

OFFICIAL USE ONLY
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Page 2 of
Encl. No. _____
Disp. No. 543
From COLOMBO

following day which was supposed to clarify Erhard's allusions. He stated that "it was not Professor Erhard's intention in any way to suggest that there was any lack of stability in the Government of Ceylon." According to this correction, what Dr. Erhard had intended to state was that Ceylon had a great economic potential and that in order to utilize it, "the political position had to be consolidated." This clarification by the German Minister may have been due to the fact that reportedly he was called in by the Prime Minister, who declared that this Erhard statement had endangered Ceylon-German relations. The German Minister replied that he had always understood that the Prime Minister believed in the "middle way" in politics, that Erhard's statement had taken that into account, and that nothing unduly critical of Ceylon's political situation was intended. The Prime Minister is alleged to have been satisfied with this explanation.

The newspapers editorialized about the Erhard visit. The strongly anti-Government Observer declared that during his visit to Ceylon Dr. Erhard had "observed keenly and has spoken clearly about the Ceylonese scene." The editorial stated that it was in complete agreement with Dr. Erhard's basic thesis that this country had basic economic resources which should be developed, and that it needed outside capital to do so. "But as long as the Government is unable to restore a semblance of political stability all the guarantees in the world will not attract even the most adventurous investor to this country." The Times editorial was considerably milder, pointing out that if the Government chose to industrialize by depending only on its own resources, then "the process would entail rigorous regimentation and the sacrifice of even the present standard of living." The recommendation made by this editorial was that Ceylon would be better advised to get foreign assistance, both private and governmental. However, this Government cannot make up its mind about which policy to follow, the editorial concluded.

Dr. Erhard's statement has been the subject of considerable private comment, both Ceylonese and foreign. The Minister of Commerce is reported to have been very critical, a reaction presumably shared by other Ministers. The Permanent Secretary of the Ministry of External Affairs is quoted as personally agreeing fully with Dr. Erhard as are several high-ranking military officers.

Within the western diplomatic community, it appears that there is unanimous agreement that a frank statement of this nature was overdue, and that Dr. Erhard, because of his personal prestige and the absence of substantial German interests in Ceylon, was admirably suited to make it. However it is felt that references, such as the one to Ceylon as "the most restless of all countries . . . in Asia" was not fully defensible, would cause undue Ceylonese irritation and probably detracted from the desired effect.

COMMENT: Even though he spent two days resting in Kandy, the German Economics Minister had economic discussions with most of the prominent Government officials, and in his news conference, he spoke in a rather blunt and effective manner about possible German-Ceylon private investment. This latter blunt approach, it is understood, is advocated by the German Minister of Ceylon, who nevertheless expressed himself privately as fearful of Ceylon Government reaction

OFFICIAL USE ONLY

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(Classification)

Page 3 of
Encl. No. 23
Desp. No. COLOMBO
From

after the statement was made, and of the opinion that Dr. Arhard had gone a bit far.

Richard Smith
Richard Barr Smith
Charge d'Affaires ad interim

Enclosure
3 clippings from Daily News, 11/5/58

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