with China saw US asserting pressure on Sri Lanka by withdrawing economic aid on the ground that the pact contravened the UN embargo on export of strategic material to China who had intervened in North Korea. Another consequence of the pact was that US trade with Sri Lanka suffered. Although, Sri Lanka was able to withstand the pressure from the US these events made Sri Lanka realise that it was not wise to confine its relation with one bloc. Subsequently, the cut in the rice subsidy caused considerable economic discontent among the urban working class, which also was pro-Marxist, leading to large scale demonstration and eventually to the resignation of Dudley Senanayake from the post of premiership.39

Following the resignation of Dudley Senanayake, Sir John Kotelawala formed the third successive UNP government and remained in power till 1956. His period can be viewed as an aberration in both internal policy and external relation although he continued to follow the anti communist stand taken by his predecessor. He was more outspoken and extrovert rather brash in his criticism of communist and refused to establish diplomatic relation with communist countries.40 Kotelawala even went to the extent to ban the import of communist books, periodicals and films into the island. However, he renewed the Rice-Rubber pact with China as it was to Sri Lanka advantage.41

In the international front, he aspired to play a flamboyant role for which he undertook several trips to Western capital. He reaffirmed his faith in British Commonwealth and turned the visit of the British Queen Elizabeth II to Sri Lanka in April 1954 into a national celebration. Kotelawala preferred to recognise the Queen as the head rather than becoming a republic.42

With regard to the US he tried to develop closer ties with the aim of securing trade relations with the US. He visited US in 1954, on the ground that it was a goodwill mission but reiterated that Sri Lanka was against communism and appealed for help to enable Sri Lanka build its economy. This visit resulted in the culmination of an economic assistance programme, where the US pledged $ 5 million grant to Sri Lanka for the fiscal year 1956. The grant was to be increased to $ 7 million for the
subsequent year. Ironically, the beneficiary of the grant was not Kotelawala but Mr. Bandaranaike who came to power in 1956.43

Kotelawala’s pro-American stand was clearly visible, when in September 1951 the US convened the San Francisco Conference. Unlike India and Burma who boycotted it on ground of neutrality, Sri Lanka joined the conference and signed the Draft Treaty of Peace with Japan. Thus, despite US unfavourable response to its economic needs it obliged the US and towed in its line. Furthermore, in May 1954 Americans were permitted to use Sri Lanka airport facilities for transporting French troops to Indo-China.44 When in 1954, the idea of SEATO – a collective defence organisation for South East Asia was mooted Kotelawala showed keen interest to be a part of it. However, strong opposition from leaders within his own UNP party as well as the opposition did not permit him to carry his desire further.45

Realising the importance of economic development for political stability, Kotelawala played an active role in the Asian regional conferences; and advocated Afro-Asian solidarity. He initiated the third conference the Colombo conference in 1954, where Asian Prime Ministers met to find broad areas of agreement and common objective. The agenda of this conference was promotion of economic development and political stability in the newly independent states of Asia and Africa. These initiatives led to the formation of the Colombo Plan and concept of Colombo Powers consisting of developed commonwealth countries such as Britain, Australia, New Zealand for providing economic, educational and technological aid to former British colonies.46

The same spirit was further carried at the Bandung Conference which brought Afro-Asian leaders cementing Afro-Asian solidarity. The Bandung Conference was a momentous event in the history of international politics as it strengthen the Third World and brought together non-aligned powers. At the conference the principle of ‘Panchsheel’ peace co-existence was accepted while also covering issues of economic and cultural cooperation. At the conference, Kotelawala bluntly criticised the big powers for failing to bring peace and indicated confidence that the Afro-Asian nations could do what the big powers could not. He stated, “In these urgent and vital tasks where the wisdom of the West has failed, it is possible that the nations of Asia and
Africa can hope to succeed? However, he did not fail to raise some controversial cold war issues. He advocated for the abolishment of the power of veto enjoyed by the big powers and suggested that the Security Council should be a fully elected body. Further, he also raised the issues of Formosa and Russian Colonialism. At the Asian conference he advocated the adoption of a resolution on ‘colonialism’ and ‘aggressive communism’. He vehemently opposed colonialism in all its forms.

**Sri Lanka’s Foreign Policy under the SLFP - (1956-1965)**

The third general election took place within the milieu characterised by drastic change within the civil society, i.e., rise of nationalism, as well as changes in the larger international society where at the level of bi-polarity cold war was spreading its tentacles all over the world and the two super power were playing brinkmanship with each other. The two super power were deeply involved in influencing and interfering in Third World internal matters, while proliferation of nuclear weapons continued. On the other end, following the death of Stalin, the Soviet Union was in the process of revising its international outlook and policy and the Sino-Soviet split continued. Bipolarity was being questioned and the Third World countries particularly Asian and African was increasing in strength under the banner of NAM showing signs of becoming one of the most general group in the international forums in political terms. It was using its strength to overcome political stability, political underdevelopment and was advocating for peace.

These developments found reflection in Sri Lanka’s policy. S.W.R.D. Bandaranaike, who succeeded Kotelawala forming the first non-UNP government gave a new turn to Sri Lanka foreign policy. His first move was to break away from the dependence on Britain and the West and evolve an independent international outlook. Conscious of the cold war climate, he advocated for the ‘middle path’ in foreign policy approach. He was influenced by Nehru and his model of non-alignment and convinced that Sri Lanka should follow the same path. He became an ardent advocate of the non-align movement and received acclamation as the man responsible for bring Sri Lanka into the non-align camp. Although, there is no denial of the fact that the genesis of NAM can be found in the statement of UNP prime minister too. But for Bandaranaike, NAM was the cardinal principle that guided his foreign policy.
He wanted that the foreign policy of Ceylon should neither be 'anti-West' nor 'anti-communism' but should be pro-Ceylon.\textsuperscript{51} In fact it should be model on Switzerland. Thus the foreign policy goal he sought was 'friends of all and enemies of none'. He therefore took efforts to establish diplomatic relations with the communist world too. The more pragmatic side of his policy was regional cooperation and he even put forth the idea of a mutual defence scheme involving India, Pakistan, Burma and Sri Lanka.\textsuperscript{52}

Since Bandaranaike broke from the UNP and went formed the opposition, he was critical of the Defence pact with Britain. He also opposed to the idea of Dominion status and wanted Sri Lanka to be a republic in the line of India and Pakistan. Therefore, soon after assuming the office of Prime Minister he redeemed his promise and begun negotiating the transfer of the naval base at Trincomalee as well as the air base at Katunayake. In June 1957, the Royal Naval base at Trincomalee was transferred and on October the same year the Royal Air base at Katunayake was handed over to Sri Lanka. Speaking on the occasion he declared, 'today our independence is complete'.\textsuperscript{53} In fact the steps for the transfer were undertaken as he strongly felt that military association with Britain could lead to Sri Lanka's involvement in any war between the two blocs and conscious of it geo-strategic location he realised that Sri Lanka was easily accessible to both Soviet Union and China besides the US. Thus he visualised neutrality as the best solution to the island defence problem. However, he did make it clear to Britain and the West that the transfer was not made in the spirit of any hostility but because the island foreign policy which is based on friendship with all nations and non-alignment necessitated such steps.\textsuperscript{54}

The handing over of the base did not lead to any abrogation of the Commonwealth membership. In fact, trade with the Commonwealth countries continued and Sri Lanka benefited from it as most trade was in sterling. He wanted the Commonwealth to play an active role in world affairs and said that the it could make positive contribution to world progress as a 'third force'.\textsuperscript{55}

Sri Lanka's relation with the US was cordial. In fact, the competition between the two super powers for aid saw Sri Lanka receiving financial aid from US too,
which the UNP though pro-West could not achieve. Bandaranaike visited the US to clear the misunderstanding that occurred because of the Rice-Rubber pact with China and through his diplomacy prevailed upon America for assistance. The US modified its policy of the Battle Act and agreed to give $ 5 million without any condition attached to it. In 1957 the United States Operation Mission (USOM) and Sri Lanka government agreed to jointly undertake the survey of the Mahaveli Ganga River Valley project for harnessing of water for irrigation, flood control and electricity production. The feasibility report was jointly submitted in 1961. The US also provided equipment and four technicians to assist the Ministry of Land and Development in the Mahaveli Basin project. However, the implementation of the project did not commence due to various reasons.56

Furthermore, in June 1958 the US and Sri Lanka signed the surplus agricultural commodities agreement with a view of expanding trade in agricultural commodities. Under this agreement sale of rice to Sri Lanka amounted to $ 4.2 million, which was later raised to $ 6.3 million due to the addition of wheat flour. Under the US-Ceylon Economic and Technical Cooperation Programme the US agreed for an additional assistance of Rs. 3.5 million.57

Earlier in 1952, the US and Sri Lanka had agreed on the establishment and administration of an Educational Exchange Programme. The fund for which was to be raised by the sale of surplus World War II American property.58

The US organisation Asia Foundation (earlier known as committee for Free Asia) which was operating in Sri Lanka had created some youth councils and young farmer councils. This activity arouses suspicion among some section of the people as it was aiding some private individuals. Furthermore, there were allegation against the United States Information Centre at Jaffna for being engage in activities that was injecting communal feeling among the Tamils, and the 1958 language riots was also seen as US plot to overthrow Bandaranaike and help the UNP regain power. It is worth-noting here that despite such allegation levelled against the US the Sri Lanka-US relation did not show any signs of deterioration.59
During his visit to Britain in June-July 1956 to attend the Commonwealth Prime Minister conference, he spoke for the need to trust the 'new look' in Russian policy. Soon after his return, he announced in August that Sri Lanka mission would visit Soviet Union and People's Republic of China to view prospect for establishment of diplomatic relations. Four points were discussed - establishment of diplomatic relations, development of trade, expansion of economic cooperation and improvement of understanding through cultural exchange. As a result Sri Lanka established diplomatic missions in Moscow and Beijing and correspondingly the Soviet Union and China set up full fledged embassy in Colombo. He annulled the ban imposed by Kotelawala on communist literature from Soviet Union, China and other communist countries. The initiative by Bandaranaike was favourably reciprocated. In February 1957, Chou-En-Lai visited Sri Lanka followed by the Soviet cultural delegation visit in November the same year. The Soviet Union and Sri Lanka agreed to the exchange of students and scholars and Sri Lankan were offered free travel to these countries. Sri Lanka further explored possibilities of increasing trade and prospect of economic and technological assistance from Soviet Union.

The change in attitude and posture benefited Sri Lanka economically. It received huge long and short term capital and technological assistance for meeting its immediate economic and long term needs. In 1958, Sri Lanka entered into a economic aid agreement with Russia. A credit of 27 million Roubles (142.8 million Rupee) was granted to Sri Lanka at 2.5 per cent interest rate, which was repayable over a period of 12 years. The credit was to meet the cost of supplies and services from Soviet organisation and for equipment, machinery and materials required for the agreed project.

Beside the Soviet, Czechoslovakia, Poland and Germany Democrat Republic were notable donors. Chinese aid also witnessed an upward swing. Sri Lanka received interest free loans to be repaid through Ceylonese rupee and industrial loans which was related to the supply of agriculture equipment and development of railway system. Further, it received outright grants which was given in the form of Chinese manufactured goods for meeting the consumption and basic needs of the people. The acquisition of aid from the communist countries supplemented those received from the West and helped Bandaranaike stabilise the deteriorating economy.
The tenure of Mr. Bandaranaike witnessed many events of international importance. The two most important ones were the Suez crisis and the Hungarian crisis. The same year it also has begun to function as a member of the UN and it made its voice heard and presence felt at the international level.

In July 1956, UK and France attacked Egypt when President Nasser of Egypt attempted to nationalised the Suez Canal. Sri Lanka was critical of both Britain and France for the invasion. He advocated for a peaceful settlement of the issue. He appreciated the US stand but when the US sided with the colonial power for taking financial and economic measures against Egypt and initiating moves for the international control of the Suez, he was critical of the US too. The international control of the Suez was not tenable to Sri Lanka and he demanded wider conference of the issues. He represented the Colombo Powers at the General Assembly of the UN and expressed its views. He visited UK and met the British foreign secretary and obtained an assurance from Britain that the naval and air facilities at Sri Lanka will not be used in connection to the Suez crisis. The stand by Bandaranaike was well received by the Arab world, particularly Egypt. This paved the way for closer economic and political ties between Sri Lanka and the Arab World.64

On the Hungary issue, he was not constraint to take an independent stand to criticise the Soviet Union as invader. He described the Soviet’s action as tragic and emphasised that the political future of Hungary is an inalienable right of the Hungarians. In the UN, Sri Lanka initiated proposal for resolution of the crisis and was keen for restoration of peace and stability in Hungary without external interference. Although it was a party to the five nation fact finding committee and subscribed to its finding, it made a ‘volte face’ by not condemning the Soviet action and not voting in the UN resolution.65

Furthermore, during the China invasion of Tibet also he did not take a stand and referred the issues as purely an internal matter of China. The incident has aroused local Buddhist sentiments at home and his stand drew criticism from opponents as well as supporters within the party. On both the occasion it seems that Bandaranaike did not want to offend the socialist bloc as Sri Lanka tended to benefiting from it.66
On most of the occasions Mr. Bandaranaike proved his commitment to NAM and world peace, while gaining recognition as an autonomous actor in international relations. He constructively asserted himself and enhanced the status of his country as one that stood for the ideals of peace, democratisation and anti-colonialism, while also securing economic benefits and assistance from both the blocs.

Sri Lanka’s Foreign Policy under Mrs. Bandaranaike (1960-65)

Mr. Bandaranaike fell victim to the bullet of a disgruntled Buddhist monk. The untimely death and the dishevel cause in the party followed by the defeat in the March 1960 election brought his wife Mrs. Sirimavo Bandaranaike to active politics as the leader of the SLFP. The party under leadership fared well in the July 1960 mid-term poll formed the United Front government a coalition of the SLFP and Communist parties. She followed the policy of NAM and friendly relations with all countries the policy set by her late husband. However, given the characteristic of the coalition relationship with communist countries, particularly China progressed, while the relationship with US in particular was strained due the legislation of nationalisation policy.67

Mrs. Bandaranaike continued to give priority to the Commonwealth countries. She participated in the Commonwealth premiers meeting to discuss the problem of South Africa, Laos and Congo and asserted the strength of the Commonwealth as a unit and as an influencing force. Later, when Britain was contemplating toward join the European Common Market Sri Lanka expressed her anxiety with regard to the adverse effect it would have on the island as it would have to face tough competition and lose the preference it enjoyed, particularity over export of Tea of which UK was the largest buyer. Mr. Bandaranaike impressed upon the UK to keep Sri Lanka’s interest in mind and was duly assured.68

However, the relation with UK suffered a setback due the policy of nationalisation that was brought about by the government. The policy had direct bearing on the British oil company, Shell, which was in operation in the island and had monopoly over import and distribution. Although, Sri Lanka agreed to
compensate for the same, the hitch over compensation and the terms of payment remained. Further, the extension of the policy to insurance sector also affected the British owned company.69

The nationalisation policy was undertaken with a view to reduce import cost and to save foreign exchange. Sri Lanka imported 80 per cent of its oil requirement and with the objective to procure oil at cheaper rate from other sources such as USSR, Romania and UAE it decided to set up the Ceylon Petroleum Corporation and fix the prices of petroleum products. This policy did not augur well with the MNCs, Shell from UK and Caltex and Standard Vacuum from US. Since an agreement on the fixing of price could not be reached, the government vested the corporation with the sole and exclusive rights of importing, exporting, selling and distribution of petroleum products.70

The US was not pleased by such moves and drew the attention of the government to the provision of the Foreign Assistance Act. The act stated suspension of assistance to any country if such country nationalised or expropriated or seized ownership or control of property owned by US citizens, cooperation or imposed discriminatory taxes or restrictive conditions. Mrs. Bandaranaike went ahead with her socialist policy and the US imposed Foreign Assistance Act and aid to Sri Lanka suspended.71 However, US gave aid to Sri Lanka in various other forms. The surplus agriculture commodities agreement was signed in 1960 and unlike the one signed in 1958, the US undertook to finance the sale to purchase authorised by the government. Under the agreement wheat flour amount $5.1 million was sold, the agreement was renewed again in 1962. The agreement for the Peace Corp programme was also signed in 1962 and the VOA agreement was extended for a period of 10 years. Further, in 1964 USA and Sri Lanka renewed the agreement which enabled mutual exchange of scholars and the US provided facilities for research and higher education to Sri Lankan students. Thus normal relations between the two continued despite some initial hiccups.72

The communist party as well as the UNP which was pro-West, condemned the US action saying that aid was used as a political weapon to coerce Sri Lanka to accept
its dictates undermining its sovereignty and self respect. The relation further deteriorated when a consignment of The Time magazine were impounded.\textsuperscript{73}

The visit of a goodwill mission from East Germany despite protest from British and French diplomats and threat from West Germany to suspend economic assistance sent wrong signals to the West. This was further accentuated by visit of Chou-En-Lai to Sri Lanka in 1964, and the induction of three Trotskyite minister into the government.\textsuperscript{74}

The problem of Tibet in 1962 and the flight of the Dalai Lama to India had its impact in Sri Lanka. The Buddhist protested against the Chinese action and the Sri Lanka Maha Bhikhu Sangamaya organised public meetings to collect funds to help the Tibetan refugees. Mrs. Bandaranaike refused to be drawn into the confrontation on the ground that it was an internal problem of China. However, when the Indo-China war broke out she again resisted the pressure, even from within the party, to call China an aggressor. But she took the initiative to call a meeting of the NAM countries to explore means to bring China and India to the negotiating table and resolve the dispute. The mediatory role played by Sri Lanka was appreciated by both. This role was motivated by the desire to maintain cordial relations with both countries for political and economic ties.\textsuperscript{75}

In 1963, it entered into a Maritime agreement with China, which allowed commercial vessels to use Trincomalee and also gave it the most favoured nation status. China further offered economic aid in the form of good valued Rs. 75 million turning out to be the biggest donor to Sri Lanka. The Russian continued with its economic aid programme and by 1965 Sri Lanka had received aid to the tune of Rs.83.4 million. Much of the aid was devoted to the establishment of Iron and steel, tyre and tube and sugar cane plant.\textsuperscript{76}

Earlier in 1963, Poland extended a credit of Rs.38 million for financing the imports of industrial plant and machinery from Poland. Sri Lanka also entered into trade and economic agreement with German Democratic Republic. The GDR provided Sri Lanka with a credit of Rs. 200 million at 2.5 per cent interest rate for a period of 10 years. Thus like her husband, Mrs. Bandaranaike tried to break the
dependence from the West and opened other sources for aid and assistance by extending Sri Lanka’s diplomatic relation.77

On the international level, Mrs. Bandaranaike stood by the principles of NAM and time and again expressing concern over the harmful effects of nuclear testing. She participated in the NAM meeting at the Belgrade (1961) and also at Cairo (1964) and endorsed the view of the members which stood for disarmament, cooperation in economic and commercial field and peaceful co-existence. During the NAM, it was Mrs. Bandaranaike who put forth the concept of nuclear free zone and proposed that all NAM nations should take steps to close their ports and air field to ships and air crafts carrying nuclear weapons or are equipped with nuclear warfare materials.78 During the Indonesia-Malaysia conflict, it refuse refuelling facilities to Soviet air craft going to Indonesia as well as to UK and US air craft going to Malaysia.79

When Muslims were being prosecuted by the Catholics in Vietnam, Mrs. Bandaranaike expressed deep concern and directed its UN representative to use the good office of the UN to take suitable action with regard to the problem in Vietnam. She also proposed to convene a conference of head of Buddhist countries in a bid to settle the problem but India’s refusal did not allow the move to materialise.80

Being an ardent advocate of disarmament and nuclear testing, it became a signatory to the NPT in 1963. Soon the same year, it refused the US seventh fleet to enter the Sri Lankan territorial waters and protested against its presence in the Indian Ocean. Later, during the Cuban problem Sri Lanka pleaded for the restoration of peace and stability, further stating that Cuba had the right to self determination without intervention by any world power.81

Sri Lanka’s Foreign Policy under the UNP - (1965-70)

When the UNP regained power in 1965, the international system has witnessed many changes. At the international level, the tension between the two blocs was loosening up to some extent consequent to the Cuban Missile crisis. The most significant change was the split between the Soviet Union and the People’s Republic of China, where China questioned Soviet Union’s commitment to communist
ideology. Mao's four fold stratification placed itself as the genuine socialist state committed to liberate the international system of hegemonic domination of imperialist powers and found friends in the Third World. It placed the Soviet Union and US at the same level as exploitative powers; while the former was representing socialist imperialism the latter was representing capitalist imperialism. The Western world were also capitalist but considered to be less exploitative and the rest were Third World states. China thus projected itself as the third force in the international system and by then it had already secured its membership in the UN security council, accumulated nuclear capabilities and displayed its regional prominence by humbling India in 1962, and playing an instrumental role in division of Vietnam and Korea. It too began to win allies by generously disbursing economic and military aid and assistance to Third World countries. With regard to the South Asian region its most significant achievement was its close friendship with Pakistan a close ally of US.

On the other hand, among the other Western powers, France was asserting its separate identity in Europe and was playing a leading role in the growth of European integration. Likewise, Britain considered to be a receding power identified itself in the liberal tradition of the Commonwealth and on issues of cold war it favoured the Third World particularly NAM. Besides these developments, the NAM had flowered itself as a separate movement with clear and cogent world view, on problem that were posing challenge to the peace and stability, which were in concurrence with the ideals of the UN Charter. It was also opposed to arms race, alliance building, colonialism and imperialism.

In the context of Sri Lanka too, many changes had occurred between the intervening period of nine years. Among the changes that affected the foreign policy of Sri Lanka was the abrogation of the Defence pact with Britain, establishment of close relation with communist countries, the issue of nationalisation and its strained relations with the US and the idéntification of Sri Lanka policy with NAM. Besides, the internal domestic scenario was not much congenial, as the suspension of aid by the US had affected its economy, profit from export were falling and the increasing cost of imports had a adverse impact on its balance of payment. Furthermore, unemployment, food shortage, increasing price of essential commodities and the Tamil issues were other pressures that loomed large. Thus to assuage the deteriorating
economy and challenge from within the issue his main efforts was to create a favourable climate to seek assistance and aid and influx of foreign capital.84

Thus given the nature of the UNP policy the swing toward the US and the West was expected. He pursued the issue of compensation and following an agreement with the oil companies; he thus resolved the vexed problem of compensation and assured the resumption of aid from the US. Despite US’s own financial constraints following its war in Vietnam, it responded favourably to Sri Lanka’s need. An Aid-Ceylon Group composed of US, Australia, Britain, Canada, Japan and later joined by Federal Republic of Germany, France and Holland, with India as an observer was organised by the World Bank in July 1965. The committee accepted the World Bank estimate of US $ 50 million for Sri Lanka. Later, five more aid programme were accepted and between 1965-69 Sri Lanka received aid to the tune of Rs.2100 million.85

In early 1966, Dudley Senanayake visited several countries, particularly the US and appealed to the US government to consider credit to meet the need of unemployment, high cost of living and shortage of foreign exchange.

Besides, the above the government of Dudley Senanayake with its pro-West policy benefited much from the US. To help finance imports of essential commodities, the US Agency for International Development (USAID) was to provide Sri Lanka with loan worth $ 75 million. Furthermore, the Food-for-Peace agreement under PL-480 was signed and Sri Lanka received 50 thousand metric tons of wheat flour and 5 thousand tons of corn grain worth $ 4.1 million. In mid 1966, the two signed a Project Agreement to assist the improvement of irrigation, highway and bridges. Dudley was also able to secure IMF short term credit to the tune of Rs.723 million.86

Thus, the main task before the government was to secure assistance to revive its sick economy, secure full employment and improve living standards. It was open to private sector collaboration and welcomed private foreign capital. In this regard it signed investment guarantee agreement. The agreement was to encourage US investors by offering protection against political risk, while obtaining assurance from
Sri Lanka that investor would be protected against expropriation and discriminatory treatment. This move by the US was probably governed by its experience it encountered due to the nationalisation policy during the previous government.87

During the tenure of Dudley Senanayake, the US turned out to be the largest source of assistance and as assistance from Britain, Germany and Japan was not forthcoming Sri Lanka depended heavily on the US for the revival of its economy. It is worthwhile to mention that the IRBD and other US controlled international agencies in return for aid, demanded encouragement for private enterprise and a relaxation of control over it, despite that it could adversely affect the state sector. They were, however, successful in getting the Rupee devalued and in reducing the subsidy on food.88

Although, Sri Lanka's relations with China suffered certain setback there were no major change in their mutual trade relationship. The acrimonious exchange of words when the president of the 'Anti Marxist Muslim World, who happened to be a minister in Dudley Senanayake government, protested against the alleged ill-treatment of Muslims in China during the cultural revolution, and the ban on Chinese literature was imposed. Further, the visit of some commercial and sports delegation from Taiwan and visit to Taiwan by Sri Lanka team seemed to have cause some irritation between the two. However, it should be stated that the visit was unofficial because Sri Lanka and Taiwan had not yet established any official diplomatic relationship. Despite it, the mutual trade continued, and China also did not withdraw any of its aid to Sri Lanka. In fact the Rice-Rubber pact was renewed and China offered assistance for the establishment of a textile mill complex.89 Its relation with the Soviet Union did not see much improvement. In 1965, he ordered 26 persons who were consulate staff of East Germany, North Vietnam, North Korea to leave the country on the ground that they were excess staff. This action sent strong signal that this anti-communist steps were to please the West, particularly US.90

In foreign policy matter generally it continued with the policy of non-alignment and its support for the Bandung principles. In his Throne speech he reaffirmed his commitment to the principle of NAM and friendship with all
countries. Although inclined towards the West, he did not fail to play Sri Lanka’s role in international policy and carried forward the legacy left by his predecessors.

The Vietnam crisis had two facets for Sri Lanka – religious and political. Sri Lanka was concerned about the fate of the Buddhist there and expressing his concern Dudley Senanayake appealed to the Americans to withdraw its troops and end the problem through negotiation. Sri Lanka was among the 17 NAM countries to appeal to the US and the Soviet Union to negotiate a peaceful settlement of the problem and end hostilities. However, it refused to participate in the Peace Mission of the Commonwealth ostensibly on the excuse of pressing domestic problems as probably it did not to annoy the US.

During the Indo-Pakistan war, he appealed to the Indian Prime Minister Shastri and to Pakistan President Ayoob Khan as well, to cease hostilities and resolve the differences through negotiation. Furthermore, during the Indonesia-Malaysia conflict, Sri Lanka refused permission to Indonesia to fly its military aircraft over Sri Lankan air space. It also circulated a notice demanding all foreign missions in Sri Lanka to abstain from making any statement about any country with whom Sri Lanka has friendly and diplomatic relations. In 1967 also during the break of the Arab Israel conflict it was a signatory to the US resolution that condemned Israel. Earlier, despite protest and call from the opposition to suspend diplomatic relations with Israel it desisted from naming Israel as aggressor. But latter in 1968, it did not have any reservation to disapprove the intervention in Czechoslovakia Soviet Union and its Warsaw pact allies.

Thus overall the foreign policy of Dudley Senanayake, during the second tenure, was characterised by both continuity and change in the general pattern in interaction. The change was visible in the outlook with shift toward the West and it de-emphasis on the socialist countries, while not deviating from NAM.

Sri Lanka’s Foreign Policy under the SLFP - (1970-77)

Despite Dudley Senanayake’s success in getting foreign assistance to assuage the domestic economic problems he was defeated by the SLFP coalition in the
The new government intended to draw away from the Western inclined posture of the UNP. Its leaning toward the left was expected. Soon after assuming power in 1970, Sri Lanka awarded diplomatic recognition to GDR, North Vietnam and North Korea. It suspended diplomatic ties with Israel on the ground that it did not confirm with the UN resolution of 1967. There was also demand from within the party to sever relations with the US on ground that US was an ally of Israel, but Mrs. Bandaranaike did not concede to the demand as it was not in the interest of Sri Lanka to do so. Its relations with China was once again in the forefront and Chinese aid to Sri Lanka increased, which also made interest free loans and outright gifts of industrial machinery and armaments. The completion of the Bandaranaike Memorial International Conference Hall in Colombo built by Chinese aid stand a testimony of the close relation between the two countries. The growing ties between China and Sri Lanka was viewed with apprehension by both the Soviet Union and India and it feared the possibility of China using the naval base at Trincomalee for its operation in the Indian Ocean. However, this did not deny Sri Lanka of Russian economic aid and closer economic cooperation with India.

Unlike, her first stint as Prime Minister, her attitude toward the West had now become moderate and restrained. When in opposition it had been critical of the IBRD conditional loan for the Mahavali Development Scheme, even terming the West’s attitude as ‘economic imperialism’. It was thus thought that she would reduce the dependence on the West for economic assistance and borrowing, but it was not so as Sri Lanka retained the IRDB loan and also appealed to the West and lending institution for loans.

Some policies of Mrs. Bandaranaike did not augur well with the US and it even threatened to cut down aid. Earlier in a speech she had referred to the Peace Corp as ‘subversive imperialist agencies’ and according to the election manifesto she asked to them to close down its activities. The Asia Foundation was also asked to leave as it was believed that it was an organisation financed by the CIA. However, to
show that she was not anti-US and in order to please them, she allowed harbour facilities to the US Pacific fleet despite the proposal for IOPZ. Earlier in 1963, she refused permission to the US Seventh fleet and protested its presence in the Indian Ocean. However, keeping her non-align status untarnished she also allowed the Russian Pacific fleet.\textsuperscript{99}

Mrs. Bandaranaike realised the need of economic assistance to assuage the economic crisis at home and could depend only on socialist bloc for aid and assistance. She had thus to keep its avenues open and extend trade with the West also.

Externally, Mrs. Bandaranaike played a leading role in the NAM, the North-South dialogue and the UN. She steered the approval of the six point Action Programme for economic cooperation among the Third World countries. The main contention of the programme was to demand for restructuring of the existing economic problems, particularly those pertaining to the Third World. The action programme was accepted as the framework for a New International Economic Order and became a manifesto for guiding leaders in the UNCTAD talks and North-South dialogues. Recognising the role of Sri Lanka, Gamini Correa, a Sri Lankan economist was appointed as the secretary general of the UNCTAD.\textsuperscript{100}

Despite foreign aid flowing discontent among the youths surfaced underlining the tension in the social economy. The 1971, youth insurgency led by the JVP cause much damage to property and threaten the stability of the country. The strategy to accommodate their aspirations and demand further alienated the Tamils who were getting militarised. A number of countries came forward to help Sri Lanka. While, substantial aid came forth from UK, US and India, countries like Soviet Union, Egypt, Yugoslavia and Pakistan also provided aid but on a smaller scale. China which was reluctant at first gave a generous loan to assist it recovery.\textsuperscript{101}

Faced with instability, economic crisis as well as food shortage Sri Lanka looked towards the West for help and assistance. Mrs. Bandaranaike did not wish to depend only on loan and aid but also wanted to regenerate the economy. She extended invitation to investors and hoped that investors from countries like the US, Japan, the Middle East, Eastern and Western Europe, Australia would participate in
collaborative scheme. The Finance Minister Felix Dias Bandaranaike introduced a foreign investment law and set up a foreign investment authority to seek foreign investment.  

Sri Lanka’s Foreign Policy under the UNP- (1977-1994)  

The UNP with overwhelming popular support returned to power in 1977 under the leadership of J.R. Jayawardene. The international milieu has witnessed a period of ‘détente’ subsequent to development of strategic weapon technology, progress of disarmament especially the Strategic Arms Limitation Talks (SALT) and growing relaxation of tension between the US, Soviet Union and China. However, the period did not last long as the relations deteriorated with the Soviet invasion in Afghanistan in late 1979 leading to the beginning of the second cold war. This event had significant bearing on the security of South Asia. The US shelved its deliberation on the SALT agreement and while its attitude towards Soviet Union stiffened it also took countermeasures towards protect its security interests. It made Pakistan its frontline state and provided it with military requirements. The US interest in Pakistan also stems from the fact that it intended to keep Pakistan stable and secure it from Soviet threat. The Soviet presence however, led US to give wider security role to Pakistan making it integral part of the Gulf and South West Asian security concern, while it also saw India, Sri Lanka and other states in the Indian Ocean as significant to secure its interest in South East Asia.  

Furthermore, the failure of Naval Arms Limitation Talk (NALT) in 1978 witnessed the growing presence of the US in the Indian Ocean and the creation of the Rapid Deployment Force IRDF) generated apprehension that the US was looking for base in South Asian around the ‘arc of crisis’ to protect its interest in the region ranging from South East Asia to Middle East. Such development was a matter of great concern for Sri Lanka as the region was once again being plunged into the cold war rivalry.  

China’s main foreign policy plank during the late 1970s had been its efforts to improve its cooperative relations with Japan, US and Western Europe. This is clearly evident from the exchange in the military field between US and China and also the
visit of Italian President Pertini and French President Giscard d'Estaing to China. Consequent to the Afghan episode there were signs of growing relations between China and Pakistan. Chinese foreign minister Huang Hua visited Pakistan and this visit was reciprocated by President Haq's visit to China.\textsuperscript{105}

The return of Mrs. Gandhi to power in 1980 saw an improvement in India's relation with USSR. On the Afghan issue India maintained neutrality. However, during this period attempts to improve and develop closer with the US was also initiated and the US was also responding favourably. This change in policy was guided by the realisation of India's dominant position in the region as well as its motive to preserve its political security and economic interest especially the promise of a sizeable market for US goods, services and investment. In fact, the two came closer after Rajiv Gandhi came to power.\textsuperscript{106}

To add to all these, the economy of both developed and developing world was in a crisis as trade worsened and business activity stagnated increasing current account deficits. The advance industrial nations particularly of Western Europe as well as the US faced the problem of rising inflation, increasing unemployment and current account deficit. These difficulties stemmed from the second oil crisis of 1979 a consequence of the Iran-Iraq war.\textsuperscript{107}

The situation in South Asia was further complicated with the invasion of Kampuchea, the protracted Iran-Iraq war, Camp David talks and the Iran hostage crisis. However, it was the Afghanistan crisis and the east-West confrontation that threaten to destabilise the system and affected the international relations of the 1980s.\textsuperscript{108}

On the domestic front the economic condition further deteriorated as public expenditure and welfarism scheme consumed a lion share of public resources and the foreign exchange resources dwindled as trade deteriorated. During the SLFP regime between 1971-1977 the socialist policies had resulted towards a state-controlled economy and a quasi autarkic economic strategy. State controlled economy provided patronage to political elite, created monopolies and foreign capital was moving out. The socialist policies resulted in long queues, shortages further deepening the
economic crisis. Furthermore, the state was bequeathed with the ongoing ethnic problem as well as discontent among the JVP. The Tamil problem, under the banner of LTTE, simmered to take the form of violence and organised violence had become a rampant phenomenon.109

Thus J.R. Jayawardene faced the twin pressures of resolving the ethnic problem within Sri Lanka's framework by devolving power as well as suage the economic crisis. These issues was the main agenda of his political campaign. However, despite the boycott of the Tamil parties and Tamil militants attempt to disrupt the election process in the Tamil regions, the Sinhala speaking electorate voted him with the hope that a change in government would assure in a better future.110

Soon after assuming power he launched the economic liberalisation programme in the line of Thatcher, where liberalisation was associated with political centralisation. He liberalised foreign exchange control, imports restrictions and devalued the rupee and made the environment investor friendly by also creating a Free Trade Zone. He further initiated the move to amend the constitution and in 1978 the presidential form of government vesting enormous power with the president was adopted.111

J.R. Jayawardene has stated in his election manifesto that the UNP would follow an 'independent foreign policy', which is opposed to imperialism and colonialism in all their manifestation and sought to preserve and protect the sovereignty, integrity and freedom of Sri Lanka.112 However, unlike the Mrs. Bandaranaike he was not keen to be involved in international matters as for him the main task ahead was rejuvenation of the Sri Lankan economy. He clearly stated, Sri Lanka should not involve herself too much in international politics as too much 'dynamism is harmful'113 and could be detrimental to the interest of a poor country like Sri Lanka. However, he advocated for a policy that, Sri Lanka should be more active with regard to trade and other economic relation with all countries.114

Since, he preferred to avoid high visibility in international politics he tried to keep away from any controversial matter, as probably he did not wish to offend any
countries as it could mar the prospect of potential investment. He therefore, reorganised the Foreign Ministry, which earlier was under the purview of the Prime Minister, and established a separate and independent Foreign Minister in 1977. A.C.S. Hameed was appointed as Foreign Minister. The appointment of a Muslim to the position of foreign minister was seen as a shrewd move to appease the domestic Muslim voters as well as placate the Arab nations with whom relations had suffered a set back during Dudley's regime.  

Thus J.R. Jayawardene main policy plank was liberalisation of the economy in the line of Singapore Free Trade Zone for attracting investment. He also undertook development programme such as the Accelerated Mahaveli Development Scheme, creation of the Free Trade Zone and the greater Colombo Development Scheme. Such massive programme however, demanded foreign investment and aid. Thus, to make the environment conducive he further liberalised the existing control on imports and foreign exchange and devalued the rupee on the recommendation of the IMF and WB. This changed in policy approach also called for a policy to increase and diversify its relations with other countries in the field of trade and economic development. Thus the emphasis of his foreign policy was to attract foreign aid and investment.  

The economic problem of Sri Lanka did not show much sign of improvement, in fact it further deteriorated as with the increasing cost of import consequent to the devaluation of the Rupee and low returns from export increased the budget deficit and foreign debt. The strict control policy followed by Mrs. Bandaranaike had generated a trade surplus of Rs. 631 million in foreign currency. But J.R. Jayawardene policy of liberalisation coupled with the increasing cost of imports and soaring oil price witnessed a budget deficit of Rs.1480 million in 1978 which further increased to reach Rs. 8290 million by 1980 and continued to do so. He thus had to heavily depend on foreign aid to cover a major portion of the deficit as well as push the development agenda. Sri Lanka thus saw the growing need to maintain close relation with both the blocs and also improve relations with India, West Germany, The Netherlands and Japan.  

Sri Lanka's deteriorating economic condition needed aid and in this respect the Finance Minister Ronnie de'Mel made consistent efforts to persuade the WB and
the IMF to come to Sri Lanka’s rescue and help her arrest the downward economic
trends. The WB and IMF team visited Sri Lanka in 1983 and suggested the
devaluation of the rupees, cut in public expenditure, imposition of strict credit control
and further opening of the economy in order to bring down the rising deficit.\textsuperscript{118}
Although, Sri Lanka accepted the recommendation of the lending institution Sri
Lanka was not happy with their conditions as it had let to hike in the price of essential
commodities. Sri Lanka had to prune some of its welfare expenditure as
recommended by the lending institutions.\textsuperscript{119} At the New Delhi NAM meeting in
March 1983, he said “we could refuse to do what the IMF and WB wish us to do, but
we will not get their aid. This remark was taken as an attack on the WB and IMF.
However, Jayawardene later stated that it was taken out of context and justified that
he wanted the agencies and the donor nations to understand the need of the
developing countries and reconsider some of their terms and conditions. He also
pointed out to the fact that without aid developing countries could not survive and
hence proposed that some adjustments such as debt rescheduling or a moratorium was
needed to release the debt burden of Third World countries. He later praised the IMF
and WB for their assistance and said that much of the development in the island
would not have been possible but for their assistance.\textsuperscript{120}

Following the principles of his mentor, D.S. Senanayake he maintained close
relations with the Commonwealth countries, particularly UK and Canada. In fact as
Foreign Minister in D.S. Senanayake’s cabinet he was drawn towards the
Commonwealth and represented Sri Lanka in the Commonwealth Foreign Minister
conference held in Colombo in 1950.\textsuperscript{121}

In July 1979, before the Commonwealth meeting in Lusaka, the Prime
Minister R. Premadasa first visited London and met the British Prime Minister and
other dignitaries. The talks centred on mutual and bilateral issues including aid and
assistance. The main aim was to push ahead the already negotiated aid agreement
between Sri Lanka and UK.\textsuperscript{122} Premadasa, visit to the UK enabled him to negotiate
aid and UK granted 100 million pound for the Victoria Dam Project of the Mahaveli
Development Scheme.\textsuperscript{123} Further in 1983, the British Prime Minister agreed to
consider Sri Lanka’s request for another 25 million pound grant towards the
completion of the project.\textsuperscript{124}
During the visit of Mr. Evan Luard, British Minister for foreign and Commonwealth affairs, to Sri Lanka Foreign Minister A.C.S. Hameed stated that Sri Lanka believed in the institution of the Commonwealth and supported all efforts to strengthen ties. He also reminded the visiting minister about the suggestion for the creation of a Commonwealth development bank and Britain should support the case of Commonwealth countries for providing a greater share in European Union.

Following the riots in 1983, J.R. Jayawerdene expected Britain to come to her rescue. J.R. Jayawardene referred to the validity of the defence pact with the UK and appealed to the UK to come to Sri Lanka aid in events that threatened her sovereignty. He visited UK in 1984 seeking military assistance but returned disappointed. Furthermore, during UK Prime Minister Mrs. Thatcher visit to Sri Lanka in April 1985 to inaugurate the Victoria Dam Project, the British Prime Minister expressed concern over the Sri Lanka problem, and tacitly advised Jayawardene to find a political solution and avoid any military solution while also urging him to continue joint efforts with India to bring about a negotiated settlement of the conflict. Although, Britain expressed concern it did probably not wish to get involved into the crisis to the distaste of India.

With the exacerbation of the crisis two senior leaders A.C.S. Hameed and Lalith Athulathmudali visited UK and held talks with the British Minister on the situation in Sri Lanka and relations with India, while also expressing the difficulties Sri Lanka troops faced in dealing with the Tamil rebels sought arms and ammunition from Britain. Although, British sources denied such request, informal sources reported that armed patrol boats and small weapons were being acquired from Britain on a commercial base. Furthermore, Naval gunship costing pound 1.3 million were also acquired from Britain and the British government had agreed to finance the deal.

Furthermore, British mercenaries of the Keeny Meeny Services (KMS) were operating in Sri Lanka and were training the Sri Lanka Special Task Force. They also provided training to Sri Lankan to fly the US built Bell 21 and 412 helicopters gunships and participated in combat operation. This clearly indicated British
involvement in the civil war. However, Britain denied such allegation on the ground that although the KMS were former members of the British cadre special Air Force service, they belonged to private service and Britain have no control over them.\textsuperscript{129} Thus Jayawardene’s close relation with the UK did help him get economic as well as military assistance. He also voted with Britain on the Falkland issued, even moving away from the majority of the NAM countries, probably to placate the British and avail more aid and assistance.\textsuperscript{130}

Sri Lanka also developed close links with Canada. In fact since the inception of the Colombo Plan Canada had been a constant source of aid to Sri Lanka and shown interest in the economic and social development of the island. In keeping with Sri Lanka’s priority Canada aid has been mainly in the agriculture sector.\textsuperscript{131} The most significant development indicating the growing links between Canada and Sri Lanka was the agreement where Canada agreed to jointly undertake the construction of a major dam on the Maducu Oya as part of the Mahaveli Development project. The Canadian contribution toward the project was to the tune of Rs. 1080 million($ 84.8 million) Canada was further to provide engineering and civil work service toward the construction of the dam.\textsuperscript{132}

As with regard to the US, the nationalisation of the oil, banking and insurance had already touched US sensitive areas. However, such issues did not come in the way of Jayawardene in maintaining close ties with the US as the US was aware of UNP’s pro-West leaning. Jayawardene pro-West and liberalisation policy augured well with the US interest in the region. It was keen to help Sri Lanka’s economic development and secure its stability. Sri Lanka was one of the 11 states to benefit from US special assistance to developing countries.\textsuperscript{133}

Sri Lanka was able to secure huge aid from the UNDP. The UNDP approved a budget of $ 31.5 million for the country programme extending for a period of five years from 1977-81. Further to ensure full utilisation of resources an adequate programme allowance of $ 5.7 million was also allocated. In 1980, it further allocated $ 8 million for expenditure. According to Y.Y. Kim UNDP representative for Sri Lanka and Maldives, the main aim of UNDP was to help Sri Lanka achieve self reliance through optimal utilisation of resources.\textsuperscript{134} The three project Mahaveli
Development Programme, the development of the Investment Promotion Zone and the urban Renewal and Housing Programme were the basis for consideration of UNDP funds. In 1987, the UNDP announced another grant of $50 million for a period of five years 1987-91, towards the development of the island.135

The US also came forward to help Sri Lanka in energising its economy and pursue its development programme. In 1981, the US proposed $111 million economic aid for 1982 to assist the government development programme.136 In this regard Jean Kirkpatrick, US Ambassador, said, “I realise the strong determination of the government and the people of Sri Lanka to force vigorously with their development programme, particularly those which will enrich and improve the quality of life of the less fortunate in rural areas and the cities”.137 With regard to the Mahaveli Project the US agency for industrial development came forward to provide Sri Lanka with aid worth Rs.100 million to set up five national park in the project area.138

Following the 1983 riots, Sri Lanka looked toward the US for military assistance. It was suspected that the US would involve in the ethnic problem in exchange for facilities at Trincomalee. The suspicion arose from the visit of US Defence Secretary Caper Weinberg to Sri Lanka in October followed by visits by US Ambassador Vermon Walters and two other congressmen. Sri Lanka also hastened to conclude certain deals with the US and further concretise their relations. The most significant was the leasing of the oil tank storage farm in Trincomalee to the Bermuda based oil company in December 1983. The company was a concern of the US coastal Corporation and had deals with the US Navy.137 In the same month another agreement with regard to the Voice of America (VOA) was reached and the VOA was permitted to install a transmitter of 2,500 K.W. capacity on Sri Lankan territory making it the largest radio station outside US.139

However, when the UNP government opted for military solution, the US stand toward Sri Lanka was not favourable. Washington took serious note of the human rights violation and the denial of Red Cross to study the ethnic situation and distribute relief piqued the US the most. Reagan administration expressed its displeasure and 50 per cent of the aid earmarked for 1986 was curtailed.140 Although US supported
Colombo's campaign against Tamil separatist it urged Jayawardene to urgently find a peaceful solution to the communal discord. When India air-dropped relief in Jaffna it did not criticise and felt that the Indian action was on humanitarian ground. Further it also welcomed the Peace Accord calling it an historic landmark, and appreciated India's mediatory role in the ethnic problem.\textsuperscript{141}

J.R. Jayawardene undertook a visit of the US in June 1984. There were fears that the US was considering the option of obtaining facilities in Trincomalee and the Sri Lanka and the US was conceiving a defence pact. However, the talk during the visit centered mainly on the problem of the ethnic crisis and Tamil terrorism. The two country did agree to conduct an oceanographic survey of the island coastline survey and the signing of Science and Technology agreement to encourage and facilitate development and cooperation in the field of science and technology as well as exchange of scientists, engineers and information. However, with respect to military aid the Reagan administration did not make any commitment nor was any defence treaty signed.\textsuperscript{142}

Latter in January 1984, a US congressional mission led by Joseph Addabbo, Chairman of the defence appropriation committee, visited Sri Lanka and assured Jayawardene of prompt and increased military aid. The US was also to help Sri Lanka upgrade it Navy and provide training to it personnel. Mr. Addabbo, stated that it was in the interest of the US to ensure Sri Lanka government of US support for Democracy.\textsuperscript{143} However, in response to Jayawardene continuous appeal for US military assistance to combat terrorism it was surprising that the US turned down the Sri Lankan request for $ 100 million military assistance.\textsuperscript{144} This move for not getting directly involved in any commitment to Sri Lanka probably stemmed from clearing the allegation that US aid to Sri Lanka was for concluding a deal over the Naval base at Trincomalee.

However, in 1986 US added Sri Lanka to the list of countries which qualify for assistance in combating terrorism. This made Sri Lanka eligible for assistance under section of 571 and 572 of US for Assistance Act. According to the act equipment and training to enhance the ability of personnel would be provided to deter and combat terrorism.\textsuperscript{145}
J.R. Jayawardene also maintained close ties with China not only to benefit from aid and assistance but also as a counter balance against India. Soon after assuming office the Rice-Rubber pact was renewed in October 1977. Minister of Trade and Jayawardene’s special envoy, L. Athulathmudali was in China to sign the agreement on trade and payment. Chinese Minister for foreign trade praised Sri Lanka for successfully carrying five five-year trade agreements with China.146

Chinese Vice Premier, Geng Biao visited Sri Lanka in June 1978 and appreciated the positive role Sri Lanka played in international affairs and also its contribution to non-alignment. He called for the need of a stable environment to develop economic cooperation and expressed Chinese support to Sri Lanka’s proposal of making the Indian Ocean a peace zone.147 Foreign Minister Hameed also responded by recalling that it was the UNP that recognised China and had developed close ties with it. Reciprocating to the visit Hameed visited China in 1979 to lay the ground work for the visit of the Prime Minister scheduled for August.148 R. Premadasa visited China as Prime Minister to further consolidate and expand friendly relations and cooperation between the two. The visit was also aimed negotiating the Rs. 1000 million loan granted by China in 1972 for development projects.149 The item for discussion included housing, industrial technology and satellite towns. China agreed to grant an interest free loan of approximately Rs.500 million to Sri Lanka repayable in 20 years. Further for technical and economic cooperation another agreement was signed in January 1980 for which the same amount was granted. China had further agreed to carry overhauling free of cost to the gunboats which it had gifted to the Sri Lanka Navy in 1972. The cost of the overhauling and spares were estimated to be Rs. 15 million.150

China had already been a major supplier of arms to Sri Lanka. According to the Daily Mirror 50 per cent of Sri Lanka’s arms and ammunition came from China. After the July riots, Jayawardene brother Hector Jayawardene visited Beijing to appeal to China for help to solve the ethnic crisis. China refused to intervene into what it considered purely internal matter. However, making reference to India it did state that, ‘nations should not utilise other ethnic dispute to accomplish their own aim’ and ‘the big should not bully the small’.151
In 1984 the president of the two countries exchanged visits and it was reported that the two countries had reached a defence agreement where China was to supply Sri Lanka with five Shanghai style patrol craft and T86 assault rifles. During Jayawardene visit to China in the same year, he expressed hope that the relations between the two would be further strengthened. The visit culminated in the signing of two agreements, one to study and explore possibilities of broadening cooperation in trade and economic field and second exchange and training of personnel to study scientific and technological area and sharing of experience in achievement of national economy.\textsuperscript{152}

Although, the UNP was known to have an anti-Communist stand it did not strain its relation with China. In fact Jayawardene saw it as a counterweight to India and need Chinese support to counter terrorism as the problem was deepening and the Western help was not forthcoming.

Sri Lanka Soviet Union relations were cordial since the establishment of diplomatic ties between the two countries. The good relation was evident from the trade and economic relation and also various aid and assistance that came from the Soviet. However, the relation suffered a setback in 1977 when visas to two Russian trade unionists were cancelled and they were asked to leave the country. The Russian had come to Sri Lanka at the invitation of the Ceylon Workers Congress, the largest trade union of estate workers of Indian origin and a constituent of the TULF. The government alleged that they sympathised with the TULF, which stood for a separate state, and promised to assist their cause.\textsuperscript{153} Furthermore, the government controlled daily, Daily News and Daily Mirror alleged Soviet Union involvement in the communal disturbance. The Soviet denied such an allegation and stated that the visit was a step to strengthening the existing friendship and cooperation between Sri Lanka and the Soviet Union. Following the statement of the Soviet embassy Jayawardene was quick to revoke the quit orders.\textsuperscript{154}

Despite the minor setback Sri Lanka Soviet Union trade relations continued. Soviet Union was already involved in providing credit and aid for the construction of industries in various branches of the economy. It proposed to provide technical help in
the construction of the Stage-III of the steel plant as well as gift equipment and building machinery and transportation for House Building Plant at Narahenpita. On commemorating the 25th anniversary of the establishment of diplomatic relations between the two countries, Sri Lanka and Soviet Union signed a shipping agreement providing for the sharing of cargo by fleet carrier on a 50:50 basis. This was a clear evidence of the growing relations between Sri Lanka and Soviet Union.

The most significant pact was the signing of the new cultural and scientific agreement in March 1982. The agreement provided for the development of exchange in literature, films and science and assistance in training technical person. It further provided scholarships for under graduates and post graduates students from Sri Lanka to study at institution of higher learning in Soviet Union. By the year 1998, 70 students from Sri Lanka graduated in Soviet universities and 170 were admitted. Further in 1984, Sri Lanka Minister of Cultural Affairs visited Soviet Union and contracted substantial Soviet contribution for the UNESCO-Sri Lanka cultural triangle development programme. The UNESCO-Sri Lanka project was a multi million joint venture to excavate, conserve and maintain ancient and medieval Buddhist monuments within the ancient kingdom of Anuradhapura and Polannaruwa and Mahanuwara.

Besides, these the trends in trade relations between the two was on an upward swing. In 1983 the value of trade between Sri Lanka and Soviet Union was around 39 million rubbles (1160 million rupee). Soviet Union has been the key purchaser of Sri Lankan good particularly, natural rubber, tea and coir products and with the purchase of sheet rubber it has become a major importer of Sri Lanka products. In 1983 Soviet Union purchased 34 thousand tons of Sri Lanka natural rubber. Besides, repairing of Soviet ships were also undertaken at Colombo port. Sri Lanka also imported from the Soviet Union a wide variety of goods ranging from machinery, equipment and consumer goods. Further to enhance mutual understanding, regular exhibitions of Soviet books and periodical were also held in Sri Lankan cities.

In 1984, Sri Lanka’s minister for trade and shipping visited Moscow and held discussion with his Soviet counterpart. During this meeting it was agreed to provide a further fillip to trade. The delegation thus exchanged list of goods, which were
relevant for firms and organisations in both the countries. The year 1987 also witnessed continuing economic cooperation between Sri Lanka and the Soviet Union. Soviet-Sri Lanka specialists discussed the whole range of technological, economic and financial question relating to rehabilitation of the second section of the steel plant and making it profitable. In May 1987, the Soviet Union decided to give Sri Lanka assistance for developing the System-A of the Mahaveli project. In November 1987, it provided assistance in terms of machines, equipment, building materials and medicines for rehabilitation of the area that suffered in the ethnic conflict.160

During the 1971 insurgency Soviet Union had assisted Mrs. Bandaranaike’s government with sophisticated military supplies including five MLG 17 along with technicians. But during the post 1983, there was suspicion in Sri Lanka that Soviet Union could be involved in helping the Tamils and maintained that it was a Marxist plot to overthrow the Jayawardene regime. However, there was evidence to this effect and Soviet Union maintained neutrality with regard the to Tamil imbroglio. It in fact welcomed the Peace Accord between India and Sri Lanka and viewed it as a positive development in bringing peace to the island.161

On the whole since the establishment of diplomatic relations between the two trade, economic cooperation witnessed an upswing and the communist move to woo the Third World and NAM countries by providing aid and assistance had been beneficial for Sri Lanka as its dependence on the West was reduced to quite an extent. Soviet have made noteworthy contribution in providing both capital and technological assistance to build steel, tyre and flour mill factories and providing training to experts, besides technical and educational assistance.162

An important shift in Sri Lanka foreign policy was it’s close relation with Israel, Pakistan as well as developing of closer economic ties with Japan and South East countries.

Sri Lanka’s diplomatic relations with Israel was established in 1957 and trade relation between the two countries continued with Israel buying Sri Lanka’s traditional products. It was Sri Lanka’s stand on the Arab-Israel war in 1967 that saw the relations between the two on a low ebb, when Dudley Senanayake condemned
Israel as an aggressor. Latter in 1970s Arab countries emerged as an important factor in Sri Lankan economy with substantial aid flowing towards Sri Lanka, especially oil. Furthermore, following the anti-Israeli propaganda on the domestic front Sri Lanka severed diplomatic relations with Israel.\textsuperscript{163}

The need for rapprochement with Israel became pressing because Jayawardene had to deal with the Tamil separatist movement which had already led to intervention by India and also the refusal of the West to get involved in the issues. Sri Lanka had looked towards China, Pakistan, Israel, Singapore and even South Africa for acquisition of arms and military support. Israel who also wanted to come out of its diplomatic isolation was willing to help Sri Lanka and make its presence felt internationally, particularly in South Asia.\textsuperscript{164}

Israel already carried some grievances against Sri Lanka especially Sri Lanka’s attitude in the 1970s besides its support to the PLO. Hence it initially hesitated to get involved in the crisis, but the capture of Tamil in Lebanon provided the opportunity for Israel to directly come to Sri Lanka’s help.\textsuperscript{165}

Israel involvement was multidimensional. It supplied Sri Lanka with arms, military training, counter insurgency services and agricultural assistance. In fact the Israeli connection began in 1979 with the induction of agricultural experts. These experts were involved in effecting new Israeli settlement in occupied Arab territories and Sri Lanka’s adoption of the same techniques to settle Sinhala population in Tamil dominated area of north and east province had seen the involvement of these expert groups in Sri Lanka.\textsuperscript{166}

In 1984, the Israel Interest Section was opened in Colombo and US mediated in bring the two together. The para-military Special Task Force was set up on the advice of Israeli experts and Israeli military personnel were providing training to these forces. Further in 1984, Israel Shin Beth General Security Services was operating in Sri Lanka and organised counter insurgency activities.\textsuperscript{167}

Sri Lanka navy acquired 6 Israeli built Devora fast patrol boats in 1985 and its is also alleged that Israel sold to Colombo missile equipped gunboats, rockets and
other small arms and ammunition. The Hindustan times reported that Israel connection has extended beyond military services to political links. In November 1986, Israel President Herzog visited Colombo accompanied with Israel intelligence chief, and had extensive discussion with President Jayawardene and National Security Advisor Lalit Athalathmudali. It was further reported that Mossad trained the Special Task Force and it was suspected to have engineered sabotage in Sri Lanka and even South India (blowing of the rail track) to discredit the Tamil separatist, a pattern adopted by Israel in Arab territories. Besides India, Arab reporters also reported the involvement of Mossad. This was denied by both Israel and Sri Lanka. However, it should be noted that since 1986 Israel nationals did not need a visa to enter Sri Lanka.

Trade between Israel and Sri Lanka also progressed rapidly. In 1984, Sri Lanka export to Israel amounted to $ 2.26 million which soared to $ 90 million in 1986. Sri Lanka exported coconut produce, gem stones, tea etc in exchange got paper products, insecticide, phosphate besides materials for security forces.

With regard to developing closer ties with Pakistan, soon after assuming power Sri Lanka Finance Minister, Ronnie de'Mel visited Pakistan in March 1978. The aim of the visit was further cement ties and to reactivate the joint economic cooperation agreement to broaden the scope of bilateral trade. As a gesture of goodwill the Pakistan extended invitation to President of Sri Lanka to visit Pakistan. A stronger bond of friendship between Sri Lanka and Pakistan was established in 1977 when Zia-ul-Haq and Jayawardene came to power. The two regimes developed closer outlook on regional and international issues. It was during Sri Lanka chairmanship of the NAM that Pakistan was admitted as a member.

Following the Air Chief of Sri Lanka visit to Pakistan, Pakistan agreed to provide training facilities to Sri Lankan air force. In fact in the post 1983 scenario when Sri Lanka looked towards Pakistan to solve its problem of finding weapons to combat separatist movement Pakistan responded favourably agreeing to provide training to Sri Lanka army personnel and also supplying arms. The involvement of Pakistan was also evident to have increased. Islamabad-Tel Aviv- Colombo axis had been evident in Sri Lanka conduct of war against the Tamil Citizens. The Hindustan
Times reported Pakistani personnel to be involved in the direction of military operations against Tamil militants. Pakistan also provided military assistance and training and the aircraft use in the attack to bomb and starve Tamil inhabited areas were flown by Pakistani and Israel pilots.¹⁷⁶

Moreover, Pakistani intelligence force were involved in gathering information for the security force and played an active role in dividing the Tamil population on communal lines. Although, most Muslim went along with the majority Tamils, it is pertinent to recall here that the first clash on communal lines took place after president Zia-ul-Haq visit to Sri Lanka in October 1985.¹⁷⁷

Immediately after the Dhaka summit in October 1985, President Zia-ul-Haq visited Sri Lanka and assured Sri Lanka help to put down Tamil terrorism. Referring to 1971, he also recalled the help rendered by Sri Lanka’s, ‘in our most difficult times’. Zia interest in Sri Lanka clearly stemmed from the fact that he wanted to embarrass India who was involved in bringing a solution to the Tamil crisis. Zia support to Sri Lanka meant military aid in term of armament or troops. He was thus pushing Jayawardene attempt to find a military solution to the crisis.¹⁷⁸

In 1987, Prime Minister R. Premadasa visited Pakistan. During the visit Pakistan pledged its support for Colombo efforts for maintaining its independence and sovereignty. Pakistan move not to use terrorism could lead it to trouble and hence using the term independence and sovereignty it justified its support to Kashmiris.¹⁷⁹ It was reported that Pakistan had supplied to Sri Lanka defence equipment worth about one million $ and providing training to about 300 Sri Lanka army personnel. It is also been understood that Sri Lanka have asked for Pakistan to lend the service of its air force pilots for carrying out sorties and to reinforce the current operation against the Tamil Militants.¹⁸⁰

J.R. Jayawardene also took special initiative to develop closer friendship with Japan. The Japanese had high view of Jayawardene because of his stand on Japan and waiver of reparation on behalf of Sri Lanka. During the San Francisco Peace Conference in 1951, as leader of the Sri Lanka delegation, Jayawardene made a memorable appeal to the comity of nations to accept Japan without bitterness to the
comity in the spirit of the teaching of the Buddha. He visited Japan in September 1978 and was cordially received. Japan agreed to continue it bilateral assistance. It should be noted that Japan was already aiding Sri Lanka as part of the Sri Lanka Aid Consortium.\(^{181}\)

In 1979, a Japanese multi millionaire industrialist S. Suyuki offered to set up a Research Institute for Heart Disease. The industrialist said it was a service to Sri Lanka to help develop her medical service. He further said, that he would set up an ultra modern medical factory within the Free Trade Zone and this move was not guided because of availability of cheap labour in Sri Lanka.\(^{182}\)

Lalith Athulathmudali, Minister for Trade and Shipping led an economic mission to Japan. He said that the door was open for Japanese investment and appealed to Japanese to consolidate its good will and interest. He offered Japanese investor proposal for joint ventures and also proposed the establishment of a Sri Lanka Japan Business cooperation committee.\(^{183}\) The visit culminated in various delegation visiting Sri Lanka to explore the prospect and potential of business investments and venture. In 1981, a 60member delegation, the largest since 1979, visited Sri Lanka to explore potential for investment in the free trade zone.\(^{184}\)

Following the visit of Athulathmudali, President Jayawardene also visited Japan from 10-15 September 1979. He met the emperor and held talks with government officials. The aim of the visit was to consolidate the visit of Athulathmudali and forge closer relation in political and economic areas. During the visit Jayawardene also pointed out that trade between Sri Lanka and Japan had shown a remarkable increase and Japan was its biggest trading partner accounting for a two way trade of over 47 billion yen. Jayawardene also urged the Japanese to invest in Sri Lanka and recalled that the present government of Sri Lanka has re oriented its economic policy to make it more outward oriented.\(^{185}\) The Japanese daily, ‘The Yomiuri Shimburi’ in an editorial also urged the Japanese government to give maximum cooperation to Sri Lanka which is shifting away from East European countries to Western nations for technical aid.\(^{186}\)
To commemorate the recent visit of Jayawardene to Japan, the Japanese government gifted Sri Lanka with a 1000 bed hospital to be built at Jayawarhanapure/Kotte. A study team from Tokyo was to report on the proposed project. The government of Japan gifted the hospital in remembrance of the role Jayawardene played at the San Francisco Peace Conference where he advocated the cause of Japan. In 1979, Japan provided a further grant of two billion yen approximately Rs.143.6 million for the first phase of the television broadcasting station.\textsuperscript{187}

Japan became a member of the Aid Consortium in 1968 and upto 1979 it had provided aid to Sri Lanka to the tune of yen 45.2 billion (approximately US $ 188 million) Further, in provided Sri Lanka with outright grants, loans and aids and training to technical personnel. In 1979, the total loan from Japan amounted to yen 9 billion ($ 37.5 million) almost double the amount it provided in 1978, which was yen 5.5 billion ($ 23 million).\textsuperscript{188} Since 1977, Japan had begun implementing the project for the modernisation and extension of the telecom network between Colombo and six major cities of the island. The finance for the project was provided by the Japanese government as loan and it amounted to yen 1940 million ($ 8 million).\textsuperscript{189}

Further in 1979, the government of Japan extended a project loan of yen 1,800 million ($7.5 million) for the Inginimitiya irrigation dam project. It also extended a loan of yen 5, 800 million ($ 24.2 million) for the Maritime Transportation Reinforcement project and supplied three multi purpose ships to Sri Lanka. In the field of health and education it made an outright grant of 1900 million yen ($ 2 million) for the construction of a teaching hospital at the university of Peradiniya.\textsuperscript{190}

In 1980 the Japanese ambassador, Keisuke Ochi visited Sri Lanka. Tilakaratna, secretary of Ministry of Finance and Planning Sri Lanka and Mr. Ochi signed an agreement to promote the service of young Japanese volunteers to assist development work in Sri Lanka. Under the agreement the Japanese government was to bear the cost of travel of the volunteers between Japan and Sri Lanka, while was to pay living allowance to the volunteers and make available necessary equipment and machinery. The area covered the scheme were agriculture, forestry, primary health, engineering education administration and management.\textsuperscript{191}
One of the main aims of Sri Lanka's foreign policy during the tenure of
Jayawardene was stability and economic growth. He also wanted to move out of the
Indian orbit and hence looked toward South East Asia, particularly ASEAN.
Jayawardene also had a fascination for Singaporean model. He wanted to imitate its
economic success and identify with Lee Kuan Yew pro-Western non-alignment
policy.  

Jayawardene also undertook trips to other East Asian countries, Indonesia,
Singapore, Philippines and Thailand. His talks with the officials of these countries
were centred on the scope to forge closer ties political and economic. Earlier
Premadasa and Deputy Finance Minister Wickremansinghe accompanied by other
ministers had already visited Thailand for the opening of a two day seminar on
Investment. Latter in 1980 Sri Lanka and Singapore signed investment promotion
and protection agreement with increasing trade between Sri Lanka and Singapore. The
trade between the two witnessing an increase from 26.4 million in 1971 to 1316.3
million in 1979.

In 1977, Jayawardene also established diplomatic relations with South Korea.
In 1982 he set up a Korean Sri Lanka economic cooperation committee with the goal
of expanding economic cooperation between the two. The Prime Minister
Premadasa visited Korea and had discussion on wide range of subjects particularly
economic cooperation. Korean activity in Sri Lanka is evident from investment of
Korean firm in the free trade zone. The government also opened a diplomatic mission
in the Middle East, Saudi Arabia, Kuwait and Bahrain.

Since Sri Lanka held the chairmanship of NAM, with the defeat of Mrs.
Bandaranaike the position was automatically inherited by J.R. Jayawardene as head of
the state. Although, he advocated for an independent foreign policy, he played a key
role in handling issues of international importance, especially the intervention in
Afghanistan and Kampuchea, Iran hostage crisis and others.

The NAM itself was facing a crisis as there was no consensus among its
members with regard to the selection of Cuban leader Fidel Castro as chairman as
well as the hosting of the Sixth Summit in Havana. The US and China were not happy with this decision and attempted to influenced NAM member countries in preventing the Chair of the NAM to be given to the Cuban head of the state. A group of members headed by Libya prevented the summit to be held in Havana and the chairmanship from falling on Cuba. During, the preparatory meeting which was held in Colombo Jayawardene gave full cooperation to Cuba for holding the Havana Summit thus clearing the way for Cuba to take on as the chairmanship. He inaugurated the session as the outgoing chairman and handed over the chair to the Cuban leader. At the inaugural session the Foreign Minister Hameed described the meeting as "the most crucial and critical conference that the movement had faced in its lifetime of 18 years".

Earlier the Arab nations had demanded the expulsion of Egypt from the NAM. This itself threatened the very existence of the movement. India backed Egypt, and it was Sri Lanka responsibility as chairman to control the situation and prevent any disruption of the movement. Sri Lanka was careful not to take any side in such controversial issue, but worked along with India and other moderates countries such as Yugoslavia, Tanzania and postponed the issue of the expulsion of Egypt.

Furthermore, in Kampuchea the Heng Samrin regime which was backed by the Soviet Union and Vietnam had ousted the Pol Pot regime which had the backing of China and US. The issue became critical when both claimed to represent their country and demanded right to full membership and participation. Jayawardene refused to recognise the Heng Samrin government on the ground that it had seized power with support of external forces. However, the issue was taken up at a closed-door session and consensus was reached to allow the Pol Pot regime to attend the meeting without participation as the Samrin regime had taken control of the state using force. However, the final settlement of the issue was put off for the Havana Summit.

On the Afghanistan issue Sri Lanka openly condemned the Soviet action and strongly advocated for the principle of non-interference and non-intervention. He therefore strongly condemned Soviet invasion of Afghanistan as violation of its independent and territorial integrity. This reaction also arose from the fact that its
close proximity to India could put Sri Lanka in similar position. However, when the US and China decided to boycott the Moscow Olympics as protest of the Soviet invasion of Afghanistan, Sri Lanka decided to leave the decision to the Olympic committee. It later decided to participated, but refused the free flight offered by the Soviet to the participants.  

With regard to the Grenada issue Sri Lanka was equally vocal in condemning the US action and also voted for the UN resolution condemning the US action. However, in the Camp David US sponsored talks Sri Lanka decided to be a silent observer and desisted from making any comments.  

Sri Lanka did adhere to the principles of NAM and played an impartial role in issues relating to member countries. It is clear that Jayawardene vehemently opposed all sort of intervention, whether it was by the Soviet or even by US though Sri Lanka was pro-West. However, his NAM posture came under severe criticism in the Malvian (Falkland) issue. It did not go along the NAM member countries, but voted with Britain rejecting the Argentinian sponsored UN resolution calling for negotiated settlement. Jayawardene stand was that Argentina had also used force.  

Sri Lanka played a very important role during the Iran hostage crisis. In November 1979, American diplomats were kept hostage by students militants, followers of Khomeini, in the American embassy in Teheran. The world leaders with all their military might and political power failed to settle the issue. With the continuing US-Iran dispute, Jayawardene took the initiative to defuse a potentially explosive situation. He sent his Foreign Minister A.C.S. Hameed to Teheran as a special emissary carrying his message. Sri Lanka, had the backing of the NAM countries, especially ASEAN, and since it had good relations with both the US and Iran its mediatory role seem to be acceptable to both. However, Sri Lanka did not gain much success in this regard but was atleast successful in bridging the gap and preventing a deadlock.  

Although, he had been critical of Mrs. Bandaranaike policy he did not diverge from the NAM policy. He played an impartial role as chairman of NAM and steered the movement in time of crisis. He also accepted the Action Programme for Economic
Cooperation as a framework for NIEO, which was earlier initiated by Mrs. Bandaranaike. In fact the case for NIEO was strongly put by Premadasa at the September 1980 UN General Assembly meeting.\textsuperscript{206}

As leader of the opposition he was critical of Mrs. Bandaranaike's proposal for Indian Ocean Peace Zone. He even described its as 'idealistic and impractical'.\textsuperscript{207} However, when he came to power he continued the efforts as it had gained greater significance with the UN's acceptance of the proposal. In fact, Jayawardene soft pedalled the issue and provided lukewarm support to the proposal despite the growing activities of the Super Power in the region in post 1979 years. The proposal however, did not take off as both Super Power were not co-operating as the proposal could be detrimental to their interest in South Asia as well as South East Asia and the Gulf. The littoral states also did not support the movement strongly.\textsuperscript{208}

Jayawardene strongly advocated disarmament. At the Commonwealth Regional meeting in Sydney in 1978, he proposed the establishment of a World Disarmament Authority (WDA). The proposal was further considered at the first UN special session on disarmament in 1978 and also Havana NAM summit in 1979. According to Sri Lanka the WDA was to be created within the UN framework and this proposal was accepted by the non-align member countries.\textsuperscript{209} Further, during the 33\textsuperscript{rd} Session of the UN General Assembly Mr. Hameed stressed Sri Lanka's concern on disarmament and recalled Jayawardene's proposal for the establishment of WDA.\textsuperscript{210}

Sri Lanka was appointed a member of the eight-member committee on disarmament. The Foreign Minister in his speech said, that the appointment was a acknowledgement of Sri Lanka policies and position which the government of Jayawardene has chosen to follow and also a tribute to its active role on disarmament.\textsuperscript{211} Sri Lanka tried to push ahead the WDA as a permanent institution within the UN to control and regulate production and distribution of arms through out the world. Further, at the UN conference on disarmament at Geneva in 1986 it also called for a ban on nuclear and chemical weapons.\textsuperscript{212}
Sri Lanka efforts did not receive with much enthusiasm. The Arabs, African and Latin American countries did not support Sri Lanka’s effort as they did not agree on the idea of having any international authority disarming them as long as they continued to be victims of aggression and their dispute remained unresolved.²¹³

During the 1980, G77 ministerial meeting held in New York to discuss on the strategy and position to be taken vis-à-vis other group with matter relating to international economic development, Jayawardene called for South-South unity. He advocated for Third World unity in order to consolidate a negotiating position vis-à-vis the stronger economic countries, while promoting collective self-reliance that would enable Third World countries like Sri Lanka finance its balance of payment deficits. He further stated that the efforts for NIEO is being sustained by solidarity by which G77 is also being built, ‘so let use it wisely and with purpose’.²¹⁴

During the tenure of Jayawardene, Sri Lanka played an important role in international issues especially condemning interference and advocating for disarmament. The traditional pro-West policy of the UNP was continued but he developed good relations with the Soviet Union and China. Since his major aim was economic rejuvenation of the Sri Lankan economy he liberalised the economy and undertook major projects like the Mahaveli Development Programme, Free Trade Zone and the Greater Colombo development scheme. However, major projects needed huge investment and the deteriorating economy need aid to be inject into. He therefore, adopted an outward looking foreign policy by developing closer ties with all countries, particularly South East Asian countries, Japan and also the Middle East.

With the escalation of the ethnic crisis the national security of Sri Lanka was being threatened internally. He appealed to the West but when they refused to help Sri Lanka defuse the internal crisis, he established relation with Israel, Pakistan and China for seeking help and assistance to enable Sri Lanka strengthen its capability to protect its security internally and deter the perceived threat arising from growing Indian involvement. He strongly believed in the principles of NAM but domestic compulsion necessitated greater reliance on the West, particularly for investment and aid.
The UNP under Premadasa: (1988-1993)

President J.R. Jayawardene relinquished office prior to the election in 1988 and nominated Ranasinghe Premadasa then Prime Minister as leader of the UNP. Premadasa UNP won the 1988 presidential election and was alleviated to the position of President of Sri Lanka. He remained in office till 1 May, 1993 when a bomb explosion on the May Day celebration killed him.

When Premadasa assumed power, the international system once again witnessed tremendous changes. Following the Geneva agreement, the Soviet Union decided to withdraw its troops from Afghanistan. Further, the renewal of the talks between US and Soviet Union led to the signing of the INF agreement and cooling off of the East-West tension. Gorbachev took initiative to bridge the rift between China and the subsequent visit of Gorbachev to China and Chinese premier to Soviet Union head brought about a rapprochement in their relations. Further, relations between US also begun to normalise.215

The post Mao leadership in China emphasised on economic modernisation and state building rather than projecting itself as an alternate power. China under Deng promulgated socialist or four modernisation programme (Agriculture, Industry, Science and Military) emphasising on development and modernisation. Thus Chinese policy which was inward looking aimed at creating peaceful environment for economic development. It thus begun to mend fences with Soviet Union, India and improved relations with all countries of South Asia. However, its close ties with the US continued to remain the main plank of its foreign policy as it looked forward towards US for economic assistance to further its economic modernisation and development programme.216

The emergence of Gorbachev as leader of the Soviet Union witnessed a radical rethinking of Soviet policy, while also initiating socio-economic reforms on the domestic front through the programme of Glasnost and Perestroika. However, the liberalisation of the state unleashed forces of nationalism and demand for democratisation which were uncontrollable leading to the break down of Soviet
Union. This development crystallised the end of the cold war and ushered in a new era of post cold war.  

The Western nations adopted a neo-liberal outlook to the economy and advocated for greater freedom of the market and lessening of role of the state. Moreover, the rise of the newly industrial countries of South East Asia, called the five little dragon, in term of economic growth was phenomenal posing acute competition and challenge to Japan and US. Furthermore, the EEC was making quick advances toward the goal of European Union. Such development fostered the movement of economic liberalisation on a global scale under the acronym of globalisation. Globalisation and liberalisation also accentuated the need for regional organisation and South Asian states were also moving in this direction. 

The end the cold war led to new alignment amongst states. The Soviet Union lost is super power status and the US rose to the position of a dominant power. There also emerged increasing convergence of US-Russia interest on many regional issues. Soviet Union position in the Gulf war clearly demonstrated it desire not to interfere in US sphere of influence. 

With the end of the cold war South Asian states lost its strategic importance and the economic and military assistance it derived from the super power conflict were no longer forthcoming. They had to look for new allies and avenues to further their economic interest. Further, compounded with domestic, political and economic crisis the leverage on international matter were also reduced.

On the domestic Premadasa regime was born in a state of siege. Sri Lanka was gripped in a state of chaos and anarchy. The Tamil problem continued as well as the rise of the JVP continued to threaten the state from within. Furthermore, Sri Lanka faced acute economic crisis coupled with budget deficit as a large part budget was allocated on military spending. Thus with the changed international environment he had to readjust Sri Lanka policy options while also liberalising the economy to bring in foreign investment to rejuvenate the ailing economy. During the period Premadasa was more involved with resolving the domestic crisis of ethnicity and insurgency and assuaging the economic problems of the country, especially during the first two years
of his tenure and the foreign policy was dominated by the problems of the presence dominated of the IPKF.221

As Prime Minister he did not play any significant role in Sri Lanka’s foreign policy as it was the Foreign Minister A.C.S. Hameed who conducted the foreign policy under the guidance of the President J.R. Jayawardene. However, in the domestic front he had initiated a housing programme and also a village re-awakening programme and earned a strong support base among the masses. His popularity among the rural side had earned him a reputation for being a ‘man of the common people’. 222

However, as Prime Minister he had undertaken several visits abroad. The most important was his visit to Indonesia, Philippines, Thailand and Malaysia. During this visit he showed enthusiasm to join the ASEAN. Furthermore, during the 1981 visit to Singapore he canvassed for Singapore’s support for allowing Sri Lanka get entry into ASEAN. However, his effort failed as Sri Lanka’s application was rejected.223

He was a harsh critic of India and was not favourable towards the Indo-Lanka Accord. He had consistently referred to the concept of sovereignty and independence as a fundamental principle country should uphold in their relation with other countries. He thus, repeatedly criticised India on this ground. Even in his election campaign he had pledged that he would send the IPKF and replace the Indo-Lanka peace accord with a Friendship Treaty which is base on equality and reciprocity.224 Soon after coming to power he requested for the withdrawal of the IPKF. In March 1989, Sri Lanka presented a draft proposal for the Friendship Treaty, but India responded by submitting a counter draft incorporating some provision identical to the Indo-Lanka accord. Sri Lanka, especially Premadasa, had objections to some of the provisions and as both the country drag their feet on the issue the negotiations did not produce any results.225

Premadasa responded to the changing international environment by opening the economy to foreign investment. He himself was a firm believer of free market economic system and hence continued with the economic policies adopted by Jayawardene. He vigorously pursued the free market economic strategy by further
The liberalisation process in Sri Lanka begun much earlier to any of its counterpart in South Asia. The advocates of globalisation lauded Sri Lanka attempt and who even upheld it as a success case of a transition from a heavily state regulated inward looking economy to an outward looking free market economy.

Jayawardene had promised the lending institution that he would take steps to reduce government expenditure and fiscal deficit from 12 per cent of the GDP to 9 per cent by 1989 as well as reduce government ministry and privatise state enterprise. But with election around the corner, which was scheduled for end of 1988, he did not take any measure, as it would have adverse political fallout. When Premadasa came to power the international lending institution adopted an uncompromising posture and refused to support his liberal campaign promise that was to provide 1.4 million families a gift of Rs.25,000 over two years through his Janasaviya scheme which would cost Sri Lanka Rs.42 billion a year. Due to pressure the scheme was reduced to cover 300,000 families and the amount was also reduced to half.

Premadasa promised the international lending institution that he too would take similar steps a promised by Jayawardene. He eliminated the subsidies on fertilisers and added a 20 percent cut in wheat subsidies, and further simplified and reduced tariff while also providing a liberalising investment substantially. However, his efforts to curtain spending were undermined by military spending. The armed force grew from 12,000 men in 1984 to about 60,000 men in 1991 and 1,20,000 by 1994. The budget for military expenditure in October 1990 was 11.7 billion equal to a quarter of all government expenditure.

Sri Lanka’s relations with the UK was at a low ebb following the expulsion of the British High Commissioner David Gladstone in 1991. Gladstone had criticised the human rights situation during the 1991 local institution election and according to Premadasa it amounted to interference in the internal affairs of the country. Premadasa who stood for the concept of sovereignty as the guiding principle of his foreign policy declared Gladstone as ‘persona non grata’. However, he soon worked to improve the relation with Britain and this was evident from the British
agreement to lift the ban or arms of sale to Sri Lanka and also the resumption of high level diplomatic exchange that followed and the continuing aid programme.

Premadasa developed economic cooperation with the European Union (EU). EU became a major donor assisting Sri Lanka in its development programme. Its aid focussed on poverty alleviation through rural development. Further, it provided Sri Lanka with technical assistance to promote local export industries. Since 1976, EU had committed Euro 210 million to Sri Lanka’s development.\footnote{231}

The US was not happy with Sri Lanka decision to severe diplomatic ties with Israel. It even threatened to cut off bilateral US aid to Sri Lanka. Despite this Premadasa maintained close ties with the US. During the Gulf War, it acceded to US request to provide refuelling facilities. It further permitted the US to recommence work on the VOA transmitting station despite opposition from India as also from opposition party within Sri Lanka.\footnote{232}

In fact following the example of the West he further liberalised the economy and pursued a free market policy. Such move was appreciated by US and praising his reform the US pledged more aid to Sri Lanka. In September 1991, the IMF decided to grant a massive loan of US $ 445 million (Rs 20 billion) under the Enhanced Structural Adjustment Facilities (ESAF) scheme. In the same month the US and Sri Lanka signed the Colombo three bilateral treaties dealing with taxation, investment and protection and enforcement of Intellectual Property Rights. These provision provided for legal safeguard and was to stimulate flow of capital and technology.\footnote{233}

Further in 1992, at the Sri Lanka Aid Group meeting in Paris the US pledged US $ 825 million towards economic development in Sri Lanka. The liberalisation policy enabled Premadasa to receive Western aid regularly. In 1991 itself the total economic assistance received from the West amounted to $ 1000 million.\footnote{234}

However, the US was not happy with the human rights situation in Sri Lanka and expressed deep concern over it. Premadasa allowed human rights groups to visit Sri Lanka and also established human rights task force. This move was to please the
West though the human rights condition in the country showed no signs of improvement.

Relations with the US remained cordial, despite US concern over the escalating ethnic crisis and instability of the island. Sri Lanka continued to receive aid and assistance from US. US was the second largest donor providing Sri Lanka with Rs. 3 billion of aid, besides receiving substantial aid from UK, Canada, Australia with whom it shared Commonwealth ties.235

Sri Lanka’s relation with China continued to remain cordial. As Prime Minister Premadasa had already taken a visit of China in 1979 and was successful in seeking aid and assistance. In 1990 Premier Li Peng visited Sri Lanka on a goodwill mission. Later the same year Sri Lanka was planning to buy two more Y-12 transport plane from China adding to its possession of ten Y-8 and Y12 Chinese planes. Sri Lanka was to buy these planes on credit and the facilities was readily extended by Beijing. China also agreed to send five technicians for maintenance of these planes.236

As regard the Soviet Union, the country was engulfed in its own domestic crisis. However, it should be noted that during the late 1980s relations with the Soviet Union had been strained primarily because of some allegations and ill feelings, due to the tendency of Sri Lankan to blame the Marxist for all the socio-economic problems as well as the problems occurring in the North and South, particularly the allegations that Soviet were supporting the Tamils in their struggle for separatism. In 1989 the two countries celebrated 32 years of establishment of diplomatic ties and Soviet Union and Sri Lanka once again entered into several bilateral agreements in the field of education, technical assistance, culture, commerce and sports.237

Sri Lanka developed close links with South Korea. During Premadasa’s tenure as Prime Minister, the South Korean Prime Minister Kim Seng Tsyup had visited Sri Lanka and had talks with regard to expanding economic relations and furthering closer ties with Sri Lanka.238 The two countries had already established the Sri Lanka-Korea Cooperation Committee. Following, M.K. Jayasuriya, acting Chairman of the committee, investment promotion mission to Korea, Korean investors were planning to invest in a big way in the Free Trade Zone. By 1992, five industrial giants and
another 25 medium and small manufacturer from Korea investors had already indicated their interest to invest in Sri Lanka.\textsuperscript{239}

Besides the presence of the IPKF, the Israel Interest Section presence in Sri Lanka dominated the policy of Sri Lanka during this period. In his election manifesto without making any reference to Israel, he had stated that ‘all those working against the interest of the Muslim would be sent away’. This was also to neutralise the opposition campaign, where Mrs. Bandaranaike had promise to send the away within 24 hours of her coming to power.\textsuperscript{240}

The relations with Israel had been developed by Jayawardene and as mentioned earlier the Israel involvement in Sri Lanka had been multidimensional. Despite Muslim opposition to the Israel relations and Saudi Arabia refusal to sign the promised agreement to donate 171 million Saudi Riyals for the Maduruoya project, the Israel Interest Section continued to function and their aid programme went on uninterrupted even after Premadasa assumed office. Mutual trade between Sri Lanka and Israel continued unabated and the number of good traded was increasing. With the continuing relation Israel were also hoping to elevate its position to ambassadorial level. The media had also reported of continuing visit of Israel doctors, bankers and other experts.\textsuperscript{241}

However, the economic factors played an important role in deciding the fate of the Israeli Interest Section in Sri Lanka. The number of Sri Lankan working in the Middle East had increased and had become an important source of foreign exchange. The remittance from these expatriates stood next only to tea in foreign exchange and the Arab world were the biggest buyer of Sri Lankan tea. During 1988-89, the foreign employment Bureau had brought to the notice of the government that Sri Lankan nationals seeking employment in the Middle East faced a number of restrictions due to its diplomatic ties with Israel. Furthermore, the formation of the Sri Lanka Muslim Congress in 1988 witnessed protest and a call to suspend the Israel Interest Section till settlement of the Palestine issue. Premadasa was in a ‘catch 22’ situation. He could not antagonise the Arab world as it could adversely affect the possibilities of expansion of trade as well as employment opportunities nor could he antagonise the Muslim voters at home. He had to appease the Muslim and earn their support while
neutralising the opposition who had also demanded the closure of the Israel section. Hence in March 1990, it was decided to suspend diplomatic ties with Israel and close the Israel Interest Section though it angered the US. Further, in 1991 it voted against the revocation of the 1975 UN Resolution equating Zionism with racism.\textsuperscript{242}

Premadasa move to curtail relation with Israel definitely stemmed from domestic constraints as internationally China, USSR and many East European countries were trying to reopen diplomatic mission in Israel. India also maintained cordial relation with Israel while even the PLO expressed its willingness to recognise the state of Israel.\textsuperscript{243}

The relations with Israel further suffered a major setback following a massive attack on military installation by the LTTE in June 1990. It was alleged that Israel had supported the LTTE by supplying arms and ammunition to avenge the humiliation the country faced. This allegation was denied by Israeli government. It however, took a strong stand and stated that if Sri Lanka had to resume diplomatic ties with Israel then it would be on Israel’s conditions.\textsuperscript{244}

Sri Lanka continued to support the Palestinian cause and the PLO mission in Colombo was elevated to full ambassadorial status. This meant recognition of independent state of Palestine. Thus Sri Lanka took a pro-Arab stand on the Palestinian issues and other matter relating to the Arab World.\textsuperscript{245}

Premadasa attempts to reform in 1990 provided a dramatic boost to foreign investors. By 1994 it had emerged as the ‘hottest emerging market’. Due to his reform he was able to avail assistance from international lending institution as well as from France, Netherlands and Japan who were steady donors. Japan emerged as the largest donor with Rs.3.6 billion grants in 1993. Germany pulled out after the unification in 1990 and socialist countries like Soviet Union, Hungary and also China to a lesser degree, also responded less favourably to the rightist nature of the government. Despite these odds, Sri Lanka received huge grants to finance its deficit. The International development Association and the ADB continued to lend support and the ADB alone granted Sri Lanka Rs. 7.7 billion for its development. However, despite rise in grants the scale of spending had placed Sri Lanka in debts. Public
Department spending rose sharply from 22.4 billion in 1977 to 549.3 billion in 1994, besides the escalating cost of the war already had impinged Sri Lanka’s economy development.\(^{246}\)

Although, Premadasa was successful in crushing the JVP movement, his move resulted in a backlash from the ruling stratum itself, which saw him as a usurper. They even attempted to impeach him in 1991, however without success. Premadasa was not very popular even among his own party. His style of government earned him the nick name of ‘one man show’ as he never consulted even his key minister and even ignored his advice. He did not show much inclination to play very prominent role in international affairs and did not make many visits abroad. He gave higher priority to domestic affairs and desisted from following outreaching and innovative foreign policy.\(^{247}\)

Following the death of Premadasa in 1993, Dingri Banda Wijetunge took over as President of Sri Lanka and Ranil Wikremesinghe as Prime Minister. They continued in office till the end of 1994, when Kumaratunga’s People Alliance won the election of 1994. They continued the policy undertaken by Premadasa, particularly the liberalisation of the economy.\(^{248}\)

The liberalisation process had already received a jolt following the escalation of violence in the North and East and the JVP insurgency in the South. With the realisation that export would be the mainstay of any reform process the government pursued the liberalisation policy more vigorously. They declared the whole country as free trade zone thus enabling export units to work in a duty free environment.\(^{249}\)

**Sri Lanka’s Foreign Policy under the People’s Alliance - (1994-2004)**

Chandrika Kumaratunga was elected to Parliament by an overwhelming majority and as the Prime Minister candidate of People Alliance (PA) Party became the Prime Minister of Sri Lanka in August 1994. She then contested the Presidential election held in November 1994 and was elected President obtaining a record 62 percent of the vote cast. She won the second term to the post of the president in the election of 2001, but the PA lost the parliamentary seat to the UNP candidate Ranil
Wikremesinghe, who became the Prime Minister of Sri Lanka. The two parties i.e., the PA and the UNP formed a cohabitation government till 2004.\(^{250}\)

The international system did not observe much change and remained more or less the same. She had earlier stated, "my government is committed to market friendly policies which seek to build on this inheritance of developed social infrastructure by the addition to it of the high growth elements that have eliminated unemployment and poverty in East Asia...\(^{251}\) Therefore, her foreign policy was to give priority to economic development and growth, while liberalising the economy in the line of East Asian countries. In matter of domestic affairs the LTTE had become stronger and their demand for separate states was taken more vigorously. When she assumed power she had promised a ‘war for peace’ clearly indicated that her policy was to bring about peace and stability in Sri Lanka. She had been successful to quite an extent at least in restoring government authority over Jaffna in 1995.\(^{252}\)

Kumaratunga continued the legacy of her parents, the Bandaranaike, and tried to maintain cordial relationship with all countries. She was clear that she would uphold non-alignment and friendship with all nations to promote the interest of the people of Sri Lanka. She therefore, also promoted regional cooperation.\(^{253}\) However, her main policy plank remained to resolve the ethnic crisis and put Sri Lanka on the road of economic development and progress. She therefore, continued to liberalise the economy and adopted the lines of her predecessors.

Kumaratunga continued to maintain cordial relations with the UK and the Commonwealth countries. Based on the good relation with the UK she developed closer ties with the EU. Dominated by the UK, the EU was the second largest importer of Sri Lanka good at about 28 per cent. In 1995 the commission also opened a delegation in Colombo.\(^{254}\)

Sri Lanka relation with the EU dates back to 1975 but it was during the end of the late 1980s that Sri Lanka and EU conclude a commercial co-operation agreement. The agreement consisted mainly of technical assistance for promotion of trade in support of local exporter. In July 1994, a third generation EU-Sri Lanka Cooperation Agreement on Partnership and Development was signed and it came into force in
April 1995. The agreement focus on partnership and cooperation, development and diversification of trade and investment, better mutual understanding and strengthening of ties in respect of technical, economic and cultural matters, building Sri Lanka’s economic capability to interact more effectively with the EU, besides environmental protection, sustainable resource management and respect for human rights and democratic principles. The EU has become Sri Lanka major trading partner, accounting for 24.1 per cent of Sri Lanka’s export second only to US. The EU was also Sri Lanka’s largest source of imports accounting for 15.7 per cent of the total imports. The EU is a major buyer of Sri Lankan garments (56.7 per cent) besides agricultural products and basic machinery. In last few years the EU has provided aid to Sri Lanka for the promotion and expansion of its economy. On an average Euro 10 million of aid is provided to Sri Lanka annually for this purpose.

The EU plays and important role and support the peace process facilitated by Norway. The EU was one of the four co-chair of the Tokyo Conference which took place in June 2003, to raise funds for development and reconstruction and rehabilitation of conflict affected areas of Sri Lanka. The community pledged US $ 4.5 billion grants and loans, thought the grants and loans were conditional to the progress of peace process. However, the post cease fire environment has seen in shift in Sri Lanka EU relations, with the EU focusing more on economic cooperation as the economic was showing signs of progress. It has further proposed extra funding of Euro 17.5 million for 2002 and another Euro 50 million for 2003-04 to support rehabilitation and reconstruction efforts particularly in the North and East region of the island. The EU also deployed election observer to Sri Lanka in the 2000, 2001, 2004 and also 2005 election and it was the largest international observer mission to Sri Lanka.

Thus the relations between Sri Lanka and the EU has witnessed a dramatic changes in post cease-fire environment and with Kumaratunga efforts to liberalise and expand the economy. While the EU is looking to bring stability in Sri Lanka for creating a conducive environment for investment and export, Sri Lanka is benefiting from its aid and assistance.
The US maintained close ties with Sri Lanka, while it stressed on the need to maintain peace and the island’s territorial integrity. It therefore welcomed the cease-fire and supported the government attempts to resume talks with the LTTE and work towards the peace proposal. In March 2001, two senior Sri Lanka Cabinet Minister met the Deputy Secretary of States Richard Armitage and the US reiterated its strong support for the peace process. The US was the first to designate the LTTE as a foreign terrorist organisation in 1997. Its support to the global anti-terrorism campaign had further resulted in the withholding of roughly $4 billion from the LTTE, which probably weakened their capacity to purchase weapon and was a likely factor that led the rebels to enter the peace negotiations.

The US pledged to re-energise bilateral relations through increased cooperation in defence, education, commerce and human rights. In September 2002, a US defence assessment team visited Sri Lanka to assess the training need so the Sri Lankan military. This exercise culminated in a joint military exercise between US and Sri Lanka with focus in training in arms operation and medical techniques.

Following the cease-fire Prime Minister Ranil Wikremesinghe visited US in July 2002 to meet President Bush. The aim of the visit was to boost bilateral trade and investment. The visit was considered to be a high profile as it was the first visit of a Sri Lankan leader to White house after a gap of nearly 18 years. With regard to trade the talks centred on issue of boosting textile export to the US as garment industry had become a major earner of foreign exchange. Furthermore, to facilitate American investor Sri Lanka proposed to remove the double taxation and move towards a free trade agreement.

During his visit he negotiated with the US and Sri Lanka signed a new Trade and Investment Framework Agreement (TIFA). It was to be a forum to expand bilateral trade and investment. Following this several teams of US official visited Sri Lanka to explore avenues for cooperation. Further, in December the US Assistant Secretary of Commerce for Trade Development William Lash visited Colombo with the aim of strengthening bilateral ties in area of information technology, education and infrastructure. In February 2003, Deputy Secretary of State Richard Armitage stated, “Sri Lanka is already a solid exporter to the US and has the potential with
peace and the right reforms to become a significant trade partner. In March the second round of TIFA was conducted successfully.263

During the visit to US, the Prime Minister also met officials of the IMF and World Bank. But with the cease-fire in progress in March 2003, the World Bank established a special North East Reconstruction Fund and pledged its ‘unconditional support’ for Sri Lanka development programme. Further in April it also announced a Country Assistance Strategy (CAS). This assistance which amounted to $ 800 million was pledged in grants and interest free loans for a period of four years.264

The US assistance to Sri Lanka also increased. The assistance focused on increasing the country’s economic competitiveness of Sri Lanka in the global market, while also supporting the creation of good governance and enhancing economic and social opportunities for the disadvantaged. In 1994 US aid to Sri Lanka amounted to $ 55 million including $ 25 million in free wheat. Besides, the US provide another $ 18 million low interest loan for a period of 40 years for additional wheat and another $ 12 million towards direct assistance activities.265 US assistance to Sri Lanka in 2002 total to $ 8.4 million, besides $ 1.3 million in food aid. The Bush administration further pledged $ 10.4 million for 2003 and $ 24 million for 2004. Adding to this was another $ 14 million economic support fund and $ 1 million aid for new foreign military financing programmes. Furthermore, the USAID was already carrying out a two year $ 7 million programme aimed at increasing Sri Lanka competitiveness in the global market.266

As with regard to trade Sri Lanka export to US in 1994 was valued at over $ 1 billion, while imports from the US amounted to about $ 200 million. The US was the single largest market for Sri Lankan textile goods.267

The US strongly supported Kumaratunga move towards ethnic reconciliation and the peace process that begun in December 2001. It provided extensive aid and assistance to help Sri Lanka restore normalcy and develop economically. The international community also supported Sri Lanka’s peace process by offering inducements for peace. At the Tokyo Donors conference on Sri Lanka the US alone had promised $ 54 million besides 40.4 million of USAID funding.268
Sri Lanka and Germany has maintained cordial trade and political relationship. Germany has been a major donor to Sri Lanka’s development programme. However, after the unification of Germany aid and grants were not forthcoming as it was consolidating its position domestically. In 2001, Kumaratunga took a visit to Germany and has been able to receive assurance for assistance for the reconstruction of the country and promotion of numerous projects.269

Prior to her visit to Germany, Sri Lanka and Germany had signed an air traffic agreement in 1995. In 1999, Sri Lanka-Germany Business Council was founded for promoting bilateral business. About 120 German companies have invested in Sri Lanka creating nearly 20,000 jobs. Furthermore, in 2000 the two concluded an investment promotion and protection accord, which provides protection to investors investing in Sri Lanka. Trade relations between the two witnessed a mark improvement and by 2004 Germany ranked sixth as an importer of Sri Lankan goods. Furthermore, bilateral trade reached a high of Euro 504 million. German imports consist mainly of textile, tea, rubber and jewellery items, while Sri Lankan imports from Germany consist mainly of machinery, electrical and chemical products.270

Besides trade, Germany has been the second largest bilateral donor after Japan, including the 2004 development assistance it has committed Euro 381.5 million for technical cooperation and Euro 17.3 million for financial cooperation. Further, Germany has established cultural ties with the island too. Various foundations operates in Sri Lanka. Deutsche Welle has a relay station in eastern Sri Lanka and provides training too. A modern television training centre has also been set up by the support of the Friedrich Ebert Foundation. German’s cooperation in archaeology has seen the involvement of German scientists in excavation work at Tissamaharana region South of Sri Lanka. Sri Lanka is also a favourite destination for German tourist. The cease-fire has helped Sri Lanka restart its tourist industry and nearly 60,000 German tourist have visited Sri Lanka by 2004.271

Like the Bandaranaikes, Kumaratunga has continued to maintained close ties with China. The agreement on economic and technological cooperation was signed in 1994 and continued till 2002. To cement further ties and invite Chinese investment
Sri Lanka Foreign Minister L. Kardirgamar visited China. Chinese investment has increased to US $ 12.96 million and Chinese products like Haier household appliance and motorcycles have entered the Sri Lankan marked. China continues to import Sri Lanka rubber and its product, tea etc. However, Chinese trade had come down from US $ 11.4 billion 2001 to US $ 0.35 billion in 2002.272

Sri Lanka also continued to maintain close friendship with the Russian Federation. It has made several attempts to strengthen ties with the Republics of former Soviet Union. Kadirgamar visited several of these Republics with a view to expand bilateral relations particularly in economic sphere.273

Sri Lanka’s relation with Japan continued and Japan’s aid to Sri Lanka also increased. Japan has been the largest donor to Sri Lanka contributing nearly 45 per cent of the total economic aid. In fact, Japan was keen to bring peace to the island as well support its economic development. Japan Foreign Minister Ms. Yoriko Kawaguchi had reiterated Japan’s readiness to extend cooperation towards the reconstruction and rehabilitation of the affected areas once durable peace is established. It welcomed the initiative for peace talks and in October 2002 appointed Mr. Yasushi Akashi as Japan representative to contribute toward peace building and rehabilitation and reconstruction efforts in Sri Lanka.274

The Sri Lankan Prime Minister visited Japan in December 2002, which was immediately followed by the visit of Japanese Foreign Minister Kawaguchi in January 2003. She once again reaffirmed Japan’s support to the peace process and also offered her good office to all efforts towards peace. The sixth round of peace talks between the Sri Lankan government and the LTTE was held Hokone, Japan during 19-21 March 2003. Furthermore, Japan also hosted the donors conference in June 2003.275

Given Japan’s isolationist and cautious policy towards conflict its keen and active interest in Sri Lanka is intriguing. However, it should be noted that Japan has entered a new phase of Japanese diplomacy and the recent change in its aid policy should not only be seen as an American proxy but as also an expression of her aim to be a key player in the South Asian affairs.276
Sri Lanka has also expanded its diplomatic ties with countries in the Middle East. The Foreign Minister Kadirgamar accompanied by a business delegation visited the UAE, Oman and Kuwait in 1996 for enhancing economic ties. Further to draw the government's attention to the rising problem faced by the Sri Lankan expatriates, particularly of domestic workers, Kumaratunga also visited Kuwait in 1997. To meet the increasing consular demands due to the increasing number of expatriates in the region, Sri Lanka opened embassies in Jordan in 1996 and in Qatar and Lebanon in 1997 and a consulate in Saudi Arabia in 1997. Kuwait and Saudi Arabia had already established resident mission in Colombo in 1995. The friendship with the Arab world and the support to the Palestine cause was further underlined by the state visit of President Yassar Arafat to Sri Lanka in March 1997.277

In the international forum too, Sri Lanka played a pro-active role. In 1997, Sri Lanka was elected to the Economic and Social Council of the UN for a period of three years and also a member of the Commission on Human Rights in 1998. Sri Lanka pushed the case of Non Proliferation Treaty Review of Extension in 1995 and supporting the cause of disarmament it ratified the Chemical Weapon Convention. It continued to emphasise the need for action against terrorism and this sentiment was echoed during the 50th Anniversary celebration of the UN October 1995.278

Sri Lanka also continued to be an active member of NAM and supported closer collaboration between NAM and the G77 countries. On the basis of Foreign Minister Kadirgamar proposals a NAM Ad Hoc Panel of Economist was formed in 1997 during the 12th NAM Conference in New Delhi. The panel was to advise member's countries on measures to be taken to meet the demand of the changes occurring in the global economic spheres. Gamini Corea, former Secretary General of UNCTAD and a renowned Sri Lankan economist was appointed as Chairman of the panel.279

The urgency and need to combat terrorism reflected in Sri Lankan policy from time to time. During the Commonwealth Head of States in Auckland, New Zealand in November 1995 Sri Lanka was in the forefront of the initiative taken to include in its final declaration the need for international action to combat terrorism. At Edinburgh also Kumaratunga made a strong plead in this regard. Addressing the Commonwealth
Business forum, She espoused the cause of 'managed globalisation' to avoid dangers inherent in the process of globalisation and call for ensuring a level playing field.280

Regional cooperation was key aim of Kumaratunga. This need arose from the realisation of the importance of regional grouping in a uneven globalised world. She therefore attached great importance to strengthening relations with South Asian neighbours, particularly India. In this regard she undertook visit to neighbouring countries to further strengthen bilateral ties. She played a key role in the SAARC form and urged members to enhance economic cooperation between members and also develop ties with other regional groups particularly ASEAN and EEC. She strongly supported the SAARC move toward the creation of SAFTA and SAPTA.281

She showed keen desire to join the Indian Ocean Rim Association. The association was initiated by India and Mauritius for expanding economic cooperation among the rim states. It is a tri-partite mechanism involving government sector, representative of business sector and academic community with the aim of enabling countries of the rim states to work in closer cooperation and collaboration in the field of economy, politics and culture. Sri Lanka was left out when the association was initiated in March 1995. However, her keen interest to be a part of the association saw Sri Lanka becoming a member, and at the formal launch of the IOR-ARC in Mauritius in 1997 its Foreign Minister L. Kadargimar was elected as one of the two vice-chairperson.282

Sri Lanka also joined the Bangladesh, India, Myanmar, Sri Lanka, Thailand (BIMST-EC) Economic Cooperation agreement. This agreement provides a bridge between South Asia and South East Asian and has enabled cooperation in the field of trade, industry, investment, transportation, fisheries, aviation and tourism.283

Thus keeping in view the economic compulsion of the country as well as the tradition of her parents she consolidated Sri Lanka's relation with all countries like China, Japan, South Korea, US, Russia. She as well as the Foreign Minister L. Kadirgamar undertook visited most of these countries to forge closer ties as well as seek economic cooperation and aid. Relations with the Commonwealth countries like Canada and Australia had also undergone improvement and economic interaction
between Sri Lanka and these countries have been increasing. Sri Lanka made all diplomatic efforts to ensure a favourable terms with regard to textile quota to the US and UK.

Conclusion

From the ensuing discussion on the foreign policy of Sri Lanka it is evident that the international environment and issues was a powerful determinant that influenced Sri Lanka's decision maker. In the initial years of its independence the apprehension of Indian expansionism and the rise of communism was seen as a major threat to it existence. Thus in order to secure Sri Lanka externally, D.S. Senanayake entered into a defence-pact with Britain to secure its territory from any external threat. Furthermore, it developed close ties with Britain and the West not only because of its antipathy to communism but also maintain the close economic ties that had developed due to its dependence on the export economy. His foreign policy which was pro-West was in fact termed as pro-British. Dudley Senanayake and Sir John Kotelawala pledged to follow the lines of D.S. Senanayake. There was much continuity in the foreign policy during their tenure, which was dominated by the close ties with the West, particularly UK and the economic interest of Sri Lanka. However, due to the falling demand of rubber and increasing price of rice, which Sri Lanka imported to meet its domestic demand, Dudley was compelled to enter into a rice-rubber agreement with China as it provided the best deal it could ever obtain.

Kotelawala was openly pro-West and vehemently critical of communist. He showed much enthusiasm in the Afro-Asian movement and initiated the Colombo meeting which laid the foundation of the Bandung conference. His pro-West attitude was also reflected in his interest to join the SEATO.

A major shift in Sri Lanka policy was seen during the period of 1956-65, when the Bandaranaiakes were in power. S. Bandaranaike advocated for NAM and friendship with all. He established diplomatic relations with the communist bloc, China and USSR. He played an active role in international affairs and his response to world crisis had enhanced the position of Sri Lanka internationally. Mrs. Bandaranaike followed the lines set out by her late husband S. Bandaranaike. She
ardently followed NAM and maintained close ties with both the blocs. During her second term in office the economic difficulties compelled her to take to socialist measures, such as nationalisation of commercial and industrial ventures. In this regard Sri Lanka’s relation with the UK and US had suffered a set back. However, through her diplomatic manoeuvrability she managed to maintain the close ties with the West as well as the communist blocs and obtain aid and assistance for the development of Sri Lanka. With the growing activities of Super Power rivalry in the Indian Ocean she proposed for the Indian Ocean Peace Zone in 1970. Further, she played an important role in the Indo-China crisis.

During J.R. Jayawardene’s period Sri Lanka foreign policy was largely dominated by economic with emphasis on inviting foreign investor to participate in major economic development. His policy to deregularise the economy and free market policy favourably received by the West who also saw it as explicit pro-West approach. However, the escalating ethnic violence had taken it toll economically and had affected the liberalisation process. Furthermore, the hard stance of his government toward the Tamils saw the intervention of India, which not only posed a threat to it security but also led to the internalisation of the issue. Despite his appeal, West refused to get directly involved in the ethnic imbroglio. He, therefore, developed close links with China and Pakistan to seek military assistance to fight terrorism and also act as a counter balance to India’s dominance. An important dimension of his foreign policy was the development of close links with Israel. However, his policy of liberalisation did not enable him assuage the economic problem of the country and the dependence of Sri Lanka on foreign capital and aid increased.

Premadasa did not play an active role in international affairs and preferred to concentrate on the domestic affairs. However, he followed the line of Jayawardene and pursued the policy of liberalisation more vigorously. In fact during his tenure the issues of the IPKF and Israel Interest Section dominated Sri Lanka’s foreign policy, while on the domestic front the ethnic crisis and insurgency and the deteriorating economic called for more aid and assistance.

Kumaratunga continued with the policy followed by her parents ie. of NAM and friendly relations with all countries and on the economic front, she continued with
the liberalisation process that begun with Jayawardene. Her main objective was to put an end to the decade old crisis and at the same time put Sri Lanka on the path of economic development. Realising the problems of globalisation she called for a level playing field and supported regional organisation as a mean to develop economic cooperation. She maintained close relations with all countries to seek aid and assistance to meet the demand of the weak economy, while also boosting trade and economic cooperation.
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