

SUBJECT

g. Maiter
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PRIME MINISTER'S
PERSONAL MESSAGE

President of Sri Lanka

SERIAL No. T74A/81

May 12, 1981.

My dear Prime Minister,

The Aid Group Meeting, which will determine the assistance that Sri Lanka is to receive in the coming year, convenes in Tokyo on June 30th. Let me first thank your Government and you personally for the generous economic aid so far extended to Sri Lanka. I now write to appraise you briefly of the problems that face us today, in the confidence that Sri Lanka's call for assistance will receive from you the same appreciation and consideration as on earlier occasions.

I have in previous years kept you informed of the broad strategy that my Government has adopted for Sri Lanka's economic development, the priorities we have set ourselves, the difficulties we have to contend with, and the results we have been able to achieve. I am happy to say that in the light of our performance and the results achieved, our strategy of development has been endorsed both by the people of this country and by the International Lending Agencies. Furthermore, friendly countries, from whom we have received substantial assistance in the past and to whom we look for assistance in the future, share this confidence.

We continue in our endeavours to create a just and free society, in which social welfare is matched with economic growth, human rights and freedom of the individual are ensured, and employment provided for all. The short and long term objectives are to realise the optimum development of the individual and strengthen the political and economic stability of the country, within the framework of our multi-party democracy.

The Rt. Hon. Margaret Thatcher, M.P.

Prime Minister

United Kingdom of Great Britain and Northern Ireland

In the implementation of our policies of development, we have today reached a critical stage. World inflation has seriously affected Sri Lanka's economy. On the one hand, this is causing much hardship to certain sections of the community, who are particularly affected by the removal of subsidies under the new policy for development. It has also escalated to an unforeseen extent the cost of our development projects, and thereby upset our budgetary plans and the country's balance of payments. Our terms of trade have also been seriously affected, due mainly to the steep increase in the price of imports. In this context, unless increasing assistance and in real terms, is forthcoming, it will not be possible to make substantial progress towards our objective of self sustained economic growth.

Many of the difficulties that we face today are beyond our control. But to contend with what we can, we have re-phased our programme of development, so that my Government will concentrate on the completing of the projects already undertaken. At the same time, every effort is being made to accelerate the completing of these projects, so that they may bring more employment and increased production at an earlier date.

The centre piece of our development strategy is the Accelerated Mahaweli Development Programme. I am happy to say that we have been successful in securing the bulk of the funding for the headworks. But there is a substantial shortfall in the funding for the down-stream development. It is our hope that the Aid Group Meeting would help to finance these shortfalls for the completing of this programme.

On other development projects also there have been considerable cost over-runs. Our calculations of expenditure have to a considerable extent been upset by the escalating costs of equipment and materials that have to be imported. At the same time the local cost components of these projects have been rising sharply. It is our hope that donor countries would be able to assist us in this area also.

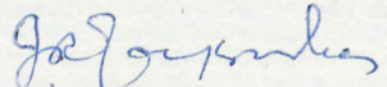
On account of the aggravating balance of payments problems, we find it increasingly difficult to finance our requirements of fertiliser and essential foodstuffs. Both commodity assistance and food aid, which are quick disbursing, will go a long way to assist us in tiding over our immediate difficulties.

The World Bank will be informing all the members of the Consortium of Sri Lanka's requirements of external assistance. We on our part will be circulating a document outlining our investment programme for the period 1981 - 1985.

May I look forward to the same sympathetic consideration you have shown to Sri Lanka in the past at the forthcoming Aid Group Meeting.

With my warm personal regards,

Yours sincerely,



J. R. Jayewardene



2

Sri Lanka

10 DOWNING STREET

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Prime Minister
Photo Pm 12/5

In the attached letter, the President of Sri Lanka sets out the problems facing his country's economy. He asks the UK to give "sympathetic consideration" to Sri Lanka's needs at the Aid Group meeting in July. I have asked the PRO to provide a draft reply for you.

WPSH
12/5

for Pm

HFB
Sri Lanka
1/6

HC of SRI LANKA

22 May 1981

I enclose a letter to the Prime Minister from the High Commissioner of Sri Lanka. He forwards a letter from the President, which asks us to give sympathetic consideration to Sri Lanka's needs at the Aid Group meeting in July.

I have acknowledged this letter. Could you please provide a draft reply for the Prime Minister to send by Monday 1 June.

WR

Roderic Lyne, Esq.,
Foreign and Commonwealth Office.

Juf

22 May 1981

Thank you for your letter to the Prime Minister of 21 May forwarding a letter from the President of the Democratic Socialist Republic of Sri Lanka.

I have placed this before the Prime Minister and you will be sent a reply as soon as possible.

WR

His Excellency Mr. A.T. Moorthy.

2

From the High Commissioner



*High Commission of the Democratic
Socialist Republic of Sri Lanka
13, Hyde Park Gardens,
London W2 2LU*

My No: ECON/AID/1/A.

21st May, 1981.

Dear Mr. Alexander

I enclose herewith a letter addressed to
The Rt. Hon'ble Margaret Thatcher, M.P., Prime Minister
by H.E. J R Jayewardene, President of the Democratic
Socialist Republic of Sri Lanka. The letter relates to
the forthcoming meeting of the Sri Lanka Aid Group to be
held in Tokyo on 30 June and 1 July 1981.

I shall be grateful if you would kindly place the
letter before the Prime Minister as early as possible.

I shall greatly appreciate confirmation in due
course when this has been done.

With Best Wishes

Yours sincerely

A T Moerthy

(A T Moerthy).

Michael Alexander Esqr.,
Private Secretary to the Prime Minister
10, Downing Street
London SW1.

ENCL:

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