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From the Private Secretary

13 April, 1985

PRIME MINISTER'S MEETINGS WITH PRESIDENT JAYEWARDENE

The Prime Minister met President Jayewardene on several different occasions during her visit, although there were no formal talks. The main occasions on which they did discuss business were on the drive from Victoria Dam to Kandy; and on the last morning shortly before the departure ceremony.

Conversation on the drive from Kandy was rather disrupted by the Prime Minister having constantly to wave to the multitude assembled along the route. In her recollection, President Jayewardene spoke of nothing other than the Tamil problem and that very much along standard lines. He was determined not to give way to terrorism and would do all in his power to overcome it. This now had to be his priority. He claimed that the terrorists did not enjoy widespread active support, but had succeeded in intimidating ordinary Tamils who would otherwise have been content to live peacefully.

The Prime Minister said that she fully agreed with the need to fight terrorism: violence must not be allowed to win. But she hoped that President Jayewardene would at the same time make clear that he was ready to go on negotiating with those prepared to pursue their objectives peacefully. President Jayewardene said that he had gone as far as he could with his earlier proposals on devolution. If he made any further concessions, he would lose the support of his own people. The Prime Minister referred to her conversation with Mr Gandhi in Moscow and asked whether President Jayewardene had not perhaps been too abrupt in putting his proposals on a take it or leave it basis. Had he consulted Tamil leaders with sufficient patience? President Jayewardene said that he had indeed consulted them over a very long period but they had always asked for more.

President Jayewardene referred to trouble-makers in the United Kingdom who were building up the Tamil issue and raising funds to supply arms.

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/The President

The President referred to the issue in his speech at the Banquet (copy enclosed). The clear message of this was that the United Kingdom should deliver on its undertakings to help defend freedom throughout the world, by implication by supplying military assistance to the Sri Lankan government - this at least the construction which the Prime Minister places on the latter part of his speech.

There was a brief session of formal talks shortly before the Prime Minister's departure for the airport. President Jayewardene was accompanied at these by Mr Hameed (Foreign Minister), Mr de Mel (Finance Minister), Mr Athulathmudali (Minister of Defence and Security), Mr Dissanayake and other Ministers and officials.

The Prime Minister opened by saying that, before her visit, she had assumed that the problem with the Tamils was a localised and marginal one. It had been brought home to her during the visit that it was in fact the Sri Lankan government's main pre-occupation. She understood the difficulties of dealing with terrorism and agreed with the Sri Lankans that it must be fought. At the same time, she hoped that greater efforts would be made to get across to international opinion the Sri Lankan government's case, in terms of publicising both the atrocities committed by the terrorists and the steps taken by the Government to discipline members of the security forces who got out of control. The Prime Minister continued that she had met Dr Tiruchelvam, a leading member of the TULF. She had made clear to him that there could be no compromise with terrorism or with those who supported it. She had also suggested that those who might be ready to negotiate with the government were being intimidated. She found it difficult to judge how far there were Tamil leaders ready to negotiate seriously. She recalled President Jayewardene's optimism at the time of their meeting at Mrs Gandhi's funeral. Was it not possible a settlement might still be found?

Mr Athulathmudali said that Sri Lanka had been successful in putting over its case to other governments but less so to the media, who were just not interested. Effective action had been taken against undisciplined behaviour by members of his security forces, by disciplinary action rather than through the courts. The truth was that Tamil terrorists had killed far more Tamils than had the security forces. The main problem for the security forces was the quantity of supplies reaching the Tamil terrorists from India. Although the Indian government had recently intercepted some arms shipments, they still did not acknowledge the existence of terrorist training camps. He hoped that the Prime Minister would encourage them to stop all help to the terrorists. He thought that Rajiv Gandhi was more disposed to take action than his mother had been. None the less he found Indian allegations about the activities of Sikh extremists in the UK ironic: their own harbouring of Tamil terrorists put them in a very weak position to complain. A final point which he wished to mention was the existence of Tamil groups in the UK which collected money ostensibly for humanitarian purposes

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but in practice for arms purchases. He hoped that the British Government would prevent this.

The Prime Minister said that the Sri Lankan government should let her have the full facts about Tamil terrorism and she would help get them across to a wider audience. She would look into the question of arms purchases in the United Kingdom. She had the impression that Mr Gandhi was taking what action he could to restrain the activities of Tamil terrorists when they had spoken in Moscow, Mr Gandhi had made clear that he did not want to see a separate Tamil state. But she would speak to him again. It was important to be able to point to the Sri Lankan government's readiness to resume negotiations with those prepared to pursue their aims by peaceful means, as she had said in her speech to the Sri Lankan Parliament.

Mr de Mel then raised the question of British aid for Samanala Wewa. The Sri Lankan government was grateful for the further £20 million aid announced by the Prime Minister that morning. They hoped that part of the £20 million could be directed to Samanala Wewa: indeed he hoped that a combination of normal aid and ATP could be found up to the total British content of £60/70 million, so that he did not have to borrow commercially. The Prime Minister said that support for the project raised a number of difficulties: it would consume all available ECGD credit for Sri Lanka: it would pre-empt ATP resources for the benefit of companies which had already benefited from Victoria. We were not sure whether it was right to give the project such a high priority in our aid to Sri Lanka - it might be better to support several smaller projects. However, she would examine the case in more detail on her return to London. Mr de Mel said that he would be seeing Mr Raison for a discussion on Monday.

President Jayewardene said that he understood that the problems over Overseas Containers Limited (OCL) had been resolved. The Prime Minister said that this was not so: the share of the market and the rate of build-up to it being offered by the Sri Lankan government was hopelessly inadequate. OCL were not getting a fair deal. Mr Athulathmudali embarked on a lengthy defence of the Sri Lankan position: British shipping lines had deserted Sri Lanka when they were most needed: OCL were working through a combine of European firms (COBRA) which might lead to monopoly practices: a satisfactory settlement had been reached with Hapag Lloyd. The Prime Minister dismissed these arguments as irrelevant. The matter was being dealt with in a totally unsatisfactory way and better arrangements for OCL must be made. President Jayewardene said that he was sure a solution could be found.

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In a final brief exchange the Prime Minister mentioned Cable and Wireless' interest in management of Sri Lanka's telecommunications and President Jayewardene referred to Air Lanka's objections to being compelled to use Gatwick. It was agreed that the issues would be pursued with the High Commissioner.

I am copying this letter to Richard Mottram (Ministry of Defence), John Mogg (Department of Trade and Industry) and to Richard Hatfield (Cabinet Office).

(C D Powell)

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Foreign and Commonwealth Office

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