

Confidential Filing

UK/Malaysia Relations.

MALAYSIA

Internal Situation.

Visits of PM of Malaysia.

Part 1: Aug 1979

[In attached folder: Briefing for Prime Minister's meeting with Dr Mahathir]

Part 2: Aug 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
5.8.85							
8.8.85							
30.8.85							
24.9.85							
13.11.85							
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15.7.87							
22.7.87							
24.7.87							
PART ENDS							

PREM 19/2313

PART 2 ends:-

CDP TO FCO 24.7.V7

PART 3 begins:-

FCO TO MEA 24.V.V7

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(86) 27 th Meeting minutes, item 2	10/07/1986
CC(86) 25 th Meeting minutes, item 2	25/06/1986

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed J. Gray

Date 26/5/2016

PREM Records Team

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File

8/4

SUBJECT CC MASTER

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 July 1987

VISIT OF THE PRIME MINISTER OF MALAYSIA

I should record that the Prime Minister called on Dr. Mahathir and Mrs. Mahathir at the Hyde Park Hotel this evening to say farewell at the end of their visit to the United Kingdom. The conversation was rather general but very amiable. The Prime Minister said that Dr. Mahathir's visit had been enormously successful. She had heard nothing but admiring comments from those who had met him and attended his conference speeches. She very much hoped that he had found the programme to his liking and had enjoyed the visit. Dr. Mahathir, never the most forthcoming of men, said that he had.

At the end of the call, the Prime Minister and Dr. Mahathir appeared in front of the press and television and the Prime Minister said a few words for the benefit of Malaysian TV.

(C. D. POWELL)

Robert Culshaw, Esq., M.V.O.,
Foreign and Commonwealth Office.

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A handwritten signature in the bottom right corner of the page.



Foreign and Commonwealth Office

London SW1A 2AH

24 July 1987

Dear Charles

Prime Minister's Farewell Courtesy Call on
Dr Mahathir: 24 July at 1800

I understand that the Prime Minister has agreed to pay a brief farewell courtesy call on Dr Mahathir at the Hyde Park Hotel at 1800 tonight.

We have alerted the Malaysians and Government Hospitality to the call. GHF will make arrangements for the Prime Minister to be received at the main entrance of the hotel and conducted to Dr Mahathir's suite. Mr Spreckley, our High Commissioner in Kuala Lumpur, will attend the call.

/ I enclose some points on which the Prime Minister might concentrate during the call.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

**PRIME MINISTER'S CALL ON DR MAHATHIR, 24 JULY AT 1800****Drugs**

- Geoffrey Howe told you that we would like to contribute £50,000 to UNFDAC (United Nations Fund for Drug Abuse Control) Programme in Malaysia. If you would prefer money to be provided more directly to Malaysian anti-drug programme, happy to consider this. Look forward to receiving your advice.
- You expressed interest in UK legislation on confiscation of drug traffickers' assets. This is being sent to your High Commission here and also, through our High Commission in Kuala Lumpur, to your office.
- Hope we shall be able to make progress on reciprocal arrangements on confiscation of traffickers' assets.

Trade and Investment

- Hope your visits to nucleus hospital, PA Technology, Cambridge Instruments, BAe and your other contacts with businessmen provided you with fresh ideas for future collaboration. Understand investment seminar went well. Your impressions?

Investment Promotion and Protection Agreement (if raised by Dr Mahathir)

- We would like to ratify. Welcome your offer on national treatment. But expectations affecting banking and insurance may be difficult and require further consultation with business and industry. We will reply as soon as possible through our High Commission.

PRIME MINISTER

DR. MAHATHIR'S RECEPTION

Dr. Mahathir's reception is from 6.30 - 8.00 pm at the Hyde Park Hotel. This of course clashes with your own reception, which is at exactly the same time.

The options are:

- not to go to his reception. He was not given any reason to expect that you would;

- to leave your own reception for twenty/thirty minutes and dash to his; ✓

- to find another opportunity tomorrow or Friday to call on him at his Hotel.

Could you please tick your preference.

CDD

mt

Charles Powell

22 July 1987



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EJP
23/7.

NOTE FOR THE RECORD OF THE DEFENCE SECRETARY'S MEETING WITH
THE PRIME MINISTER OF MALAYSIA, 21ST JULY 1987

Summary

1. In a short but friendly meeting Dr Mahathir spoke first about the Communist insurgency problem, which he described as on the way to being solved. Some Defence Sales prospects were identified, although funds were tight.

Detail

2. Mr Younger called on Dr Mahathir in his hotel for 25 minutes. A number of Malaysian officials, and HM High Commissioner in Kuala Lumpur, were present.

3. After an exchange of courtesies, Mr Younger said that he had much enjoyed his visit to Malaysia in March. He had been given generous hospitality. Dr Mahathir said that co-operation between the Malaysian and UK Ministries of Defence was very good. Each country continued to offer the other training facilities: the British had people at the Jungle Warfare School, and Malaysia had officers at Staff College in the UK. Mr Younger said how grateful we were for these arrangements. The Jungle Warfare School offered unique training.

4. Dr Mahathir said that Malaysia was working to eliminate communist insurgents on the Thai border. It was not an easy problem: why should such individuals be treated more generously than those who have served their country well? The number of those in custody had been drastically reduced, from 600 to 30, as a result of Dr Mahathir's policy of only detaining those who posed a danger to the country. Public opinion would not agree to the individuals being given land and the means of sustaining themselves in Malaysia. Thai readiness to accept them made the problem easier. A thousand insurgents had surrendered out of an estimated 2,000, and had co-operated in the removal of booby-traps. Thanks to Thai co-operation the problem should be brought to an end. Mr Younger commented that there must be risks to the Thais in their policy. Dr Mahathir said that the Thais believed an amnesty was the only way out. Mr Younger said that the picture described was an encouraging one.



5. Mr Younger said that we were happy to co-operate in any way we could with the Malaysian MOD. We were getting ahead with planning for the 1988 FPDA exercises RN aircraft would participate; indeed we hoped to include some RAF aircraft though this was not yet firm.

6. Dr Mahathir said that the evaluation of the Wasp was continuing. The Navy had trained the aircrew but had no aircraft for them to fly. Money was the trouble. Malaysia had planned almost to double the size of its armed forces but the recession had forced it to cut back on its plans. It was considering the re-equipment of the air force but this was very expensive. He wondered whether SAMs might be more cost-effective than fighter aircraft, which lacked range and endurance. Malaysia needed to evaluate SAMs. The British Rapier was one possibility.

Mr Younger said that BAe were in touch with the Malaysians about Rapier. If there was any further information the Malaysians required, we would be happy to provide it. HM Ambassador pointed out that Dr Mahathir was visiting BAe later in the week.

Dr Mahathir said that he understood the British manufactured a hand-held missile as well. Mr Younger described Blowpipe, which was not expensive. Dr Mahathir said that spending had to be watched very closely; the Wasp evaluation, now in its final stages, was a case in point. Although the economy was improving Government revenue had not yet grown much, and there was a major unemployment problem: there were 30,000 unemployed graduates, a potentially explosive problem politically. In this connection offset was of much interest and a scheme was under consideration between BAe and AIRODS for the establishment of a Malaysian aircraft industry. Dr Mahathir said that AIRODS was doing well, largely because of co-operation with Lockheeds. Perhaps some business would be forthcoming from the UK as well.

7. He went on to refer to the "huge" Naval base in Malaysia, only 10% of whose capacity was used. Malaysia was thinking of servicing other Navies' ships there, including the USN. There had been some question of its use for Iranian ships but Dr Mahathir had thought this was politically too dangerous to undertake. There had been some interest by a British company. Mr Younger said that we had just contractorised the RN dockyards and were sanguine about the results. He imagined that Malaysian naval expansion was still some way in the future? Dr Mahathir said it was. An offshore patrol boat had been built in Korea but there had been a problem over the installation of equipment.

8. Dr Mahathir said that he had had good talks with Mrs Thatcher the day before. They had discussed the Gulf, among other subjects. The Chinese had been supplying Iran with arms. The Iranians were better trained than formerly, and very determined.



9. Mr Younger said that HMG was very pleased to welcome Dr Mahathir here. He hoped that the respective staffs could keep in close touch and that relations in the defence field would remain close. Dr Mahathir agreed. Training together was very important, not least because of the personal contacts that were built up.

J.F.K.

Ministry of Defence

22 July 1987

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 HM High Commissioner, Kuala Lumpur

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cc PC

SUBJECT cc MASTOK

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 July 1987

PRIME MINISTER'S MEETING WITH THE PRIME MINISTER OF
MALAYSIA

The Prime Minister formally welcomed the Malaysian Prime Minister on his visit to the United Kingdom today at a ceremony in the Foreign Office Courtyard. This was followed by a session of talks at which Dr. Mahathir was supported by Datin Paduka Rafidah Aziz (Minister of Trade and Industry), Dato' Abu Hassan Haji Omar (Minister of Foreign Affairs), Tan Sri Zainal Abidin Sulong (Secretary-General, Ministry of Foreign Affairs) and the Malaysian High Commissioner. The Secretary of State for Trade and Industry and the High Commissioner in Kuala Lumpur were also present.

Introduction

The Prime Minister welcomed Dr. Mahathir warmly and spoke of how much she enjoyed her own visit to Malaysia. She explained that the Foreign Secretary had to be in New York for the Security Council debate on the Iran/Iraq Resolution but would have an opportunity to meet Dr. Mahathir later in his programme. Dr. Mahathir thanked the Prime Minister for inviting him, congratulated her on her election victory and spoke warmly of the improvement which had taken place in bilateral relations between Britain and Malaysia since her visit.

International Matters

Dr. Mahathir raised the Iran/Iraq war. He thought that the Security Council Resolution at last offered a prospect of ending the war. He regarded Iran as the main culprit. Every solution which had been proposed hitherto had been rejected by Iran which put impossible conditions on ending the conflict. He regarded it as very significant that the United States and the Soviet Union had been able to agree on joint action. The Prime Minister shared this assessment. She doubted whether Iran would accept the ceasefire, in which case we were prepared to support an arms embargo. But there seemed at least some chance that Iran might go along tacitly with a cessation of attacks on shipping in the Gulf.

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The Prime Minister referred to Dr. Mahathir's forthcoming visit to Moscow and gave a brief assessment of developments in the Soviet Union, emphasising that, while Mr. Gorbachev was making a serious effort to carry through internal reform, there was no sign of any significant change in the Soviet Union's external policies. Dr. Mahathir agreed that there had not been much sign of change. But he thought that the Soviet Union would have to reduce its attempts to extend its influence overseas if it was to have the resources to carry through internal changes. He believed that Gorbachev's interest in an agreement to reduce nuclear weapons were related to his need to diminish the resources going to defence. If he was not allowed to succeed in this ambition, the world would have missed a chance. It was in our interests that he should succeed. The Prime Minister agreed and recalled that she had made clear, both during her visit to the Soviet Union and recently in the United States, her support for what Gorbachev was trying to achieve.

The Prime Minister said that there was no real evidence that the Soviet Union had faced up to the decisions necessary to extract itself from Afghanistan. Dr. Mahathir said that some face-saving device was needed. It would probably be necessary to accept the Soviet proposals for a settlement initially and then see what happened. The problem with Afghanistan was that, once outside pressure was removed, there was a natural tendency to return to in-fighting.

Dr. Mahathir said that there was some parallel between developments in the Soviet Union and what was happening in China. While Den Xiao Ping occasionally had to fall back in response to conservative pressure, he was probably still committed to reform. The Prime Minister said that she had been upset by the fall of Hu Yaobang. He had apparently tried to go too fast and failed to carry his colleagues with him.

The Prime Minister complimented Dr. Mahathir on his successful chairmanship of the United Nations Conference on Drugs in Vienna. Dr. Mahathir said that he thought the Conference had succeeded in encouraging greater international co-operation. Malaysia had been grateful for the United Kingdom's support. The drug problem in Malaysia was very serious with some 120,000 registered heroin addicts in a population of 15 million. Malaysia was sometimes accused of having unnecessarily harsh laws dealing with drugs, but there was a growing acceptance that such laws were necessary. The Prime Minister described the United Kingdom's legislation for confiscating the proceeds of drug traffickers and hoped that Britain and Malaysia could agree on reciprocal arrangements. Dr. Mahathir said that Malaysia was intending to introduce similar legislation, but their draft law had run into difficulties with the Malaysian Bar Council, which regarded it as too draconian. He would be interested to see a copy of our legislation.

The Prime Minister asked whether Dr. Mahathir would attend CHOGM in Vancouver. Dr. Mahathir said that he had not yet decided. The Prime Minister pressed him to do so. Apart from anything else, he would be able to make a unique contribution on the drugs problem.

Regional Issues

The Prime Minister remarked that the situation in Cambodia seemed to have changed little. Dr. Mahathir said that the ASEAN countries hoped that the new leadership in Hanoi might make some difference.

The Prime Minister commented favourably on progress in Indonesia. Dr. Mahathir agreed.

Dr. Mahathir said that Malaysia's main worry was the Philippines where there was a general breakdown in government and administration. A strong hand was needed. If Mrs. Aquino was too democratic she would fail. The communists were now infiltrating the towns and were receiving sophisticated equipment and training. The Philippine army was not a disciplined force.

The Prime Minister commented that the situation in South Korea had improved. Dr. Mahathir said that President Chun had been very wise to act now. It meant he was the only one to lose face rather than the nation as a whole. However, political developments did not seem to affect the South Korean economy which was forging ahead as powerfully as ever.

Bilateral Matters

In response to the Prime Minister's question, Dr. Mahathir said that the Malaysian economy had recovered although it was not out of the woods yet. The principal factor was the higher price being received for commodities. It was important to sustain the recovery.

Dr. Mahathir continued that he saw scope for improvement in Malaysia's trade with the United Kingdom. Trade was growing but ought to grow faster and action was needed to deal with inequities. Lord Young pointed out that our figures showed Malaysia in surplus on its visible trade with the United Kingdom. Dr. Mahathir said that Malaysian figures told a different story. This was partly because much of Malaysia's trade passed through Singapore.

Dr. Mahathir referred to plans to produce a Malaysian car for export. The present model would have to be up-graded to meet United Kingdom and United States standards. Malaysia was making the necessary investment and hoped that its cars would not encounter any barriers in the United Kingdom market. The Prime Minister asked whether Malaysia was also investigating other regional markets. Dr. Mahathir commented that other countries in the area were

trying to protect their own domestic production of cars, but the Malaysians hoped to sell to Japan and Taiwan.

The Prime Minister enquired about other areas of diversification. Dr. Mahathir said that Malaysia was now the world's third largest producer of integrated circuits. They were also trying to expand their textile production but their exports encountered problems with quotas.

The Prime Minister said that Lord Young would pursue a number of bilateral trade matters in greater detail with Dr. Mahathir and the Minister of Trade and Industry when he called on them subsequently.

International Economic Issues

The Prime Minister referred to the fight which she had put up in the European Community against an oils and fats tax. She had been grateful for the timely support of ASEAN. Dr. Mahathir expressed his gratitude. He went on to refer to difficulties for Malaysia caused by the differences between the import taxes on crude and refined palm oil. This made it impossible for Malaysia, which refined its palm oil to compete in foreign markets. Lord Young said that this needed to be looked at in the GATT.

The Prime Minister stressed the need to stand firm in the court case on the International Tin Agreement. Unless there was solidarity, we should all be in difficulty. Dr. Mahathir agreed with the Prime Minister's view. There was a huge overhang in the tin market which would take some two years to dispose of. There was little prospect of prices reaching reasonable levels in that time. Malaysia had suffered severely, with a number of mines being reduced from 1,000 to 70, with grave consequences for employment. He accepted that tin prices would never go back to the old levels. Malaysia was asking only for a fair price.

The atmosphere of the meeting was notably relaxed and friendly. Similar Dr. Mahathir's speech at dinner, apart from a sharp reference to South Africa, was much less aggressive and hostile than when the Prime Minister visited Kuala Lumpur two years ago. Indeed when the Prime Minister complimented him on it Dr. Mahathir commented with a grin: "much better than last time".

I am copying this letter to Tim Walker (Department of Trade and Industry).

CHARLES POWELL

Robert Culshaw, Esq., M.V.O.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

15 July 1987

Dear Charles,

Visit of Malaysian Prime Minister, Dato' Seri
Dr Mahathir Bin Mohamad, 20-26 July 1987

I enclose a brief for Dr Mahathir's talks with the Prime Minister at 1600 on Monday 20 July, together with a list of the Malaysians attending the meeting, biographical notes, a fact sheet on Malaysia and a copy of Dr Mahathir's programme in the UK.

Dr Mahathir's visit is at the Prime Minister's invitation. He will be accompanied by 4 Cabinet Ministers, one Deputy Minister, senior officials and a 25-strong delegation from the Malaysian private sector. The Prime Minister's involvement in the programme is limited to the first day of the visit when she has agreed to attend the Guard of Honour ceremony in the FCO courtyard immediately preceding her talks with Dr Mahathir and will host a dinner for him that evening. The remainder of Dr Mahathir's programme includes talks with the Foreign Secretary, calls by other Cabinet Ministers, attendance at a Garden Party at Buckingham Palace when he will take tea with Her Majesty The Queen and a commercial programme including visits to British Aerospace, a 'nucleus hospital' project, and two other companies. A further focus of his visit will be a one-day seminar devoted to promoting inward investment into Malaysia, which Dr Mahathir will both attend and address.

Following the visit to the UK, Dr Mahathir will pay official visits to Hungary and the Soviet Union. He is planning to return to Britain after the Soviet visit to stay privately with friends.

Discussion Topics

At an hour, the time set aside for talks is reasonably long and offers an opportunity to cover a wide range of topics. Any not covered can be taken up by the Foreign Secretary at his later talks with Dr Mahathir. The indications are that Dr Mahathir wishes to mend fences during his visit and he may therefore seek to avoid contentious issues. We expect however that he will raise

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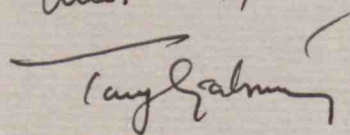


air services and South Africa. He may also raise the 1981 UK/Malaysia Investment Protection Agreement which Malaysia seems keen to ratify. The Prime Minister may wish to indicate to Dr Mahathir our plans for continued financial assistance for Malaysian students coming to the UK and our readiness to contribute to Malaysian efforts to eradicate drug abuse. These are both areas to which the Malaysians attach particular importance. The Malaysians have indicated informally that among the international issues Dr Mahathir will wish to raise are Cambodia, Afghanistan, the Iran/Iraq war, East/West relations, South-South issues and Antarctica (though not the Falklands) Dr Mahathir will be particularly interested to have the Prime Minister's assessment of East/West relations in preparation for his own visit to the Soviet Union.

On Hong Kong BN(O) passports (item in the brief on bilateral issues) it may be necessary to send across supplementary briefing to reflect developments between now and Dr Mahathir's arrival.

The Prime Minister will wish to be aware that the Secretary of State, at his talks with Dr Mahathir on 21 July, will sign a protocol to amend the 1973 Double Taxation Agreement between the UK and Malaysia.

The Foreign Secretary has not yet seen these briefs. I will put them to him overnight.

Yours ever,


(A C Galsworthy)
Private Secretary

C D Powell Esq
10 Downing Street

has seen
OPD

MEETING WITH THE MALAYSIAN PRIME MINISTER

Dr Mahathir is on an official visit to Britain next week, as your guest, in return for your own visit two years ago. You are greeting him at an arrival ceremony in the FCO courtyard on Monday afternoon, after which there will be talks. You are giving a dinner in his honour that evening. A speech for your approval is in your folder.

The briefs for the meeting are rather long and unnecessarily technical. You will be supported at the meeting by the Foreign Secretary and the Trade and Industry Secretary, both of whom also have separate meetings with Dr Mahathir in the course of his visit. I recommend that you delegate the more detailed issues to them and concentrate, at your meeting, on some of the broader subjects.

As you know, Dr Mahathir is an unpredictable chap. But the signs are that he is coming here in a reasonably agreeable frame of mind, indeed rather pleased with himself. He has beaten off a serious challenge from within his own party to his leadership. The Malaysian economy is pulling out of recession with prospects of growth around two per cent. He has just cut rather a figure on the world stage by successfully chairing an international drugs conference in Vienna.

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S. Gray
26/5/2016

There are still some familiar problems around: for instance he now wants a sixth weekly service for Malaysian Airways. But overall, the era of "buy British last" seems to be over and there are no major bilateral problems in our relations.

There are no really pressing issues to discuss. The aim is general goodwill and the further induction of Mahathir into a reasonably civilised and cooperative relationship with the

United Kingdom. You might begin by welcoming him on his visit and recalling your own very interesting time in Malaysia two years ago. You might complement him on his role at the Vienna Drugs Conference. You might say that you understand that he intends to use his visit in part to tell people in Britain more about Malaysia. You wish him every success in that, because he has a good story to tell.

You might go on to a number of broad international issues. On leaving London, Dr Mahathir is going to the Soviet Union. It will be useful to give him your impressions of Mr Gorbachev and of what he is trying to achieve as well as a candid assessment of the continuing Soviet threat, reminding Mahathir of Soviet support for the Vietnamese invasion of Cambodia and their continuing occupation of Afghanistan. He would be well advised to press the Russians very hard on these two latter issues. You might also give him an account of your visit to Washington so that he is up to date on arms control, the Gulf and the Middle East. You might try to establish whether he intends to be present at CHOGM in Vancouver and, if so, encourage him to favour a broader agenda than just South Africa. There are a number of practical issues such as drugs which could usefully be dealt with, as well as regional problems like Sri Lanka and Fiji. He may well raise South Africa. You will want to emphasise what we are doing for Mozambique and the SADCC states. If he tries to raise Antarctica, I suggest that you encourage him to pursue it with the Foreign Secretary. Mahathir's activities on this at the UN are wholly unhelpful.

He will probably want some discussion of international economic issues. You will want to mention the Uruguay round and the particular need to reduce agricultural subsidies. You will want to make a particular point of our determined opposition to an oils and fats tax. He might mention the International Tin Agreement where we are co-defendants and want to encourage Malaysia to stay firmly alongside us and other ITC members in co-ordinating our defence in the current litigation. He may also encourage the UK to join the

International Rubber Agreement. This is still being considered within the EEC: we are not enthusiastic, but since our conditions have been met, may have to go along.

You will want to invite him to talk on regional issues in South-East Asia. Particular subjects are ASEAN's progress and the situation in Cambodia. There is nothing very much to be said on our side. Since the Foreign Secretary chaired the EC/ASEAN meeting he might be invited to speak on this. ASEAN's main concern with the EEC has been the oils and fats tax so we should be their blue eyed boys.

On bilateral matters there are quite a wide range of fairly minor issues. We want to encourage the Malaysians to buy the BAe advanced turbo prop aircraft. Dr Mahathir will be visiting BAe during his visit. We have been awarded a major share in the North/South Highway contract which is good news. The Biwater Rural Water Project which you secured during your visit face some problems but these should be manageable and will be discussed by Lord Young with his opposite number. We hope to make some defence sales, in particular Rapier.

We continue to provide help to Malaysian students and have extended the 1983 Pym package, making available £1.5 million this year. While welcoming Malaysia's active role in combating drugs, you might encourage him to introduce confiscation of the assets of those who traffic in drugs. The Malaysians are considering legislation similar to ours. We hope that the Malaysians will soon ratify the Investment Promotion and Protection Agreement. He may raise the question of air services asking for a sixth weekly service. This is for British Airways and MAS to discuss in the first place and make recommendations to both Governments. If he raises the question of bilateral trade you can point out that Malaysian exports to the UK are up 90 per cent over the last five years while our exports to Malaysia have increased only 8 per cent over the same period.

C. D. P.

CHARLES POWELL

15 July 1987

PRIME MINISTER'S
PERSONAL MESSAGE



SERIAL No. T.139^B/87

10 DOWNING STREET

LONDON SW1A 2AA

FILE cc OPS
MASTER.

THE PRIME MINISTER

13 July 1987

Dear Prime Minister,

I was glad to receive Encik Abdul Ghafar bin Baba's message about the proposal for an oils and fats tax shortly before the European Council meeting on 29/30 June.

As you will know, we were able to secure the blocking of the proposal at Brussels. The strong concern expressed by your country and others meant that participants were well aware of the serious consequences the tax would have on ASEAN and other trading partners.

I am confident that the proposal has been effectively defeated, though you will also be aware that the Commission intend to consult the Community's main trading partners about it. I have no doubt that ASEAN opposition will remain firm. You may rest assured that mine will.

We are all very much looking forward to your visit.

Yours sincerely
Margaret Thatcher

His Excellency Dato' Seri Dr Mahathir bin Mohamed

file



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 July 1987

Dear Robert,

VISIT OF THE MALAYSIAN PRIME MINISTER

BF ||

Thank you for your letter of 10 July enclosing a draft speech for the Prime Minister's use at her dinner with Dr. Mahathir. I have produced an alternative version which you will find enclosed. I should be grateful for any comments and amendments by 12 midday on 15 July.

BF ||

Could I also please have briefs for the visit by the same time, so that the Prime Minister can see them on the aircraft on her way back from Jamaica (this will be the only opportunity).

Yours sincerely
C. D. Powell

(C. D. POWELL)

Robert Culshaw, Esq., M.V.O.,
Foreign and Commonwealth Office.



CCPC

Foreign and Commonwealth Office

London SW1A 2AH

10 July 1987

Dear Charles

/ The enclosed note from the Malaysian High Commission was sent to us just before the European Council at the end of last month. It contains a message to the Prime Minister by the then acting Malaysian Prime Minister asking her to help forestall adoption of the proposed oils and fats tax at the European Council.

/ Our success in effectively defeating the proposal has been welcomed by the Malaysians, who, with other ASEAN countries, mounted a major lobbying exercise against it. Their High Commissioner has already expressed his Government's gratitude for the UK's role in blocking the tax. This is something we shall be able to capitalise on during Dr Mahathir's visit from 20-26 July. It would help to set the scene if the Prime Minister were to send a brief reply. I enclose a draft. This is addressed to Dr Mahathir himself, since the Malaysian letter was only sent by Mr Ghafar in his Prime Minister's absence.

Yours ever

(R N Culshaw)
Private Secretary

C Powell Esq
10 Downing Street

DSR 11 (Revised Sept 85)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1 +

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PRIME MINISTER
DEPARTMENT:

TEL. NO:

Reference
JD2AAS

Your Reference

BUILDING:

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TO:

Copies to:

Dr Mahathir Bin Mohamed
Prime Minister of Malaysia

SUBJECT:

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..... In Confidence

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Enclosures flag(s)

Boy

We are all very much looking forward to your visit.

Ch.



CT 18/87

The High Commission of Malaysia presents its compliments to the Foreign and Commonwealth Office and has the honour to inform the latter that the Honourable Encik Ghafar Baba, the Acting Prime Minister of Malaysia, is writing to the Rt. Honourable Mrs. Margaret Thatcher, Prime Minister of the United Kingdom, to request her assistance and good office to forestall the adoption of the proposed EEC levy on oils and fats should this matter be brought up for consideration at the European Community Summit beginning 29th June, 1987.

The High Commission of Malaysia would appreciate it if the Foreign and Commonwealth Office would kindly convey the text of the letter to the Rt. Hon. Mrs. Margaret Thatcher, Prime Minister of the United Kingdom.

The text of the letter is as appended below:

"Your Excellency,

I have the honour to refer to the proposed EEC levy on vegetable and marine oils and fats and would like to reiterate the serious and deep concern of Malaysia and other ASEAN countries over the highly controversial proposal and seek Your Excellency's understanding and kind assistance in forestalling the adoption of the proposed levy on vegetable oils and fats should this matter be brought up to the EEC Summit for consideration.

2. We are concerned that the proposed levy would seriously undermine ASEAN exports of palm, palm kernel and coconut oil to the EEC and other markets as well. As Your Excellency is aware, developing countries like the ASEAN

countries still remain considerably dependent on the exports of commodities, including vegetable oils, for foreign exchange earnings. The loss of an important market like the EEC for our palm, palm kernel and coconut oil would inevitably have a depressive effect on our economies and adversely affect the livelihood of hundreds of thousands of farmers. For Malaysia alone, the effects are indeed very serious as this proposed levy is being considered at a time when a primary commodities producing country like Malaysia is still struggling to get out of the throes of recession and low prices for its commodities. The palm oil sector, Malaysia's number two export earner, accounts for 20 percent of the value of Malaysia's total exports, the proposed levy if implemented, not only would seriously affect the livelihood of 200,000 families accounting for more than one million dependents who rely on this sector for a living but also would further depress the already depressed income of these families concerned.

3. The EEC is a traditional trading partner of ASEAN. ASEAN would wish that the bilateral trade between ASEAN and the EEC be sustained and further developed. However, the development of this two-way trade would be subject to serious constraints should the proposed levy be implemented. Coming on top of an already discriminatory import tariff on crude palm oil and coconut oil at 12 percent and 10 percent respectively, the proposed levy at 330 ECU/tonne (equivalent to about US Dlr 350 tonne) would constitute a serious and harmful impediment. It is also discriminatory among oils and fats as butter, lard and tallow are to be exempted. Deprived of such market opportunities for our vegetable oils exports, ASEAN's ability to import consumer and capital goods from the EEC could be curtailed.

4. The proposed levy violates the spirit of the GATT Ministerial declaration in Punta Del Este in September 1986 which called for greater liberalization of world trade through a "standstill" and "rollback" arrangement. Based on the realization that protectionism would only stifle global trade

and economic growth, I consider that to impose such a levy would be a highly retrogressive move.

5. May I conclude by appealing to Your Excellency once again to use your good office to help ensure that the proposed levy is not adopted.

Please accept, Excellency, the assurances of my highest consideration.

Signed
(Abdul Ghafar bin Baba)
Acting Prime Minister Malaysia"

The original letter will be sent accordingly.

The High Commission of Malaysia avails itself of this opportunity to renew to the Foreign and Commonwealth Office the assurances of its highest consideration.

LONDON
26 June, 1987



CCPC ✓



Foreign and Commonwealth Office

London SW1A 2AH

10 July 1987

COO 13/7.

Dear Charles

Visit by the Malaysian Prime Minister

As requested in your letter of 16 June I enclose a draft speech for the Prime Minister's use at her dinner for Dr Mahathir.

The barbs you requested are indicated by square brackets. However, they may not be needed, since the indications are that Dr Mahathir wishes to make a success of this visit and may, therefore, be reasonably temperate in his choice of language.

He will of course speak after the Prime Minister.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/No 10 Downing Street

decide which will prevail rests in our hands.

It is for this reason that we are vigorous and committed members of, respectively, the European Community and ASEAN. ^{Within} ~~Through~~ these organisations we ^{each} steadfastly oppose the actions of the Soviet Union in Afghanistan and of Vietnam in Cambodia.

We are also committed to ridding the world of the adversity of drug abuse. I should like to pay tribute, Prime Minister, to your own indefatigable role in this international effort, exemplified in your Presidency of the recent successful conference in Vienna.

We also reject protectionism and uphold the principles of free trade and investment. We oppose the introduction of restrictive taxes and levies. [We look to Malaysia to play its full part in ensuring that the free flow and growth of world trade is not interrupted. I am certain we shall not be disappointed.]

Prime Minister, I said our friendship was mature. What proves it, is the way our shared perceptions have had such practical consequences. In the last two years, trade between Britain and Malaysia has developed but there is much still to be done. British companies, such as Bewater and British Rail Engineering Limited, are even now engaged in fulfilling major contracts. I firmly believe that other British companies are well placed to provide the goods and services which Malaysia wants. Your exports to the UK have also grown in value - you now enjoy a surplus in terms of our visible trade - and the types of goods you are exporting to us are increasingly diverse. In 1986, 72% of your exports to us were from your manufacturing sector.

British investment in Malaysia has also grown. The seminar which you are to address, Prime Minister, on Wednesday should help to ensure that a balanced and healthy growth of investment continues. I am certain that British companies and institutions will wish to be involved in your future success provided of course the conditions

offered to them are attractive.

Malaysia and Britain have been linked by history. Yet all these things are aspects of a friendship which relies not on history but on a cool assessment of modern realities.

Prime Minister, realism is one hallmark of maturity in our friendship. Another is the increasing breadth and informality of our contacts at all levels. You and I share, I think, an understanding of what Governments can achieve and what should be left to others. Governments can establish a framework within which friendship can flourish. They can, for example, conclude agreements such as that on double taxation, a protocol on which will be signed tomorrow. It is for others - private individuals, companies, institutions - to make the most of the opportunities and thereby to bring our peoples together. We rely on them.

Malaysians and Britons have not been slow to take up this challenge.

First, as I have suggested, our businessmen and experts are fast developing a dialogue. The British Malaysia Society - whose dinner you will attend on Wednesday evening - has a regular programme of substantive meetings with its counterpart, the Malaysia British Society. The next of these meetings is to take place in September, at Leeds Castle in Kent. We wish its deliberations well. Members of the two Societies are able to meet much more frequently on an informal basis, to promote such ideas as the expansion of opportunities for young Malaysians to study in the United Kingdom.

In such ways are networks of personal relationships built up between dedicated men and women determined to share their knowledge and to use it to mutual benefit.

Second, our educational institutions - with aid from our governments - have worked to bring our young people together. Large numbers of gifted young Malaysians study in the United Kingdom each year, [some of them as a direct result of the Commonwealth link]. Exposed to

British values and methods, they will accept some and reject others. They will give their British fellow students a strong awareness of Malaysia and her outlook so that they, too, can ponder and reflect. It would be hard to overstate the significance for the future.

Third, our travel companies are ensuring that an increasing number of people each year are able to visit Malaysia. I know, Prime Minister, that developing your tourist industry is one of your priorities. I welcome this because it offers opportunities for British expertise; I understand you will be having a dinner with some of our major tour operators later this week. But I also welcome it because it helps more of our own people to see and understand Malaysia at first hand.

Prime Minister, the maturing of our relationship gives us new responsibilities. Our relationship has acquired ^{a genuine} ~~an~~ energy and a dynamism ~~of its own~~. Many people are now involved. However, our role as Governments is in no way diminished. Our task is now to guide, assist, and protect. It is my earnest hope that your visit here will enable us to look, together, at what some of the next steps should be. Inevitably, in our future ^{Partnership} ~~friendship~~, there will be ideas which fail. But there will be many many more which succeed. The important thing is to have ideas, and to believe that, as firm friends, we can talk about them together.

TOAST:

malaysia - Relations. Pt 2.



ANDY

Noted
July 16

Dinner for the PM of Malaysia
Monday, 20 July

The timing of the dinner is 1945 for
20.15 plus Mr. Thatcher

The dress will be black tie or national
dress.

Sue

26 June 1987



file

*VCL417PV
cc PC*

ORIGINAL FILED ON:

MOROCCO Relations, NOV 79

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 June 1987

VISITS BY THE KING OF MOROCCO AND
THE PRIME MINISTER OF MALAYSIA

The Prime Minister will be giving a lunch in honour of the King of Morocco during his State Visit. We should work on the assumption that there will be speeches. I should be grateful if the department would prepare a draft. This should include some historical allusions, appropriate quotations and local colour. It would be helpful to have the draft ten days before the lunch.

The same applies to the dinner in honour of Mahathir. When the Prime Minister visited Malaysia, Mahathir used the dinner in her honour to deliver a stinging attack on the Commonwealth. We shall presumably receive little advance warning of what he will say this time. But I think the draft for the Prime Minister's speech might include some courteously phrased home truths, pointing out for instance how outdated an approach to our relations based on accusations about colonial behaviour is: also perhaps the need for NICs such as Malaysia to take a greater share of obligations in international trade and economic relations, and not just parrot demands for a New International Economic Order. In short, the Prime Minister will want a few barbs for use if necessary.

C.D. POWELL

R.N. Culshaw, Esq., MVO,
Foreign and Commonwealth Office.

CONFIDENTIAL



10 DOWNING STREET
LONDON SW1A 2AA

JCA 8w4
bc Sue G.
Tessa
Gaisman
PC

From the Private Secretary

28 April 1987

Dear Lyn,

VISIT OF THE MALAYSIAN PRIME MINISTER TO LONDON

Thank you for your letter of 25 April about the arrangements for Dr. Mahathir's visit to the United Kingdom from 20-25 July. I agree that we should extend Dr. Mahathir the courtesy of a guard of honour in the FCO quadrangle. It would be helpful if this could be arranged immediately before his call on the Prime Minister.

I also agree that the dinner in Dr. Mahathir's honour should be a formal occasion for 65 guests. I would prefer to postpone a decision on whether the Prime Minister would be able to attend his return reception on 23 July until rather nearer the time. No commitment should be given to the Malaysians.

Yours sincerely,
C.D. Powell

(C.D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

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EM

CCPC

610



Foreign and Commonwealth Office

London SW1A 2AH

25 April 1987

Prime Minister
 Agree to give
 Dr. Mahathir a
 guard of honour, exceptionally?
 Dear Charles,
 Yes - and dinner of 65 guests to not

VISIT OF THE MALAYSIAN PRIME MINISTER TO LONDON

As you know, we were particularly grateful that the Prime Minister was able to set aside some time to see Dr Mahathir, and to give him dinner, on the first day of his official visit to Britain from 20-25 July. We are now in the process of drawing up the detailed programme. You may like to know the Germans have had to cancel the planned German leg of Dr Mahathir's tour, as they now find that Chancellor Kohl departs for Moscow the day Dr Mahathir leaves the Soviet Union. The Malaysians are presently looking at "other options" for a West European stop between Moscow and London.

We are well aware of the difficulties these dates cause the Prime Minister. At the same time, we are most anxious that this visit should have her personal stamp upon it, given her very personal involvement in bringing about the present improvement in our standing, and thus our commercial prospects, in Malaysia. We have therefore been considering ways in which her involvement might be highlighted, without additional calls upon her time.

One possible way to do this, would be to afford Dr Mahathir the privilege of a Guard of Honour in the FCO quadrangle. When the Prime Minister visited Malaysia, her first engagement was to inspect a full Malaysian Guard of Honour outside the Malaysian Parliament. To reciprocate in kind, would be a gesture the Malaysians could not fail to note and appreciate. It might also incidentally underline the value of the Commonwealth connection to a sceptical Dr Mahathir since the Guard is a courtesy extended only exceptionally to Heads of Government.

We should be most grateful, therefore, if Mrs Thatcher would agree to a Guard of Honour being provided for Dr Mahathir's inspection at 4.00 pm on Monday 20 July, immediately preceding his talks at No 10.



We would also welcome early guidance on the dinner which the Prime Minister will give for Dr Mahathir on 20 July so that we can begin to draw up a guest list. We suggest that a larger, more formal occasion (allowing for up to 65 guests), might strike the right note in the light of the Prime Minister's necessarily limited involvement in the visit. We assume, for example, that she will not be able to accept the invitation to a reception which, we understand, Dr Mahathir may give at the Malaysian High Commission on Thursday 23 July.

Yours ever,
L Parker

(L Parker)
Private Secretary

PS/No 10



SW

~~CCBG~~

Cable and Wireless
Public Limited Company

Mercury House Theobalds Road London WC1X 8RX
Telephone: International + 441-242 4433 Switchboard 01-242 4433
Telegrams: Cablewire London WC1X 8RX London Telex: 23181 CANDW G

1. ~~CAP~~ to see

2. NBPN,

with compliments
Sir Eric Sharp C.B.E.
Chairman & Chief Executive



CABLE AND WIRELESS PUBLIC LIMITED COMPANY

MERCURY HOUSE · THEOBALDS ROAD · LONDON WC1X 8RX · TELEPHONE 01- 242 4433 · LONDON TELEX 23181 CANDW G

Sir Eric Sharp C.B.E.
Chairman & Chief Executive

COMMERCIAL IN CONFIDENCE

1st April 1987

The Rt. Hon. Paul Channon, MP.,
Secretary of State for Trade and Industry,
Department of Trade and Industry,
1-19 Victoria Street,
LONDON. SW1H 0ET

Dear Paul

I am most pleased to inform you that tomorrow I shall be signing in Kuala Lumpur an agreement to establish a joint company between Cable and Wireless and Syarikat Telekom Malaysia Berhad. STM is 100 per cent owned by the Malaysian Government and is the monopoly organisation responsible for national and international telecommunications.

You will see from the draft press release attached that the new company will be 51 per cent owned by STM and 49 per cent by Cable and Wireless (Malaysia). It will initially be responsible for the construction, maintenance and operation of a new optical fibre cable of over 1500 Km connecting East and West Malaysia. This cable will be of considerable political significance in Malaysia, connecting the peninsula with the oil and timber rich states of Sabah and Sarawak in Borneo.

The new company will also be responsible for other new cable projects planned for interconnection with neighbouring ASEAN countries.

You will appreciate that this breakthrough in Malaysia could not have been better timed in respect of the current controversy over Japan's Ministry of Posts and Telecommunications' chauvinist attitude towards Cable and Wireless. It will have considerable implications for the development of business opportunities for British industry in Malaysia and I know that Dr. Mahathir, the Prime Minister of Malaysia, has personally approved Cable and Wireless' participation in this joint venture and I will be seeing him later this week. I understand that he is planning a visit to London in July and would wish to feature the joint venture between STM and Cable and Wireless in his official speeches, highlighting the benefits of Malaysia/U.K. co-operation.

The Rt. Hon. Paul Channon, MP.,

1st April 1987

Reverting to the contrast with Japan, you will appreciate the significance of the sixth paragraph of the attached Press Release.

I am copying this to the Prime Minister and to Sir Geoffrey Howe.

With all good wishes
Yours ever
him

Enc.

'87.04.01

11:25

TELECOMS HQ K.LUMPUR

60 3 2321100

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SYARIKAT TELEKOM MALAYSIA BERHAD AND CABLE AND WIRELESS PLC

PRESS RELEASE

KUALA LUMPUR

2 APRIL 1987

Syarikat Telekom Malaysia Berhad (STM) and Cable and Wireless signed a Memorandum of Understanding in Kuala Lumpur today (April 2) to establish a joint venture company to install, maintain and operate a state-of-the-art high-capacity fibre optic cable linking Peninsular Malaysia and the Eastern Malaysian states of Sabah and Sarawak. Tan Sri Dato Dr Mohd Rashdan Haji Baba, Chairman of STM signed for the Malaysian Telecom company whilst Sir Eric Sharp, Chairman and Chief Executive of Cable & Wireless PLC signed for the British company.

After the signing ceremony Tan Sri Rashdan said "With the signing of the Memorandum of Understanding STM has taken a bold step forward to associate itself with a well-known international telecommunication service provider. Work is already in hand on a joint feasibility study which will lead to the establishment of the joint venture company to implement the first high capacity optical fibre submarine cable system in Southeast Asia region. This cable links Peninsular Malaysia with the eastern Malaysian states of Sabah and Sarawak terminating at Cerating some 40 km north of Kuantan and at Tanjung Aru just outside of Kota Kinabalu. It is an approved project under the Fifth Malaysia Plan and though originally planned as a domestic link STM decided to internationalise the use of the system after recognising the advantages and benefits of optical fibre technology. It is scheduled to be ready for service in 1989".

'87.04.01

11:26

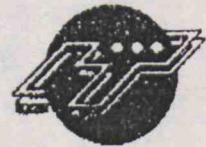
TELECOMS HQ K.LUMPUR

60 3 2321100

02



- 2 -



The new company will be 51 per cent owned by STM and 49 per cent owned by Cable and Wireless. It is intended that the new company will also be the vehicle for other cable projects originating and terminating in Malaysia.

The new fibre optic system will provide a 1500 km-long link between Kuantan and Kota Kinabalu at an initial cost in the order of US\$100m.

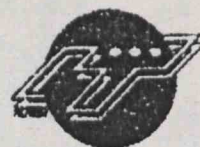
Talking to the Press after the ceremony Sir Eric Sharp said, "STM and Cable and Wireless already enjoy very good operational relations and these ties have been strengthened by the signing of this historic agreement."

"This is the first time that STM has entered a joint venture and it is a tribute to the enlightened views of the Malaysian Government that STM is able to use its new status to reach an innovative accord which will work commercially to the benefit of the people of Malaysia".

"Both STM and Cable and Wireless operate as private sector companies which have the vigour and vision to appreciate that the changing environment of world telecommunications, coupled with the revolutionary impact of digital and fibre optic technologies, presents exciting opportunities for the communities and carriers of the region.



- 3 -



"The cable could make Malaysia a major telecommunications centre in the region. STM is examining the possibilities of cooperation with their ASEAN neighbours and the new company will welcome early discussions with other telecommunications administrations in the area as to how best to maximise the potential benefits of the new system."

During the ceremony, the Malaysian Minister of Energy, Telecommunications and Post, Datuk Leo Moggie conveyed his personal congratulations and best wishes to STM and CW on this important development in Malaysian telecommunications.

ENDS

STM CHAIRMAN'S SPEECH IN CONJUNCTION WITH
MOU SIGNING CEREMONY BETWEEN STMB & C&W PLC
ON 2.4.87 AT SHANGRI-LA HOTEL, K. LUMPUR

I am particularly pleased that Syarikat Telekom Malaysia today has signed a Memorandum of Understanding with Cable & Wireless (C&W) PLC. It is noteworthy that STM's first joint venture partner in its network expansion programme is Cable & Wireless PLC which is the acknowledged leader in managing and operating communication facilities round the world.

STM is grateful to the Malaysian Government for its consent in this collaborative programme. Besides its commercial viability, we view this optic fibre submarine cable system linking Peninsular Malaysia and the States of Sabah and Sarawak as an important support facility in the Government effort towards national integration and economic growth. It is hoped that the project can be implemented as soon as possible.

STM remains committed to employing leading edge technology in all its new ventures and because of this the capital investment envisaged as well as the technical expertise required for this project will be of a high order. To ensure the project viability it has therefore been decided that the

cable system which will link the two territories of Malaysia will carry both domestic as well as international telecommunication traffic.

As it is our objective to commission the cable system into service by 1989, I trust the feasibility study will be carried out speedily and the joint venture company established within the time frame required to achieve the objective. I am confident that the will to make this joint venture a success exists in both Syarikat Telekom Malaysia and Cable & Wireless.

In conclusion, may I express my grateful thanks to Sir Eric, for your efforts in bringing about the signing of the Memorandum Of Understanding today. It is clear to us that your presence here today is a manifestation of Cable & Wireless commitment to the success of our joint venture. On behalf of Syarikat Telekom Malaysia, I would like to assure you that we are are no less committed on the project. I look forward to a mutually-beneficial relationship between our two companies.

Thank you.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 January 1987

**VISIT OF THE MALAYSIAN PRIME MINISTER
TO BRITAIN**

Thank you for your letter of 26 January about the difficulties which have arisen over the dates for Dr. Mahathir's visit to Britain. As you say, 20-25 July are far from convenient for the Prime Minister, but there now appears no alternative but to accept them. The Prime Minister will therefore see Dr. Mahathir for talks on Monday 20 July from 1600-1700 and give a dinner in his honour the same evening. I fear that this will have to be the limit of her involvement in his visit.

(C. D. POWELL)

Robert Culshaw, Esq., M.V.O.,
Foreign and Commonwealth Office.

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JB

Prime Minister

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① C/PC



Foreign and Commonwealth Office

London SW1A 2AH

26 January 1987

A visit in the third week of July is far from ideal. But Mahathir is notoriously difficult, & it would be a pity if he did not come at all.

Yes ✓
If possible, we could fit your participation in the visit all into Monday 20 July: talks and dinner. Agree? CDP 26/1

Visit of the Malaysian Prime Minister to Britain

As you are aware, we face difficulties about dates for a visit by the Malaysian Prime Minister, Dr Mahathir, to Britain.

As agreed (your letter of 12 January), we proposed to the Malaysians that Dr Mahathir's visit should take place from 4-9 July, before his visit to Moscow and Bonn, instead of from 20-25 July, the dates which the Malaysians had proposed. Unfortunately the Malaysians have said that the earlier dates are not convenient because of Dr Mahathir's other commitments. Dr Mahathir has also said he wishes to conclude his European visit with a visit to Britain. The Malaysian Foreign Minister has therefore asked us to reconsider.

We realise that 20-25 July are most inconvenient for the Prime Minister. Nevertheless the Foreign Secretary hopes that she might reconsider, on the understanding that the Prime Minister's involvement in a visit at that time would be kept to the absolute minimum of one session of official talks and a dinner (or possibly a lunch).

We do not make this request lightly. You are well aware of the recent history of our relations with Malaysia and of Dr Mahathir's personal touchiness. It took the Prime Minister's personal intervention in March 1983 to persuade Dr Mahathir to rescind his "Buy British Last" policy and again in 1985 to break the deadlock over the air services issue. We are anxious to ensure that Dr Mahathir's visit does take place this year to consolidate the marked improvement in relations since then. The Prime Minister's personal involvement will again be crucial.

As indicated in my letter of 9 January, the improved climate in relations has resulted in substantial commercial contracts for British companies. We have recently heard that British companies have now won a share of a

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multi-billion dollar project for Malaysia's north/south highway. There are other possible contracts in the offing. We wish to ensure that this success is maintained.

Conversely there must be a risk that if we do not receive Dr Mahathir then he will regard it as a personal rebuff, as only he can, and refuse to come at all. If that happened, the effect on our commercial interests in Malaysia could be damaging.

The Foreign Secretary has asked me to emphasise how much he is aware of the burdens that this kind of relationship imposes upon the Prime Minister's diary - and indeed upon the Prime Minister herself. It is only after careful consideration that he has given his support to this difficult request.

Yours ever

A handwritten signature in blue ink, appearing to read 'R N Culshaw'.

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing Street

Malaysia: Relations pt 2.



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Foreign and Commonwealth Office

London SW1A 2AH

13 January 1987

Dear Charles

Prime Minister
CDP
13/1

The Prime Minister will wish to be aware that on Thursday 15 January the Malaysian Prime Minister, Dr Mahathir, will be observing Question Time in the House. He will be accompanied by his wife and Datuk Jamaluddin, the Malaysian High Commissioner.

Dr Mahathir is in Britain on a private visit from 11 to 16 January. One of his main reasons for coming is to attend a two-day advanced carpentry course (his hobby). He will also be visiting the Boat Show. When he visits the Houses of Parliament he will have drinks with the Speaker and lunch there, probably with Lord Elton and members of the CAP delegation which visited Malaysia in December.

ms There will be no Ministerial contact with Dr Mahathir during his private visit. He has not sought such contact and, since he will be visiting Britain officially this year (probably in July) we see no need to press for it.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing Street

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b. c. P. C.
C. R.
file



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 January, 1987.

VISIT OF THE MALAYSIAN PRIME MINISTER TO LONDON

mf
Thank you for your letter of 9 January about the possible visit by Dr. Mahathir to the United Kingdom. The Prime Minister would be content to see Dr. Mahathir on 6/7 July. Following the normal pattern, she would hold talks with him and give a lunch or dinner in his honour. You will want to talk to Mrs. Ryder to reserve some precise times.

(C.D. Powell)

R.N. Culshaw, Esq., MVO,
Foreign and Commonwealth Office.

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ccpc
①

Prime Minister

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You will recall that you invited Mahathir to visit the UK.

Foreign and Commonwealth Office

London SW1A 2AH

9 January 1987

20-25 July are out of
Dear Charles, the question for you. But
6-7 July seem acceptable. It would involve
a meeting & a dinner. Agree? CDP
9/1

Visit of the Malaysian Prime Minister to London

I am sorry that there has been a misunderstanding over the dates for Dr Mahathir's visit. This was entirely my fault.

We now understand that 20-25 July, as proposed by the Malaysians, is not convenient to the Prime Minister. We would therefore like to propose new dates. Since Dr Mahathir is making a wider visit to Europe which begins with his arrival in Moscow on 9 July, followed by a visit to Bonn lasting until 20 July, the sensible course would be to propose the dates immediately preceding his visit to the Soviet Union. If the Prime Minister could manage for example 6-7 July, I suggest that we propose the dates of 4-9 July to the Malaysians.

Dr Mahathir leaves Kuala Lumpur for England on 10 January for a short private visit: and it would be most helpful if we could inform the Malaysians before his departure so that he can focus on his official visit in the summer while he is here. A quick counter proposal of new dates will also reduce any offence which might be given over the withdrawal of our agreement to the earlier dates of 20-25 July.

The background to the visit is that during her South East Asian tour in April 1985 Mrs Thatcher invited Dr Mahathir to visit Britain. Until recently we have failed to extract any firm dates from the Malaysian side. A successful return visit by the Malaysian Prime Minister is attractive. It would confirm that our bilateral relations, which suffered a serious setback in the early 1980s due to Dr Mahathir, are solidly set on a new path. Dr Mahathir's position is secure for the foreseeable future; he won an overwhelming victory in the August Malaysian general election. We shall therefore have to work with him for some years to come.

/The

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The Biwater rural water supply contract (UK content £200m; but with £60m ATP - the largest so far) encourages us to believe Malaysian assertions (including from Dr Mahathir personally) that there is no longer any discrimination against Britain by the Malaysian public sector. There are also other contracts in the wind (the possible sale of British Aerospace ATP aircraft to Malaysian Airlines) where a visit by Dr Mahathir to Britain could further the British interest.

Yours ever

A handwritten signature in blue ink, appearing to read 'R N Culshaw'.

(R N Culshaw)
Private Secretary

C D Powell Esq
PS/10 Downing Street

CONFIDENTIAL

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Foreign and Commonwealth Office
London SW1A 2AH

From the Secretary of State

10 November 1986

EDP
10/Ki

Visit to South East Asia: 8-18 September 1986

Thank you for your interesting letter of 16 October about your recent visit to South East Asia.

I was glad to learn that your visit was so worthwhile and that the senior representatives of the UK construction and water industry who accompanied you were able to establish some useful links. As you know, I recently attended the European Community/ASEAN Foreign Ministers Meeting in Jakarta where the importance of the trading links between Community countries and ASEAN and of European (and particularly British) investment in ASEAN were underlined.

I agree with you that although some of the ASEAN countries are facing economic difficulties at present, these are probably temporary in nature. The countries you visited will continue to offer considerable commercial opportunities for British companies now and in the future. They are anxious to do business with us and to attract new investment. For example, in Jakarta I had a most

/encouraging

John Patten Esq MP

CONFIDENTIAL

CONFIDENTIAL



encouraging meeting with the Malaysian Foreign Minister who stressed the opportunities for UK/Malaysian cooperation in investment and trade. The soft loan arrangements of £140m for Indonesia which was agreed earlier this year also provides a major opportunity for British companies in that country.

I am sure you are also right to draw attention to the need for British companies to approach the South East Asian market in a sustained and determined manner, developing and maintaining their contacts with sensitivity towards the local methods of doing business and the interaction between business and politics. I am glad to say that in a number of fields they are indeed doing so. Although Japanese bids may now be less attractive to ASEAN countries with the yen so strong, we should not underestimate the strength of the Japanese penetration of the market. British companies, with our support, will need to work very hard to make the most of their opportunities. There will also, I believe, be occasions when they can obtain business through cooperation with the Japanese rather than competing against them directly. But in this they will have to exercise discretion.

I welcome your readiness to take out another construction mission to the area in eighteen months' time. In principle, I would endorse this proposal.

I am sending copies of this letter to the Prime Minister, Paul Channon and Chris Patten.

A handwritten signature in dark ink, appearing to be 'Geoffrey Howe', written in a cursive style.

GEOFFREY HOWE

CONFIDENTIAL

MALAYSIA

RELATIONS

PT 2





DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET 5422

Telephone (Direct dialling) 01-215)

GTN 215)

(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

RESTRICTED

31 October 1986

John Patten Esq MP
Minister for Housing, Urban Affairs
and Construction
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

CCPC
CDP
3/xi

Dear John,

Thank you for copying to me your letter of 16 October to Geoffrey Howe about your most encouraging recent visit to South East Asia in support of the construction and building materials industries.

I was particularly interested in your comments about the growing warmth expressed towards Britain and the appreciation that we are taking a long term interest in the region at a time when the economies of the South East Asian countries are generally going through a very difficult period.

It is clear that your visit, the accompanying high-level group of senior businessmen from the construction industry, and the BOTB sponsored mission from the BMEG, were particularly well timed.

You mentioned your interest in possibly leading another similar mission in some 18 months' time. I welcome this idea in principle, although of course further consideration will need to be given to it nearer the time, taking account of the circumstances of the market and other official trade promotional activity in the region.

I am copying this letter to the Prime Minister, Geoffrey Howe and Chris Patten.

Yours,
Paul

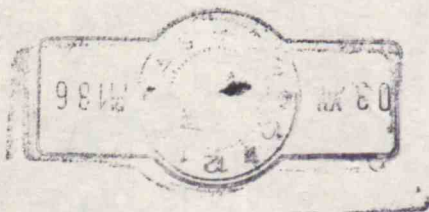
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PAUL CHANNON

17
19 **86**
BOARD OF TRADE
BICENTENARY

MALAYSIA
RELATIONS

PTZ



PRIME MINISTER

John Patten has sent you (and other Ministers) a very long and detailed account of his recent visit to Thailand, Malaysia and Indonesia with a high-level party of UK construction and water industry representatives. I don't think you have time to read it, nor do you need to. But you might like to mention, if you see him, that you understand his visit was very successful and well-received.

Incidentally he reports that in Malaysia and Indonesia the positive effects of your visits are still very much felt.

CDP

ms

CHARLES POWELL

21 October 1986

VSCABP

CCP

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Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

Minister for Housing,
Urban Affairs and Construction

16:10:56

CONFIDENTIAL

John Geddles

CCP 21/A

VISIT TO SOUTH EAST ASIA: 8-18 SEPTEMBER 1986

I visited three South East Asian countries - Thailand, Malaysia and Indonesia - from 8-18 September. I was accompanied by a high-level party of UK construction and water industry representatives (including the Chairmen of Balfour Beatty, Redland and Wimpey), and my visit coincided with the British Overseas Trade Board supported building materials mission, to which I was able to lend support. I attach notes of the meetings held during the course of the visit.

I was impressed by the growing warmth in these countries towards Britain. This seems partly due to a reaction against deals struck with the Japanese that appeared at the time to be bargain offers but which, with the growing strength of the Yen, no longer look so attractive. But there also seemed to be a genuine interest in and wish for British involvement.

A theme that was particularly well received was that British contractors were interested in long-term involvement - with training of local labour, technology transfer, and a continuing interest in operation and maintenance - rather than in quick, in-and-out deals. They also appreciated the arrival of a high-powered mission at a time when their economies are not at their strongest. The theme "we are not fair weather friends" clearly struck a chord at a time when the Japanese are conspicuous by their absence and criticised in all three countries for doing too little in terms of the transfer of technology etc in recent contracts.

Given that goodwill, and the major need for investment in infrastructure in all three countries, the impetus to relations given by the Prime Minister's visit to two of the three countries and Paul Channon's visit in June/July last year deserves the strongest possible cultivation. Your own visit will be a major opportunity, and the visits by Peter Bottomley and Michael Jopling will also help to further the impression of continuing British interest and involvement in the area.

All three countries have massive infrastructure needs, which must be met if the potential for industrialisation which Paul Channon outlined in his report to the Prime Minister is to be realised. The needs are less in Malaysia, but still large; they are substantial in Thailand; and they are massive in Indonesia. I was not sure that their administrators had yet

themselves realised fully the extent of investment in communications, electricity, housing and water supplies that will be needed for cities such as Jakarta and Bangkok to become industrial centres, as well as Government and commercial centres. They will need to develop new skills in town planning, infrastructure development, and water management to accommodate that. We have a great deal to offer in these fields, and I was surprised at the relatively low level of UK consultancy involvement in these fields in Thailand and Indonesia. We have a better track record in Malaysia, which reflects their traditional contacts with the UK: the new town at Subang Jaya which I visited, and in which Wimpey have been involved, is an example which should be more widely known in the area.

My visit to Thailand was brief, and the Government was still in a certain amount of disarray following the resignation of Veera Musikapong. Visits to the Governor of the Bangkok Metropolitan Authority and to EGAT were both encouraging in enabling Balfour Beatty, Hawker Siddeley and Trafalgar House to advance their interest in specific project opportunities. A lunch with the Provincial and Metropolitan Water Authorities enabled Adrian White of Biwater to renew contact with the Thais over a possible £200 million water supply contract.

Several of the industrialists in my party said that they had underestimated the potential in Thailand and felt that a longer stay would have been valuable. This is a market where there is a great deal of goodwill towards us, and I hope that your forthcoming visit will be able to offset the disappointment they felt at not being included in the Prime Minister's visit. I understand that soft loans for Thailand are under consideration. We are still winning project business on usual terms. But improved terms could offer some very large opportunities in a country where, despite current setbacks, the longer-term economic prospects look very encouraging.

My visit to Malaysia confirmed the view that the "Buy British Last" policy pursued by Dr. Mahathir seems a thing of the past. I was privately informed that the Malaysian Cabinet regarded the Antah/Biwater rural water supply scheme, with the biggest-ever project support from the UK, as a welcome opportunity to reinforce links with Britain which they felt had perhaps suffered unduly under the "look East" policy. The goodwill that exists between our two countries is still very substantial. The action we have taken over education and landing rights has removed major sources of irritation. The rural water supply scheme, and Balfour Beatty's scheme in Kedah State, are showing that the UK can now be competitive in quality, price and financing terms. This at a time when there are growing worries about Japanese deals, particularly with respect to quality of follow-up service and the growing long term costs of Yen aid.

The Malaysians were also particularly interested in the theme of privatisation. They are not too clear what they mean by it; but they are in favour of it; and they know that we are the leading experts! We should follow this up. I am proposing to

send one of my officials to a seminar on water privatisation later this year. The discussions could be useful in the context of the Selangor State water supply scheme, which the Malaysians are considering undertaking with private finance.

My welcome in Indonesia was a warm one, reflecting the great impression the Prime Minister's visit has made, and the goodwill it continues to engender, as well as the conclusion of the recent soft loan package. I have already mentioned that I was surprised at the relatively weak representation in Indonesia of UK consultants, given the major infrastructure and development needs of Indonesia, particularly with growing urbanisation. I will be suggesting to DTI that it might be helpful for them to discuss how the British Consultants Bureau might fill this gap. We may have been under-assessing the potential scale of the opportunities. The Indonesians have a population of 155m which is growing at 2% a year. They are planning several town expansion schemes in the near future, each of which will house a population about the size of the City of Birmingham! We have a wealth of experience in this area - including the hard-earned lessons of the defective high-rise housing of the sixties and seventies - on which they can draw. Of course, they are looking for very low-cost housing. But our construction firms have a great deal of experience in that field too.

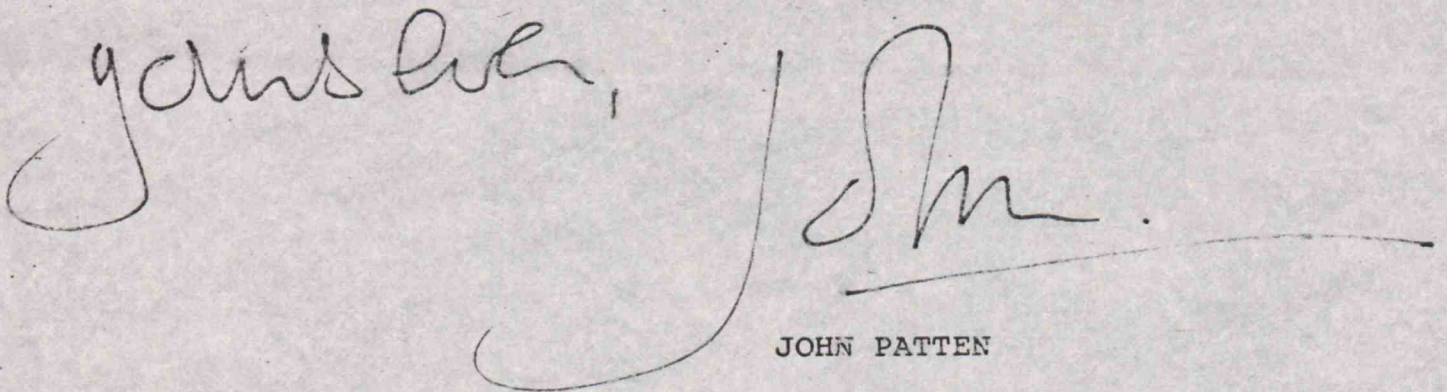
Inevitably, I heard much both from the members of my party and from those I met about UK aid. I fully appreciate the arguments that are deployed by ODA about meeting the development needs of these countries; I also appreciate the continuing need to ensure that aid really does give us value for money in terms of its impact here at home. I've already had an informal word with Chris Patten about these issues. And I am well aware of the constraints on public expenditure within the MTFs. But we must recognise the extent to which other countries, not necessarily significantly wealthier than us, are increasing their aid expenditure, and using it in support of trade. This will be a familiar theme to you, and I do not intend to labour it.

My overall impression was that the ASEAN countries are markets of huge potential for the UK construction industry - because of their underlying potential for growth in the longer term; because our depth of experience of large-scale planned development of infrastructure seems particularly relevant to their emerging needs; and because, for a combination of reasons, they seem currently to be well-disposed towards improved links with the UK. But their administrations are subtle and sophisticated. We shall not make advances without sustained and detailed development of contacts and information and careful packaging and presentation of the goods and services we have to offer. Continuity of effort seems likely to be a particularly important consideration. I am making arrangements to keep in touch with the group of businessmen who accompanied me about developments following the mission. And I shall give serious

consideration to an idea put to me during the trip - and which I understand would be supported by your officials - that we should demonstrate our continuing commitment to and interest in the ASEAN market by taking out another construction mission, so far as possible with the same participants and covering the same ground, in perhaps 18 months' time.

Incidentally, at the OECD in Paris on Friday (17 October), the French Minister of Housing, Regional Planning and Transport, M. Pierre Mehaignerie, who had accompanied President Mitterand to Jakarta, somewhat surprisingly volunteered to me that the trip had not been a general commercial success. One of the reasons, he said, was that the Indonesians had pressed the French to give a facility like our recent soft loan package but that they were unable to do so "because of commitments in Francophone Africa, etc".

I am sending copies of this letter to the Prime Minister, Paul Channon and Chris Patten.

Yours ever,


JOHN PATTEN

The Rt Hon Sir Geoffrey Howe QC MP

MR PATTEN'S VISIT TO SOUTH EAST ASIA

8-17 September

Mr Patten was accompanied at all meetings by Mr Owen (Deputy Secretary, DOE) and Mr Kinghan (Private Secretary). Meetings in Thailand were attended by Mr Tonkin (HM the Ambassador); in Malaysia by Mr Baker-Bates (Deputy High Commissioner); Indonesia by Miss Rothwell (Charge d'Affaires). The businessmen present on each occasion are listed below.

Day 1 Bangkok 9 September.

Meetings

1. Major General Chamlong, Governor of Bangkok Metropolitan Administration and Mr Wicha Jiwalah, deputy Governor.

Businessmen present: Messrs Chetwood, Hartley, Vincent, Lloyd, White, Checketts.

The meeting was friendly and touched briefly on a number of areas of development in Bangkok where there might be scope for British firms to take part:

- housing - The Governor said that the BMA would take over responsibility for housing in Bangkok in two years time and would then begin a programme of slum clearance and new building; Mr Chetwood stressed the expertise of Wimpeys et al in self-build etc

- flood protection - The deputy Governor outlined his strategy for "structural protection" for the inner core of the city, involving the diversion of the rivers;

- sewerage and waste disposal - the deputy Governor referred to feasibility studies by the Japanese and to the BMA's interest in attracting private investment. He was happy to show the Japanese study to British firms

- trucks for waste disposal - the BMA is interested in offers; so far the Japanese are the only runners.

The projects discussed were ambitious; it was not clear where the money was to come from. The Japanese were clearly closely involved already in most areas.

Mr Patten invited both Governor and deputy Governor to visit Britain.

2. Sukhum Laowansiri, deputy Minister of the Interior.

Businessmen present: Messrs Chetwood, Hartley, Vincent, Lloyd, White, Checketts.

A courtesy visit, largely formal, through interpreters. It was impossible for anyone but Mr Patten to hear anything Mr Sukhum or his interpreter said. Mr Patten referred to the expertise of British companies in low cost housing, road construction, water and sewerage and light railways. He said that he was keen to see long-term British involvement in Thailand. Mr Sukhum was apparently keen to see British companies involved.

Day 2 - Bangkok - 10 September

Meetings

1. Squadron Leader Kamthon Sindhawananda - Electricity Generating Authority of Thailand.

Businessmen present: Messrs Ashley, Checketts, Fletcher, Lloyd, Vincent.

The meeting began with a film about the history of electricity generation in Thailand. Mr Patten stressed the importance of promoting long-term British involvement in Thailand.

Members of the party asked about individual projects they were interested in and appeared to find the replies encouraging - in particular the number of projects to be financed internationally (by the World Bank) rather than, eg the Japanese alone. Mr Ashley referred to a joint Anglo-Japanese financed project which his company had recently arranged. Mr Kamthon said that the scope for private investment in electricity generation was under consideration.

2. Dr Snoh, National Economic and Social Development Board (roughly equivalent to the Secretary to the Cabinet)

Businessmen present: Messrs Ashley, Vincent, Lloyd, Fletcher, White, Checketts,

Dr Snoh spoke about the outcome of the fifth economic plan (about to end) and the prospects for the sixth economic plan. The fifth plan followed the major rise in oil prices and was mainly concerned with increasing Thailand's domestic energy resources. It had involved difficult political decisions on restraining expenditure but the result had been to leave the country in a sound macro-economic position.

The themes of the sixth plan would be more concerned with developing communications than energy, with promoting steady growth and with introducing private investment into areas previously covered by wholly public enterprises - including roads, electricity generation and telecommunications. Thailand would welcome British expertise in promoting private investment.

The points discussed were as follows:

- mini-hydro projects - Mr Ashley referred to the successful projects Balfour Beatty have undertaken so far and, to the feasibility study which they have undertaken identifying 20 further sites. Dr Snoh was not encouraging. He said that the mini-hydro projects had been mainly a response to the high price of oil. Now that the oil price was falling, the Government would review and evaluate the success of projects before starting any more;

- telecommunications - Mr Ashley referred to the joint Balfour Beatty - British Telecom proposal for the TOT project. Dr Snoh did not know of the proposal and said he would like to hear more;

- water - Mr White raised the question of private investment in the water industry - Dr Snoh was prepared to be interested but took a wholly negative line on the possibility of Thai Government guarantees for overseas investment. Mr White said that he would shortly be offering a free feasibility study for rural water supply. Dr Snoh said that he should talk to his colleague, Dr Prisit about that.

- private investment, general - Dr Snoh emphasised the importance of foreign companies establishing links with Thai companies in bidding for private investment opportunities in public enterprises/infrastructure projects.

Day 3 Kuala Lumpur 11 September

Meetings

1. Datuk Abu Hassan, Minister for the Federal Territory

Businessmen present: Messrs Ashley, Checketts, Fletcher, Lloyd, Vincent.

Not a very promising meeting. The Minister made clear that his Ministry's plans were heavily constrained by lack of resources. He said his first priority was housing. On sewerage, phase 1 of their project was completed; phase 2 was delayed by lack of funds but the Ministry was currently reviewing a bid from a group of private companies for a privately funded development. One problem concerned the co-ordination of the collection of water rates between city hall and the waterworks company.

Mr Patten said that he would let the Minister have a paper about the present system of water charges in Britain and about metering.

The Minister said that the Government was contemplating funding new projects in one of three ways:

- 1) wholly Government funded;
- 2) 50% public, 50% private;
- 3) privately funded, subject to Government regulations

He invited members of the party to discuss the possibility of private investment in detailed schemes with his officials and to follow them up through their local partners.

Mr Holland asked about the proposed light railway for Kuala Lumpur. The Minister said that it was another scheme which the Government had had to defer because of economic constraints. The Prime Minister's immediate priority was to extend the metrolink, which was going ahead. In transport as in other areas, the Government was interested in any proposals for privately funded development.

2. Datuk Samy Vellu, Minister of Works

Mr Patten had a short private meeting with the Minister. The Minister said that relations with GB had been very good since the PM's visit. The Antah Biwater project was a great success and a welcome signal of the re-jorging of links with Britain. The Government was keen to promote foreign investment and to use British expertise, eg on training. He would like to set up a Malaysian equivalent of TRRL. Mr Patten said that he hoped that Mr Mahatir would visit GB soon.

There followed a full meeting. Businessmen present: Messrs Holland, Ashley, Hartley, Checketts, Fletcher, Vincent, Chetwood and Lloyd.

Both Ministers referred to the value of the PM's visit in improving British-Malaysian relations. Datuk Samy said that Mr Mahatir was keen to attract as much foreign investment as possible. He also made the following points:

- his Ministry's top priority was the North/South highway, for which a decision on bids would be made by October. After that, the Government was keen to promote more highways in Sabah;
- it was Government policy to confine construction contracts below \$50m to local firms but there was no reason why British firms should not bid through local partners, subject to the 49% share rule;
- private investment would be invited on selected projects;
- the seminar on water would be held in January or February 1987;
- the Prime Minister is firmly committed to development of the railways, but constrained by economic reality;
- the Government is committed to building 80,000 new houses a year, mainly for low cost home ownership (and to providing the necessary infrastructure). There could be scope for foreign investment here. Mr Patten promised him a paper on our experience with PRC housing.

3. Dato Mohd Jalaluddin, National Electricity Board

Businessmen present: Messrs Holland, Ashley, Checketts, Fletcher, Chetwood, Lloyd.

Dato Mohd gave a lengthy presentation of Malaysia's energy policy - currently 50% dependent on oil, 25% on hydro and 25% on gas. Coal would provide 10% by 1988. He said that, so far, Malaysia, had chosen not to use nuclear fuel. This choice would be reviewed again in 1990.

There is to be a study of the scope for private investment in electricity generation. Dato Mohd did not appear to be personally sympathetic to the idea. He said that the CEGB was at least as efficient as private companies in other countries.

The NEB's long-term programme is for MM \$1.2bn a year, of which 40% must be locally financed, according to World Bank rules. In future, credit funded schemes are likely to grow in importance, World Bank schemes to decline.

Members of the party were invited to follow up detailed points with NEB officials.

4. Datuk Elyas Omar, Mayor of Kuala Lumpur

Businessmen present: Messrs Holland, Ashley, Rose, Vincent,

Most of the discussion concerned the prospects for private investment, in which the Mayor was interested - as he said - in the absence of public resources. The main opportunities were:

- road building - the city had invited bids for a road into Kuala Lumpur to be financed by revenue from tolls. Mr Ashley said that Balfour Beatty and its local partner had put in a bid that morning;

- sewerage - the city would like to fund \$1.1 bn investment a year for 20 years to provide for Kuala Lumpur's existing and anticipated population. They would be happy to attract private investment but did not believe a rate of return of 7% to be sufficiently attractive;

- the prospect (or threat) of privatisation "makes staff more efficient"

Day 4 Kuala Lumpur 12 September

Meetings

1. Datuk Leo Moggie, Minister of Energy

Businessmen present: Messrs Holland, Ashley, Fletcher, Vincent, Lloyd, Checketts.

The Ministers had a short private meeting, involving nothing more than an exchange of courtesies.

At the full meeting, Datuk Moggie said that the development of gas resources was the first priority of Malaysian energy policy; hydro-electric power was more expensive and would come next. The demand for domestic energy was slowing down.

The first phase of the gas pipeline - to establish a power station on the east coast - had been completed; the next phases would be to transmit gas to the west coast and to Singapore if it was wanted. Malaysia was relatively well placed to offer Singapore a supply of gas in place of its current reliance on oil. The developments at Subanga Bay (?) and Labuan might be suitable developments for private enterprise but they would have to be examined in the light of economic circumstances. It was too early to make any definite decisions about the scope for co-generation; that would be considered in the light of the study of the privatisation of the NEB. The power station in Sarawak would be built by the state electricity board.

More generally, he said that his Ministry's policy was to offer contracts to local firms where local expertise was available. If it was not, there was no bar on foreign companies, though he would prefer that they operate in partnership with local companies in the lead. The arrangements would be considered on a case by case basis and he was particularly keen to simplify the rules for admitting key foreign workers.

2. Encik Abdul Ghafar bin Baba, Deputy Prime Minister

Most of the discussion was a private one at which only the deputy Prime Minister, Mr Patten and the Deputy High Commissioner were present. Mr Patten reported that the deputy Prime Minister had been very sympathetic to the possibility of promoting foreign investment. He had claimed that he knew nothing of the rule restricting foreign participation of schemes less than MM \$50m. His main immediate concern seemed to be with the Government's promise to build 80,000 low cost houses a year.

Mr Owen, Mr Kinghan, Mr Chetwood, Mr Checketts and Mr Rose joined the meeting for 10 minutes. Mr Chetwood said that there was no difficulty with meeting the physical production target of 80,000 houses a year. Any one of 10 British companies could provide the

housing, provided that the financing was right. If the price was set too low, the quality of the housing would be similarly low. He said that he would be happy to carry out a feasibility study for the housing target; he would talk to Housing Ministry officials about it.

Mr Patten repeated his invitation to the Deputy Prime Minister - for the new Housing Minister - when he was appointed - to visit GB. He would be happy to welcome him there and provide any information he needed.

Day 5 Kuala Lumpur 13 September

Trip to Kedah State - Balfour Beatty project - the Ahning Dam. A successful trip; very well organized, including an affable lunch with the Chief Minister of Kedah, Dato Paduka Osman Aroff.

Day 6 Kuala Lumpur 14 September

Lunch with Redland - depart.

Mr White spoke privately to Mr Owen. He said that his rural water supply contract had been "increased in value by M \$30 m during dinner the previous evening". He also reported that Datuk Samy Vellu, Minister of Works, had told him that the Malaysian Cabinet considered the Antah - Biwater schemes to be a useful opportunity for reviving good Malaysian-British relations.

Day 7 Jakarta 15 September

Meetings

1. His Excellency Martono, Acting Minister for Public Works

There was a short private meeting between Ministers for the exchange of courtesies.

The public, plenary, meeting involved the Ministry's Secretary General and other top officials. Businessmen present were Messrs Holland, Fletcher, Checketts, Armit, Lloyd, Ashley, Vincent, Sargent, McKinnon, Thorp, and the BMEG mission.

Mr Martono said that the soft loans provided by the British Government were very welcome to his Government. He hoped to see more co-operation between the two Governments and more foreign private investment. Mr Patten said that the size of the British delegation was evidence of British interest in Indonesia.

The following subjects were discussed at length:

Urban development and housing

The Indonesians are planning 3 new towns to relieve the pressure on the cities, two publicly funded (from the Asian Development Bank and the World Bank) of 800,000 and 400,000 and one privately funded of 800,000. Low-cost housing will represent 60% of these developments. There will be scope for private consultants in the detailed planning of the new towns in 1988 and 1989. Members of the party were invited to discuss with officials the possibility of participating in the "private new town". The Secretary General was keen to get British training for local/state government officials in town planning and urban development. Mr Patten said that he would consider this and pursue further (for Embassy to follow up?). The Secretary General also referred to the possibility of a new, smaller, town near the airport in which British companies might be interested.

There was some discussion of low-cost housing. The Indonesians did not seem very interested in the idea of British firms coming in to build the housing but they were interested in the offers of Messrs Armit and Fletcher for their companies to provide training in construction. It was left that this should be pursued separately.

Highways

The Director General, Mr Suryatin, said that Indonesia was planning to build at least 1000km of further motorways, mainly around the big cities. This could not be financed from Government expenditure and they were therefore looking at bids for toll roads. Mr Ashley referred to Balfour

Beatty's long involvement in Indonesia and to its commitment to training and to the transfer of technology.

Mr Fletcher and Mr Armitt both spoke of the constraints imposed by the existing financial conditions and rules about guarantees for foreign investment. Last week's devaluation of the rupiah had demonstrated the risks which foreign investors would have to take given the requirement for investments to be in rupiah. Mr Armitt said that his company would be reluctant to risk a repeat of their experience in Spain - where it had taken them 20 years to make a return on their investment in a toll road.

Water

The Director General, Mr Soenarjono, said that a pure water supply was currently available to 40% of the population of the cities. The difficulty in extending it was in distribution rather than supply. The target within the 5 year plan was 70%. They would not be able to meet the WHO target of 86.4 litres per head per day; they were aiming at 60. For smaller population centres, their aim was 40 litres per head per day, through a less sophisticated distribution system which the Director General described as "sub-standard". The target was to provide this standard for 1800 such areas within the 5-year plan. They had so far reached 600. In the rural areas, the aim was to ensure stand pipes were generally available; this was the responsibility of the Ministry of Health. The Director General also mentioned a study of river pollution which the Ministry was undertaking but sewerage was clearly a long way behind water supply as a priority.

The Secretary General raised the question of loans to cover these developments, through British companies. He mentioned the Antah-Biwater project in Malaysia. Mr Patten said that British companies certainly had relevant expertise for these developments. Our soft loan funds were fully committed for the moment but he would be happy for the longer-term possibilities to be pursued.

2. Dr Cosmas Batabura, Minister of Housing

Businessmen present: Messrs Holland, Ashley, Armitt, Lloyd, and Messrs Syer and Clark (from BMEG mission).

Dr Cosmas explained that he was responsible for the co-ordination of housing policy while the Ministry of Works dealt with the "technical" side, ie planning and building houses.

Mr Patten said that he would be delighted to welcome Dr Cosmas to England to show him relevant British housing experience and the range of expertise available through British companies. He would be happy to arrange contacts with universities, Government

Departments and private companies to discuss training in construction and in town planning/urban development. This should be pursued by the Embassy. He also promised to let Dr Cosmas have a paper on housing finance in Britain.

Dr Cosmas said that the Government's target ratio for housing for different markets was: 1 upper income house: 3 middle income houses: 6 low cost houses. In fact, the proportions had worked out at 1:3:14, because the demand for low cost housing was so high. The private/public proportion was 32,000 private to 28,000 public, for a total of 60,000 houses a year. The price of land was open to negotiation between landowner and developer, "subject to Government guidance".

Dr Cosmas and his officials were not much interested in the possibility of direct foreign investment in building houses - for any of the three categories. They said that it would be more appropriate in commercial/shopping developments.

Day 8 Jakarta 16 September

Meetings

1. Dr Sumarlin, Minister of Economic Planning,

Businessmen present: Messrs Holland, Ashley, Lloyd, Vincent, Checketts, Armitt.

Dr Sumarlin said that the devaluation of the rupiah had been inevitable in the wake of the fall in oil prices. He did not expect it to cause any changes in the terms of the soft loans package from Britain. Development of the infrastructure would continue to have priority within Government expenditure. The intention was to spread available resources as widely as possible throughout the country, rather than concentrate on a small number of big projects. He would like to see more private investment to make up for the lack of public resources but he was not interested in the British type of privatisation.

Dr Sumarlin said that the Government had been developing a system of health centres for the last 15 years. Unfortunately the best medical staff and the wealthy patients were attracted to Singapore. He was interested in expanding the medical building programme through joint public/private ventures. Mr Armitt referred to the "turn-key" hospital projects in which Laings are involved in the middle East. It was agreed that he would discuss this further with Ministry of Health officials.

Mr Ashley and Mr Checketts referred to projects in which their companies are involved. Mr Ashley asked if the build/operate/transfer system in use for toll roads was likely to be used for power generation; he did not receive a direct answer.

There was some discussion of training schemes in the UK - Dr Sumarlin was very keen. Miss Rothwell said that the British Council was following up the agreement signed during the Prime Minister's visit. Mr Lloyd said that his company would be happy to welcome engineers and others for training in the United Kingdom. Mr Holland said that a number of construction companies were involved in preparing a privately funded scheme. Mr Patten said that he would like to work towards a structured arrangement for providing construction industry training in the UK.

2. Mr Bunyamin, Vice Governor Jakarta

Businessmen present: Messrs Holland, Ashley, Armitt, Lloyd, Checketts, Vincent, McKinnon.

This meeting did not cover much new ground. Mr Bunyamin said that the city's funds were raised through central Government. He said that the population of Jakarta in June this year was 7.3m; it was growing at the rate of 4% a year.

The specific subjects discussed were:

A) Housing - He gave Mr Patten a copy of the 20 year master plan for housing in the city (in Indonesian!). He said that both quantity and quality of housing were constrained by what people could afford.

B) Water - Mr Bunyamin said that the water supply programme was in three parts: extend production (currently adequate for 40% of population); develop distribution (not clear how extensive at the moment); and replace old pipes. A purification plant capable of producing 4000 litres per second was currently being built; two more were planned. From his answers to questions about the salt content of the water supply it appeared that there were no immediate plans for action to reduce it.

3. Dr SUBROTO, Minister for Mines and Energy.

Businessmen present: Messrs Armitt, Holland, Ashley, Checketts, McKinnon, Lloyd, Vincent, Baxter.

Both Ministers looked forward to further co-operation between the two Governments and joint ventures between British and Indonesian companies.

Dr Subroto said that the first priority of Indonesia's energy policy was to develop its renewable resources, particularly hydro-electric power, as far as possible, for domestic use. The intention was to use non-renewable resources, gas and oil, primarily as a means of earning foreign exchange. The possible development of a coal-powered generation plant was under study in central Java; others were possible in east and west Java. The Government was also contemplating the development of a geo-thermal plant. In the immediate future, the emphasis would be on improving the systems for the transmission and distribution of electricity rather than its generation. Domestic demand was growing at 18% a year and rural electrification - partly financed through the soft loans package - would have to develop quickly in response to that demand.

Members of the party asked about individual projects in which they were interested and in most cases were told that further development depended on the availability of finance - Dr Subroto was very enthusiastic about the potential of the Mrica dam as a catalyst for economic growth in the area around the dam. It was agreed that members of the party would seek further information about individual projects from Ministry officials.

DOE

September 1986

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PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T157/82

UNCLASSIFIED
FM FCO
TO DESKBY 280200Z KUALA LUMPUR
TELNO 223
OF 271300Z AUGUST 86

MESSAGE FROM PRIME MINISTER TO DR MAHATHIR

1. PLEASE ARRANGE FOR THE FOLLOWING MESSAGE TO BE PASSED TO
DR MAHATHIR IN TIME FOR MALAYSIA'S NATIONAL DAY.

'I SHOULD LIKE TO EXTEND MY CONGRATULATIONS TO YOU AND YOUR
GOVERNMENT AND PEOPLE ON THE OCCASION OF MALAYSIA'S NATIONAL
DAY AND OFFER BEST WISHES FOR THE FUTURE. I LOOK FORWARD TO
CONTINUED CLOSE CO-OPERATION AND FRIENDSHIP BETWEEN OUR TWO
COUNTRIES.'

SIGNED MARGARET THATCHER

YOUNG

OCMIAN 8559

LIMITED
SERIAL
PS
R/MR BERTON,
SIR. W. WARDING,

COPES TO
R3/100 10 DONNING ST

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UNCLASSIFIED

86W
c/c Press Office

RESTRICTED



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 August 1986

MALAYSIAN NATIONAL DAY

final tel
here ✓

Thank you for your letter of 22 August.
The Prime Minister has agreed that the message
to Dr. Mahathir may be despatched, as drafted.

(MARK ADDISON)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

RESTRICTED
✓

cc/c



Foreign and Commonwealth Office

London SW1A 2AH

22 August 1986

Prime Minister

Agree to send de message as
drafted? M&A 22/8

Yes mb

Dear Mark,

Malaysian National Day

In recent years the Prime Minister has sent a message to Dr Mahathir on Malaysia's National Day, 31 August. Lady Young recommends we follow suit this year, as our High Commissioner, Mr Gillmore, has recommended.

Anglo-Malaysian relations remain sensitive. If the Prime Minister were not now to send a message, Dr Mahathir might well believe that he had been snubbed and react accordingly. This would be the more unfortunate given that we are on the verge of final agreement on a £425m British contract for rural water supplies. Moreover, we hope that Dr Mahathir will be able to visit Britain next year as a guest of Government.

I enclose a draft message for the Prime Minister's approval.

Yours Sincerely,
Colin Budd

(C R Budd)
Private Secretary

M Addison Esq
No 10 Downing St

OUTWARD TELEGRAM

cc Press Office

Classification	Caveat	Precedence
U/C		
TC	SECURITY CLASSIFICATION	
CAVEAT	PRIVACY MARKING/RESTRICTIVE PREFIX	
FM	FM (post) FCO	
TO	TO (precedence/post) IMMEDIATE KUALA LUMPUR	
TELNO	TELNO/TELELETTER	
OF	OF (Time of origin) Z (Month) (Year)	
AND TO	AND TO (precedence/post)	
	AND TO SAVING	
INFO	INFO (precedence/post)	
	INFO SAVING	

Distribution:-

SEAD
PS/No 10
PS
PS/Mr Renton

MESSAGE FROM PRIME MINISTER TO DR MAHATHIR

1. Please arrange for the following message to be passed to Dr Mahathir in time for Malaysia's national day.

''I should like to extend my congratulations to you and your government and people on the occasion of Malaysia's National day and offer best wishes for the future. I look forward to continued close co-operation and friendship between our two countries.''

Signed Margaret Thatcher

		Catchword:	
File number	Department	Drafted by: (block capitals)	Telephone no

SUBJECT
cc master
OPS

13

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T148C/86

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OCMIAN 5086
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11 AUG 1986	
DEPT	REGISTRY
INDEX	Action Taken
	✓ IDP 1/8

RESTRICTED
FM FCO
TO PRIORITY KUALA LUMPUR
TELNO 208
OF 071600Z AUGUST 86

9

YOUR TELNO 287 MESSAGE FROM THE PRIME MINISTER TO DR MAHATHIR

1. FOLLOWING IS TEXT OF A MESSAGE FROM THE PRIME MINISTER TO DR MAHATHIR.

BEGINS: 'I SEND YOU WARM CONGRATULATIONS UPON YOUR ELECTION VICTORY AND LOOK FORWARD TO CONTINUING TO WORK WITH YOU. I LOOK BACK WITH GREAT PLEASURE ON MY VISIT TO MALAYSIA LAST YEAR AND HOPE THAT YOU WILL SOON FIND YOURSELF ABLE TO PAY YOUR PROJECTED VISIT TO BRITAIN. WITH BEST WISHES. MARGARET THATCHER' ENDS.

YOUNG

OCMIAN 5086

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MAIN
MINIMAL
SEAD
PROTOCOL DEPT.

RESTRICTED

file 608.450



br. PC

10 DOWNING STREET

LONDON SW1A 2AA

6 August 1986

From the Private Secretary

Thank you for your letter of 5 August proposing that the Prime Minister should send a message of congratulations to Dr. Mahathir upon his recent election.

AF 11 I judge that the Prime Minister would be content to send a message but would consider the draft enclosed with your letter too fulsome. I enclose a less gushing version which may issue.

CHARLES POWELL

R. N. Culshaw, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

LOSAGP

MESSAGE FROM THE PRIME MINISTER TO DR. MAHATHIR

I send you warm congratulations upon your election victory and look forward to continuing to work with you. I look back with great pleasure on my visit to Malaysia last year and hope that you will soon find yourself able to pay your projected visit to Britain.

With best wishes.

010,
COVERING RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

5 August 1986

Dear Charles

You will be aware that the Coalition Grouping of Dr Mahathir, the Malaysian Prime Minister, has been returned with a substantial majority (147 out of 177 seats) in the Malaysian General Elections on 2-3 August. It is a better result for him than most expected, given the many difficulties which have beset his administration over the last year, some of his own making, some not.

This result is a significant and personal triumph for Dr Mahathir. Sir Geoffrey considers that it would be both tactful and appropriate for the Prime Minister to send a congratulatory message on the lines proposed by our High Commission in Kuala Lumpur (telno 287 enclosed). The draft also refers to Dr Mahathir's projected visit to Britain and Mr Gillmore would take the opportunity of delivering a message to point to a date in the earlier part of next year.

Yours ever

(R N Culshaw)
Private Secretary

C D Powell Esq
No 10 Downing St

COVERING RESTRICTED

RESTRICTED

GRS 115

RESTRICTED
FM KUALA LUMPUR
TO ROUTINE FCO
TELNO 287
OF 040730Z AUGUST 86

MIPT

MALAYSIAN ELECTION: MESSAGE OF CONGRATULATIONS

1. I SUGGEST THAT THE PRIME MINISTER MIGHT SEND DR MAHATHIR
A MESSAGE OF CONGRATULATION, PERHAPS IN THE FOLLOWING TERMS:
"MAY I OFFER YOU MY WARMEST CONGRATULATIONS ON THE BARISAN
NASIONAL'S RESOUNDING ELECTION VICTORY. IT MUST BE JUDGED
NOT ONLY A CONSIDERABLE PERSONAL SUCCESS FOR YOU - BUT THE
BEST POSSIBLE NEWS FOR YOUR COUNTRY. I HOPE IT WILL ALSO
CLEAR THE WAY FOR YOUR PROJECTED VISIT TO BRITAIN.
I LOOK BACK WITH GREAT PLEASURE ON MY INTRODUCTION
TO MALAYSIA LAST YEAR AND HOPE TO REPAY YOU HOSPITALITY AT
THE EARLIEST OPPORTUNITY".

GILLMORE

YYYY

KJLNBN 0072

LIMITED
SEAD
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NEWS D
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RES D
PLANNING STAFF
PUS
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PS
PS/LADY YOUNG
PS/MR RENTON
PS/PUS
SIR W HARDING
MR WILSON

COPIES TO:
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GRS 120

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CONFIDENTIAL

FM KUALA LUMPUR

TO FLASH CONSULAR DEPT

TELNO DISTRESS 64

AND TO FLASH FCO

INFO DESKBY 061230Z CANBERRA

FOR RESIDENT CLERK

MIPT: BARLOW

1. TEXT OF REPLY, AS DICTATED ON THE TELEPHONE FROM PRIVATE
SECRETARY TO GOVERNOR OF PENANG IN RESPONSE TO MRS THATCHER'S
MESSAGE (YOUR TELNO 179) AS FOLLOWS:

BEGINS

I HAVE BEEN DIRECTED BY HIS EXCELLENCY THE GOVERNOR OF PENANG
TO ACKNOWLEDGE RECEIPT OF PRIME MINISTER MRS MARGARET THATCHER'S
MESSAGE AND TO INFORM YOU THAT THE PARDONS BOARD IS SATISFIED WITH
THE PROCESSES UNDER MALAYSIAN LAW CARRIED OUT IN THE TRIAL OF BRIAN
GEOFFREY CHAMBERS AND KEVIN JOHN BARLOW. THE PARDONS BOARD FINDS
NO CAUSE TO CHANGE ITS STAND. THANK YOU.

ENDS.

GILLMORE

MS

YYYY

KJSMAN 0070

NNNN

TEMPORARILY RETAINED J. Gray 26/5/2016

VONFIDENTIAL
FM KUALA LUMPUR
TO FLASH CONSULAR DEPT
TELNO DISTRESS 63
AND TO FLASH FCO
WFO DESKBY ^{061230Z} ~~062100Z~~ CANBERRA

THIS IS A COPY. THE ORIGINAL IS
RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

FOR RESIDENT CLERK

YOUR TELNO 179 AND MY TELECONS WITH RESIDENT CLERK: BARLOW

1. I HAVE NOT BEEN ABLE TO SPEAK PERSONALLY TO THE GOVERNOR OF PENANG. BUT MRS THATCHER'S MESSAGE WAS DELIVERED TO HIS PRIVATE SECRETARY BY DANSON, SECOND SECRETARY (INFORMATION) WHO FLEW UP TO PENANG THIS AFTERNOON. THE GOVERNOR'S PRIVATE SECRETARY CALLED ME A FEW MOMENTS AGO TO GIVE ME THE GOVERNOR'S REPLY (TEXT AS DICTATED TO ME ON THE TELEPHONE, IN MIFT). THE GOVERNOR IS CLEARLY MOST RELUCANT TO SPEAK TO ANYONE PERSONALLY ON THIS MATTER FOLLOWING HIS PAINFUL CONVERSATION WITH THE AUSTRALIAN HIGH COMMISSIONER YESTERDAY NIGHT (SEE PARA 6 BELOW).
2. MEANWHILE I HAVE BEEN ABLE TO SPEAK PERSONALLY TO THE PRIME MINISTER AND HAVE DELIVERED TO HIS PRIVATE RESIDENCE MRS THATCHER'S MESSAGE TO HIM. HE OFFERED NO COMMENT.
3. FIRST SECRETARY (CONSULAR) SPENT THIS AFTERNOON WITH BARLOW WHO WAS MORE ALERT THIS AFTERNOON. THE AUSTRALIAN CONSULAR OFFICIALS AND MEMBERS OF HIS FAMILY ALSO SAW HIM TODAY FOR THE LAST TIME.
4. HANRATTY REPORTED THAT THERE APPEARS TO BE EVIDENCE THAT BARLOW'S PENFRIEND, WHO IS NOW HERE, MAY BE IN THE PAY OF THE NEWS OF THE WORLD. AS I TOLD RESIDENT CLERK, PS/MR RENTON MAY RECALL THAT MRS BRLOW REFERRED TO DURING HER CONVERSATION WITH THE MINISTER OF STATE ON 30 JUNE. I BELIEVE THAT SHE LIVES IN MR RENTON'S CONSTITUENCY (BURGESS HILL). IT IS POSSIBLE THAT SHE WAS PLANTED BY THE NEWS OF THE WORLD IN ORDER TO GET A FIRST HAND STORY. I SUGGEST THAT SHE SHOULD BE HANDLED WITH CARE IF SHE SEEKS A TELEPHONE INTERVIEW WITH MR RENTON.

5. I WAS ALSO TELEPHONED THIS EVENING BY BARLOW'S LAWYER KARPAL SINGH FROM MRS BARLOW'S ROOM IN HER HOTEL. KARPAL REFERRED TO A MESSAGE SENT TO THE MALAYSIAN AUTHORITIES TODAY BY AMNESTY INTERNATIONAL WHICH REFERS TO RESOLUTIONS IN THE UNITED NATIONS (GENERAL ASSEMBLY 35/72 AND ECOSOC 1984/50 OF 25 MAY 1984) REQUIRING JUDICIAL AUTHORITIES TO ENSURE THAT ALL PARDONS PROCEDURES AND OTHER MECHANISMS CONNECTED WITH PARDONS PROCEDURES ARE EXHAUSTED BEFORE CAPITAL PUNISHMENT IS CARRIED OUT. I TOLD KARPAL THAT WE UNDERSTOOD THE MALAYSIAN AUTHORITIES WERE CONFIDENT THAT THE FULL LEGAL PROCEDURES HAD BEEN COMPLETED: THIS IS WHAT GOVERNOR OF PENANG HAD TOLD MY AUSTRALIAN COLLEAGUE LAST EVENING (AND, AS WE HAVE LEARNT SUBSEQUENTLY, WHAT IS IMPLICIT IN HIS REPLY TO MRS THATCHER'S MESSAGE).

6. MR EVANS SAW THE GOVERNOR AT 2200 LOCAL YESTERDAY FOR ABOUT 45 MINUTES. THE GOVERNOR SAID THAT EACH MEMBER OF THE PARDONS BOARD HAD BEEN GIVEN ALL THE REPORTS AND ALL THE APPEALS THAT HAD BEEN RECEIVED. THESE DOCUMENTS INCLUDED LETTERS FROM THE GENERAL PUBLIC, PLEAS FROM ORGANISATIONS OPPOSED TO CAPITAL PUNISHMENT AS WELL AS PETITIONS AND SUBMISSIONS ON OFFICIAL CHANNELS. THE MATERIAL HAD ALSO INCLUDED SUBMISSIONS ON LEGAL POINTS, INCLUDING THAT FROM LORD GIFFARD. THE GOVERNOR HAD SAID THAT THERE WAS NOTHING FURTHER THAT HE COULD SAY OR DO. THE MEN HAD HAD A FAIR TRIAL. THEY WERE GUILTY AND HIS CONSCIENCE WAS CLEAR.

7. HANRATTY HAS MADE ARRANGEMENTS WITH THE ASSISTANT SUPERINTENDENT OF PUDU PRISON TO BE IN TOUCH WITH HIM AT ABOUT 0700 LOCAL TOMORROW MORNING. HE WILL TELEPHONE THE RESIDENT CLERK SOON THEREAFTER TO CONFIRM THAT SENTENCE HAS TAKEN PLACE.

GILLMORE

YYYY

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RESTRICTED
FM FCO
TO FLASH KUALA LUMPUR
TELNO 179
OF 060009Z JUL
AND TO FLASH CANBERRA

MY TEL NO 178
BARLOW
(FOR KUALA LUMPUR)

1. PLEASE PASS ON URGENTLY THE FOLLOWING MESSAGE FROM THE
PRIME MINISTER TO THE GOVERNOR OF PENANG:

MESSAGE BEGINS

I UNDERSTAND THAT PRIME MINISTER HAWKE HAS SENT YOU A MESSAGE ON
BEHALF OF KEVIN BARLOW AND BRIAN CHAMBERS. I TOO URGE YOU TO ENSURE
THAT KEVIN BARLOW HAS HAD THE FULLEST OPPORTUNITY TO AVAIL HIMSELF
OF ALL THE PROCESSES TO WHICH HE IS ENTITLED UNDER MALAYSIAN LAW,
AND TO CONSIDER, FOR HUMANITARIAN REASONS, WHETHER IT WOULD BE
POSSIBLE TO COMMUTE THE DEATH SENTENCE.

YOURS SINCERELY,
MARGARET THATCHER
MESSAGE ENDS.

2. PLEASE ALSO PASS URGENTLY FOLLOWING MESSAGE FROM PRIME MINISTER
TO DR MAHATHIR.

MESSAGE BEGINS

I SHOULD LIKE YOU TO BE AWARE OF THE FOLLOWING MESSAGE WHICH I HAVE

RESTRICTED

RESTRICTED

48095 - 2

SENT TODAY TO THE GOVERNOR OF PENANG:

I UNDERSTAND THAT PRIME MINISTER HAWKE HAS SENT YOU A MESSAGE ON BEHALF OF KEVIN BARLOW AND BRIAN CHAMBERS. I TOO URGE YOU TO ENSURE THAT KEVIN BARLOW HAS HAD THE FULLEST OPPORTUNITY TO AVAIL HIMSELF OF ALL THE PROCESSES TO WHICH HE IS ENTITLED UNDER MALAYSIAN LAW, AND TO CONSIDER, FOR HUMANITARIAN REASONS, WHETHER IT WOULD BE POSSIBLE TO COMMUTE THE DEATH SENTENCE.

YOURS SINCERLEY,
MARGARET THATCHER
MESSAGE ENDS

3. WE WILL LET UK PRESS KNOW IN TIME FOR SUNDAY BREAKFAST NEWS HERE THAT HMG HAVE MADE A FINAL APPEAL TO THE MALAYSIAN AUTHORITIES IN THE FORM OF A MESSAGE FROM THE PRIME MINISTER. THE TEXT OF HER MESSAGE WILL NOT (NOT) BE DISCLOSED.

(FOR CANBERRA)

4. PLEASE LET PRIME MINISTER HAWKE'S OFFICE KNOW THAT THE PRIME MINISTER HAS SENT A MESSAGE TO THE GOVERNOR OR PANANG IN TERMS SIMILAR TO HIS OWN.

HOWE

OCMIAN 8095

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PS

PS/MR RENTON

Mufaxed to Cheggers
at 2200 hrs. 5/7

PRIME MINISTER

KEVIN BARLOW

I attach advice from the Foreign Office, which I sought earlier today, on whether you should make any sort of further appeal to the Malaysian authorities on behalf of Kevin Barlow. As you will see, Mr. Hawke has sent a message.

The balance of Foreign Office advice is against any further intervention. I have waited during the day to see how much public interest and concern has been generated. The only direct approach to No. 10, and a rather persistent one, has been from Mr. Eric Heffer. He feels that you should make a further appeal. I promised to bring his views to your attention.

I agree with the Foreign Office advice: I do not believe that any further appeal would achieve anything. We have already done everything we can, most recently through Mr. Renton. But you may wish to consider whether a final brief appeal on humanitarian grounds is worthwhile.

Charles Powell

5 July 1986

PRIME MINISTER

Phoned CDP
5/7

KEVIN BARLOW

I attach advice from the Foreign Office, which I sought earlier today, on whether you should make any sort of further appeal to the Malaysian authorities on behalf of Kevin Barlow. As you will see, Mr. Hawke has sent a message.

The balance of Foreign Office advice is against any further intervention. I have waited during the day to see how much public interest and concern has been generated. The only direct approach to No. 10, and a rather persistent one, has been from Mr. Eric Heffer. He feels that you should make a further appeal. I promised to bring his views to your attention.

I agree with the Foreign Office advice: I do not believe that any further appeal would achieve anything. We have already done everything we can, most recently through Mr. Renton. But you may wish to consider whether a final brief appeal on humanitarian grounds is worthwhile.

Charles Powell

5 July 1986

In view of the P.S.

I think we should make a
final brief appeal on humanitarian
grounds. not

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Foreign and Commonwealth Office

London SW1A 2AH

5 July 1986

Duty Officer
No 10 Downing Street

Dear Margo,

MALAYSIA: KEVIN BARLOW

You asked for advice as to whether the Prime Minister should intervene with the Malaysian Prime Minister, now that Mr Hawke has decided to send messages to Dr Mahathir and to the Governor of Penang. We understand that the operative paragraph of Mr Hawke's message to Dr Mahathir reads as follows: "Since matters of life and death are involved here, I appeal to you both officially and as one human being to another to ensure that the two Australians have had a full opportunity to avail themselves of all the proper processes of the law". The existence of this message is now public knowledge in Canberra, and we must assume that its contents will become public before long.

This is a delicate issue on which FCO Ministers consider that the Prime Minister will probably wish to reach her own decision. On balance, our advice is that she should not intervene with the Malaysian Prime Minister, for the following reasons:

- a. A further message is unlikely to make any difference to the fate of Kevin Barlow (who, as you know, is an Australian citizen who enjoys dual nationality).
- b. We have already, three times, asked whether the death sentence on Kevin Barlow could be commuted on humanitarian grounds. The Malaysian authorities have registered our concern, but have confirmed death sentence, which is mandatory under their law for drug trafficking offences.
- c. We have carefully based our earlier appeals on humanitarian grounds, and have specifically said that we were not interfering with the due processes of Malaysian Law. Any further appeal at this stage could only be based on the need to settle all outstanding legal issues before sentences concerned. (The principal outstanding issue is the decision of the Penang High Court to adjourn the defence lawyers')

CONFIDENTIAL

*COF edvised
14.00
9/7/86*

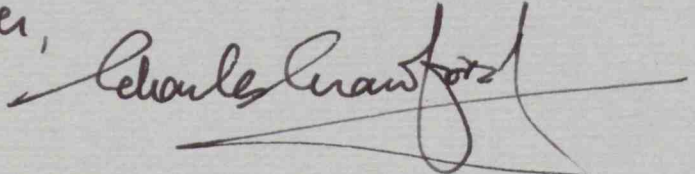


CONFIDENTIAL

appeal on a technicality until 14 or 15 July.) An appeal on these grounds would amount to either interference in, or implicit criticism of, the Malaysian legal process, in a manner which we have hitherto ruled out.

- d. Our High Commissioner in Kuala Lumpur and his Australian colleague have already told the Malaysian Attorney General privately of the importance of all legal avenues being seen to have been exhausted. The Attorney General took the point, but said that, since there were no new facts and no new evidence to influence the court's initial judgment, he did not believe that there was any justification for spinning out proceedings pointlessly for months to come.
- e. There does not seem to be any public pressure on HMG to do more - apart from approaches from a few individuals, such as Lord Gifford of the National Council for the Welfare of Prisoners Abroad. The two men sentenced to death in Malaysia are seen as Australians who are guilty of criminal drug trafficking offences. Meanwhile, HMG is seen as having done all it can on behalf of Kevin Barlow, notably through the personal appeals made by Mr Renton before and during his recent visit to Malaysia.

We must assume that the sentences will now be carried out on Monday morning. If this happens, there may be some questioning of whether with hindsight the Government did all it could to save Mr Barlow's life, and of the reasons why the Prime Minister did not associate herself with Mr Hawke's last-minute appeal. In our view, it will be possible to offer respectable replies to these points, and the balance of propriety and advantage lies with taking no further action with the Malaysian Authorities.

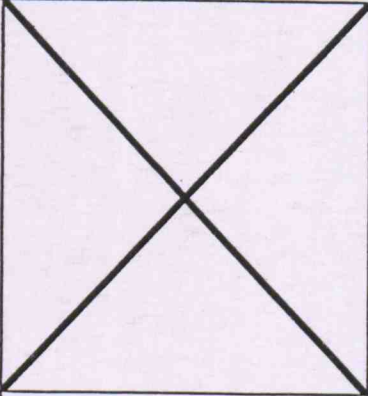
Yours ever,


C G Crawford
FCO Resident Clerk (233.8272)

/P.S

CONFIDENTIAL

A The National Archives

DEPARTMENT/SERIES <i>PCem 19</i> PIECE/ITEM <i>2313</i> (one piece/item number)	Date and sign
Extract details: <i>Attachments to Crawford to Duty Officer, N° 10 dated 5 July 1986</i>	
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DOCUMENT PUT IN PLACE (TNA USE ONLY)	

Instructions for completion of Dummy Card

Use black or blue pen to complete form.

Use the card for one piece or for each extract removed from a different place within a piece.

Enter the department and series,
eg. HO 405, J 82.

Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.
This should be an indication of what the extract is,
eg. Folio 28, Indictment 840079, E107, Letter dated 22/11/1995.
Do not enter details of why the extract is sensitive.

If closed under the FOI Act, enter the FOI exemption numbers applying to the closure, eg. 27(1), 40(2).

Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.



From the Minister for Trade

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215

GTN 215 5144

(Switchboard) 215 7877

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

1st April 1986

Prime Minister

TB SR

Dear Charles,

mt

W

1/4

MALAYSIA: RURAL WATER SUPPLIES

As reported in the press last week, the Biwaters Group have signed a £425m contract for supplying water to Malaysian villages, involving some £200m of UK goods and services which may be secured with £60m of ATP support. The contract would be a considerable boost for Anglo-Malaysian relations.

The press correctly indicated that HMG was looking at the contract details before concluding the Aid and Loan Agreements. This is a risky contract for a company of the size of Biwaters, and from an early stage we have employed Coopers and Lybrand to advise us on the viability of the contract.

Biwaters signed the contract knowing that it would be subject to close HMG scrutiny to determine whether our stated concerns had been met. It is all too clear that the contract is of "marginal" profitability, and Biwaters will be very reliant on Malaysian goodwill for its successful implementation. On the outstanding points we shall seek from the Malaysians a firmer assurance of a waiver of import duties. We shall also seek to reverse a last minute concession by Biwaters relating to local arbitration, and liability to Malaysian tax. Finally, the schedule of payments, which is critical for cash-flow, has yet to be negotiated. Coopers cannot provide their overall advice until these points are resolved.

We are working very closely with ODA and FCO to settle these points quickly, so that ODA and DTI Ministers can then decide on their support for this important contract.

L02AGP



Charles Powell Esq

April 1986

I am copying this letter to Peter Westmacott (FCO), Martin Dinham (ODA) and Richard Broadbent (Treasury).

Yours are,

Paul Haston

PAUL HASTON
Assistant Private Secretary to the
Minister for Trade (Alan Clark)

CF papers
surely.
K. 30/12



10 DOWNING STREET

From the Private Secretary

23 December 1985

MALAYSIA: MR. KEVIN BARLOW

This is to confirm that the Prime Minister agreed that a diplomatic note from the High Commission should be sent to the Malaysian Government, following the text of the draft attached to your letter to Charles Powell of 20 December.

Draft Diplomatic
note vetes.

(Mark Addison)

Robert Culshaw, Esq.,
Foreign and Commonwealth Office.

VC



10 DOWNING STREET

Mark,

Resident Clerk
was told to despatch
telegram on Saturday
morning. NFA unless
you want to confirm
in writing.

Sue
22/12/85.



Foreign and Commonwealth Office

London SW1A 2AH

20 December 1985

Meredith

Prime Minister

Dear Charles,

Agree to the appeal for commutation on humanitarian grounds (i.e. that we don't have the death penalty)? Last view of the precedent, I think we have to do this, but in a very low key way - a third person role.

Malaysia: Mr Kevin Barlow

Peter Ricketts wrote to you about this case on 3 October.

Our practice in cases where a death sentence on a British national overseas is confirmed (whatever his offence) has been to appeal for the sentence to be commuted on humanitarian grounds once all legal processes have been exhausted. The basis for such appeals, for which there is a long tradition, is that the death sentence has been abolished in Britain for many years. Care is taken to make clear that such appeals do not in any way lessen our abhorrence of the drug trade or weaken our support for those countries which have tried to stamp it out.

COP 20/11

Mr Barlow's formal appeal against his death sentence for drug trafficking was rejected by the Malaysian Supreme Court on 18 December; the Court's decision is subject to review by the Governor of Penang advised by the (State) Pardons Board. The Australian Foreign Minister has sought commutation of the death penalty to life imprisonment for Mr Barlow, who holds Australian/British dual nationality, as well as for the Australian who has been condemned with him (Mr Chambers). These Australian pleas are also based on humanitarian grounds, in that the death penalty was abolished in Australia twelve years ago.

We must now decide quickly whether to make a similar request for commutation to life imprisonment for Mr Barlow, and if so, how this should best be done. I recognise that there are difficulties about making any sort of plea. Malaysia's penalties are well known; we vehemently condemn drug trafficking and welcome harsh sentences for offenders; and we must be careful not to suggest that the Malaysians do not have the right to apply the death penalty to a British citizen.

On the other hand we could be criticised for taking no action on behalf of a British citizen condemned to death

/overseas



overseas, particularly in the light of the Australian response. Some might also criticise our refusal to enter a plea as inconsistent with our position over Benjamin Moloise; he was not British and had been condemned to death for murder, yet we joined our EC partners and also the whole Commonwealth (including Malaysia) in entering a plea for clemency for him. Finally, you should be aware that our High Commission in Kuala Lumpur already holds contingency authority to submit pleas for commutation for 8 British Dependent Territories Citizens (BDTCs) from Hong Kong, as does our Embassy in Bangkok for 2 BDTCs and one Hong Kong Certificate of Identity holder, all of whose appeals against conviction for drug offences are pending.

Our judgement is that we should request commutation, but leave the Australians in the lead. This can be achieved by sending a Diplomatic Note (draft enclosed) from the High Commission, rather than a Ministerial message. At the same time our High Commissioner would make clear to the Malaysian Government that we strongly condemn drug trafficking in any form and welcome very harsh sentences. He would also explain that we had and have no intention of trying to interfere in the local legal processes. These points would also need to be made in the briefing we gave to the press, stressing that it is normal practice to enter such a plea for a British citizen condemned to death and in no way diminishes our abhorrence of this offence.

I should be grateful to know whether the Prime Minister is content for such a request for commutation be made for Mr Barlow. If so, it would be best for it to issue soon; our Resident Clerk has a telegram ready which could issue over the weekend.

Yours ever

R N Culshaw

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT DIPLOMATIC NOTE

The British High Commission present their compliments to the Ministry of Foreign Affairs and have the honour on instructions to refer to the sentence of death passed on Mr Kevin Barlow in the Penang High Court on 1 August.

An appeal against sentence was rejected by the Supreme Court on 18 December. As the Ministry may be aware, Mr Kevin Barlow is a dual Australian/British national. Capital punishment was abolished many years ago in Britain. Accordingly no death sentences have been carried out in Britain for over 20 years. While we recognise the seriousness of drug trafficking and the need for harsh penalties it is not a capital offence in Britain. The High Commission wish to express the hope that, in considering whether to commute the death sentence, the Governor of Penang will give full weight to these considerations and to whatever extenuating circumstances there may have been.

In putting forward these points the High Commission are acting solely on humanitarian grounds and are in no way seeking to question the authority of the Malaysian Courts or to suggest that Mr Barlow should not have been sentenced in accordance with Malaysian law.



ce PC
EDD
15/Ki

MO 9/1/1V
MO 27/5

NOTE FOR THE RECORD OF A MEETING WITH DATO' SERI DR MAHATHIR BIN MOHAMED, PRIME MINISTER AND MINISTER OF DEFENCE OF MALAYSIA AT 1500 HOURS ON THURSDAY 7TH NOVEMBER IN THE PRIME MINISTER'S OFFICE

Those present:

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

Dato' Seri Dr Mahathir bin
Mohamed
Prime Minister and Minister
of Defence

Mr D H Gillmore
British High Commissioner,
Kuala Lumpur

Dato' Abang Abu Bakar bin
Datu Bandar Abang Haji
Mustapha
Deputy Minister of Defence

Mr Nicholas Baker MP
Parliamentary Private Secretary

Mr R C Mottram
Private Secretary to the
Secretary of State

After the Secretary of State had expressed his pleasure at being in Malaysia and passed on the Prime Minister's warm best wishes, the conversation turned to the Commonwealth Heads of Government meeting. Dr Mahathir said that he was disappointed with the outcome. He had found that part of the meeting which he had attended rather unsatisfactory. He would need to consider whether he would attend in the future. The Secretary of State suggested that the value of such meetings was the opportunity they provided for discussion in private and for a debate amongst friends. Dr Mahathir seemed unconvinced.

2. Dr Mahathir then raised the recent visit of the two PLO representatives to London. If dialogue was valuable he thought it most regrettable that their meeting with the British Government had not in the event taken place. The Secretary of State said that the arrangements for the visit had been agreed in advance when the Prime Minister was in Amman. In the event the PLO representatives had failed to live up to the commitments they had entered into. The British Government had had no choice but to cancel the meeting once this became clear. King Hussein of Jordan, who had been on a private visit to Britain, had immediately supported the British Government's account of what had earlier been agreed and of the failure of the PLO to live up to it. Dr Mahathir had to recognise that terrorism was a sensitive issue in Britain because of the role of the IRA.



3. The discussion then turned to defence issues. Dr Mahathir said that he had the impression that Britain was not very active in the Five Power Defence Arrangements (FPDA). The Malaysian Government felt it would be helpful to hold more joint exercises in which British forces took part. Malaysia's armed forces would then have the opportunity to test their skills alongside those of their friends. The Secretary of State said that our defence resources had inevitably to be largely concentrated in Europe. Nevertheless, we did make a contribution out of area including periodic deployments by the Royal Navy, joint exercises and the provision of training. The amount of effort that was put into a particular area obviously was influenced by whether one felt one was welcome. There had been a time when perhaps the relationship between Britain and Malaysia had been less than ideal, but he was very glad to say that this now seemed to be passed. He would certainly look at the possibility of Britain playing a bigger part in FPDA exercises. Dr Mahathir commented that Malaysia had a rather boisterous neighbour to her North East. He did not think she was ever going to attack Malaysia. But it helped Malaysia to be able to show that she had allies. He wished therefore to continue with the FPDA.

4. The Secretary of State asked about Soviet influence in the area and in particular the implications of the Soviet base at Camh Ranh Bay. Dr Mahathir was relaxed about the activities of the Soviet Navy and felt that the Soviet Union was not involved in subversion within Malaysia. He was, however, facing pressure over the adverse Soviet trade balance with Malaysia. The Russians were insisting that action was taken or that they would transfer their own business elsewhere. The problem was that it was difficult to find anything to buy from the Soviet Union other than military equipment. The Secretary of State said that, on British experience, one had to guard against the advisers and others that went with a flourishing trade with the Soviet Union, many of whom seemed to be KGB men! Dr Mahathir emphasised that Malaysia needed her trade with the Soviet Union.

5. Dr Mahathir asked about the British view of the likely outcome of the Geneva Summit. The Secretary of State said that as the ground had been prepared over the last few weeks, he had found more grounds for optimism than he had earlier expected. Dr Mahathir expressed doubts about the wish of the US Administration for improved relations with the USSR, but he agreed that Mr Shultz was a man who could be trusted.

6. The meeting ended at 1540 with Dr Mahathir asking that his best wishes should be passed on to the Prime Minister.



7. After a reserved start, the discussion was both lively and friendly. The difficulties which had arisen over the International Tin Agreement were not raised.

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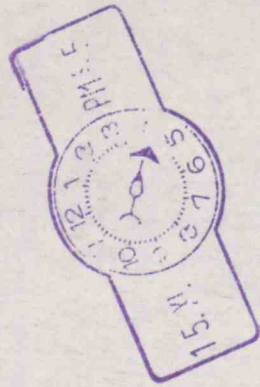
13th November 1985

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 PS/Foreign and Commonwealth
 Secretary
 PS/S of S for Trade and Industry
 D H Gillmore, Kuala Lumpur

Malaysia Relis PA





Foreign and Commonwealth Office

London SW1A 2AH

3 October 1985

Dear Mark,

602
P4 VT

Letter to the Prime Minister from Mr Kevin McNamara MP

As requested in your letter of 9 September, I enclose (with apologies for the delay) a draft reply to Mr Kevin McNamara's letter of 27 August to the Prime Minister about the case of Mr Kevin Barlow in Malaysia.

We suggest that the Prime Minister sticks to the formal line that she cannot prejudge the outcome of a case that is sub judice. This is the line that was taken by Lady Young in her letter to Mr Mark Fisher MP of 7 August; I enclose copies of this and of Mr Fisher's letter of 26 July. It will be some months before the Supreme Court hear Mr Barlow's appeal. Should they reject it, the case will then go to the Pardons Board.

Since the matter is sub judice the draft reply does not take up Mr McNamara's reference to the Prime Minister's answer to a question about Mr Barlow's fate during her visit to Customs & Excise at Heathrow on 9 August, that "there is no point in appealing to us".

Our practice hitherto, in cases where a death sentence on a British national overseas is confirmed (whatever his offence), has been to appeal for clemency on humanitarian grounds once all legal processes have been exhausted. The basis for such appeals, for which there is a long tradition, is that the death sentence has been abolished in Britain for many years. Care is taken to make clear that appeals for clemency do not in any way lessen our abhorrence of the drug trade or weaken our support for those countries who have tried to stamp it out.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

Mark Addison Esq
10 Downing Street

Subject filed in
Dance A7
Arms Control.



MS

10 DOWNING STREET

From the Private Secretary

Prime Minister.

1. We were able to be helpful
to the Americans in Brussels
over language about non-
compliance. I will do you a
reply to the President's message
tomorrow.

2. The Malaysians have at
last rescinded the discriminatory
tax on foreign airlines. Well
done! C.D.P.



Foreign and Commonwealth Office

London SW1A 2AH

24 September 1985

COO 24/1.

Dear Charles,

I enclose a Note from the Malaysian High Commission containing the text of a message of thanks from Dr Mahathir to Mrs Thatcher for her congratulatory telegram on the occasion of Malaysia's National Day.

Yours Sincerely,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T163C/85



CC OPS
MASTER
BS

SEAD

16/9

CT 37/85

The High Commission of Malaysia presents its compliments to the Foreign and Commonwealth Office and has the honour to append below the text of the message for the Right Honourable Mrs. Margaret Thatcher, British Prime Minister, from the Right Honourable Dato Seri Dr. Mahathir bin Mohamed, Prime Minister of Malaysia, for onward transmission to the Office of the British Prime Minister.

"I wish to thank you for your telegram congratulating us on the occasion of Malaysia's National Day on 31st August. May I take this opportunity of expressing the hope that the bilateral relations which our two countries have developed in the previous years will be strengthened further in the coming years. Please accept, Your Excellency, our best wishes to you, your Government and people and for your continued success and well being.

Dato Seri Dr. Mahathir bin Mohamed
Prime Minister of Malaysia."

The High Commission of Malaysia avails itself of this opportunity to renew to the Foreign and Commonwealth Office the assurances of its highest consideration.

LONDON.

12th September, 1985.



PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. TISSC/85

SUBJECT
cc Ops
Master

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Private
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MALAYSIA DAY

1. PLEASE CONVEY TO DR MAHATHIR ON 31 AUGUST THE FOLLOWING MESSAGE FROM THE PRIME MINISTER:

BEGINS: ON THE OCCASION OF MALAYSIA'S NATIONAL DAY, I SEND TO YOU AND TO THE GOVERNMENT AND PEOPLE OF MALAYSIA, MY CONGRATULATIONS AND WARM BEST WISHES ON BEHALF OF THE BRITISH GOVERNMENT AND PEOPLE. MARGARET THATCHER. ENDS

RIFKIND

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10 DOWNING STREET

From the Private Secretary

30 August 1985

MALAYSIAN NATIONAL DAY MESSAGE

The Prime Minister has agreed to send a message to Dr. Mahathir, and has approved the draft sent under cover of your letter of 29 August.

(MARK ADDISON)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

✓



Prime Minister
Can't he send a message to Dr
Mahatma, as drafted? Met 29/8
Foreign and Commonwealth Office

London SW1A 2AH

29 August 1985

Dear Mark,

Yes

Malaysian National Day Message

Malaysia's National Day falls on 31 August. The practice of sending a Prime Ministerial congratulatory message (one was sent in 1984) is not invariable. But in view of Mrs Thatcher's successful visit to Malaysia last spring she may like to send such a message again this year.

I should be grateful, therefore, if you would seek the Prime Minister's agreement for the despatch of the enclosed draft.

Yours Sincerely,

Colin Budd

(C. R. Budd)
Private Secretary

Mark Addison Esq
10 Downing Street



10 DOWNING STREET

THE PRIME MINISTER

PRIME MINISTER'S 8 August 1985

PERSONAL MESSAGE

SERIAL No. T 149/85 a MASZLN
OPS

My dear Prime Minister,

I was glad to learn that arrangements for the introduction of MAS' fifth service to London were successfully concluded at the consultations held in Kuala Lumpur last week. As you know, my officials were under firm instructions from me to implement the agreement in principle which you and I had reached in April. I am sure you hope, as I do, that with the conclusion of this agreement we shall now be able to build on the improved relationship which you and I established during my visit last April and I hope that we shall be able to mark this in a number of ways over the coming months.

I understand that our negotiating team proposed a further package of measures designed to open up new opportunities for both British Airways and MAS within the framework of the agreement. I understand these proposals were regarded as attractive on both sides of the negotiating table and I hope that they can be endorsed in the near future.

When we met in April we also discussed the separate taxation issue. You told me that this matter was being considered by the Malaysian Government and that a reply would be given to the Board of Airline Representatives in Kuala Lumpur. I look forward to learning of your decision on this matter. The tax measure is seriously affecting the ability of both BA and Cathay Pacific to compete with MAS on a fair and equal basis. It is costing our airlines up to

£10 million per annum and has caused Cathay Pacific to defer the introduction of a fifth service between Hong Kong and Kuala Lumpur.

Paul Channon has told me of the warm and friendly reception which he was given during his recent visit to Malaysia. I am sure that improved business and commercial links between our two countries will bring advantage to both sides.

I look forward to meeting you again in London next year.

Warm regards,

Yours sincerely

Raymond Shute

The Hon. Datuk Seri Dr. Mahathir bin Mohamed



10 DOWNING STREET

From the Private Secretary

8 August 1985

The Prime Minister has now seen your Secretary of State's minute of 7 August about UK/Malaysian Air Services and has signed a letter to Dr. Mahathir as proposed.

I should be grateful if Peter Ricketts, to whom I am sending a copy of this and the top copy of the message, could arrange for its transmission. I am also sending a copy of this to Andrew Lansley (Department of Trade and Industry).

Tim Flesher

Richard Allan Esq
Department of Transport

MS 2A/H ✓

Rue

✓



Prime Minister:

3

Prime Minister

A draft letter
to Dr Mahathir is
attached

UK/MALAYSIAN AIR SERVICES

JK
7/8

When we met to discuss this subject on 4 July you agreed that it might be appropriate for you to send a message to Dr Mahathir in due course.

Now that the negotiations about the fifth frequency have been successfully concluded, I think it would be timely for you to write, drawing attention to what has been done to honour the undertakings you gave and taking the opportunity to remind him that we are still awaiting a satisfactory response on the tax discrimination issue. Without establishing any formal linkage it would also be worth referring to Paul Channon's recent visit and our interest in improved business and commercial links.

I am sending copies of this minute and of the attached draft to Geoffrey Howe and Norman Tebbit, whose Departments have both agreed at official level that a message on these lines would be useful.

R. A. Allan.
(Private Secretary)

for NICHOLAS RIDLEY
7 August 1985

(Approved by the Secretary of State
and signed in his absence.)



File No

10 DOWNING STREET

From the Private Secretary

5 August 1985

Thank you for your letter of 2 August to Charles Powell about Malaysian Air Services. This is to record that the Prime Minister is grateful for this report and agrees that, as envisaged in your letter, she should write to Dr. Mahathir.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office) and John Mogg (Department of Trade and Industry).

TIMOTHY FLESHER

Richard Allan, Esq.,
Department of Transport.

BA

RESTRICTED

(2)



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Rune Riste

DP 2/8

2 August 1985

Charles Powell Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear Charles,

*I think we should write
to Dr. Mahathir
ml*

AIR SERVICES: MALAYSIA

In view of the Prime Minister's personal interest in this subject, you will wish to know that final agreement on the arrangements for the introduction of the fifth MAS service to London from July 1986 was reached at the consultations which took place in Kuala Lumpur earlier this week. The arrangements included a pro rata increase in the seat limitation from the same date, and corresponding rights for BA.

In the course of the negotiations our team also made proposals to lift the seat restrictions on all five services and expand the opportunities for both airlines to carry passengers to and from additional points along the routes they both serve. Both sides saw considerable attractions in this and agreed to meet again in London on 10 September, when we hope the new package can be agreed. In any case the proposal, which was clearly identified as a British proposal, showed us for once in a favourable light at the joint press conference called to celebrate the final agreement on the fifth frequencies.

We are now considering with the FCO whether to advise the Prime Minister to write to Dr Mahathir as envisaged in your letter recording the meeting on this subject on 4 July.

I am copying this letter to Peter Ricketts (FCO) and John Mogg (DTI).

*Yours sincerely,
Richard Allan*

R A ALLAN
Private Secretary

RESTRICTED

V4781

DRAFT LETTER FROM THE PRIME MINISTER TO DR MAHATHIR

I was glad to learn that arrangements for the introduction of MAS' fifth service to London were successfully concluded at the consultations held in Kuala Lumpur last week. As you know, my officials were under firm instructions from me to implement the agreement in principle which you and I had reached in April. I am sure you hope, as I do, that with the conclusion of this agreement we shall now be able to build on the improved relationship which you and I established during my visit last April and I hope that we shall be able to mark this in a number of ways over the coming months.

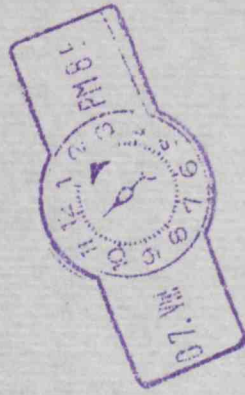
I understand that our negotiating team proposed a further package of measures designed to open up new opportunities for both BA and MAS within the framework of the agreement. I understand these proposals were regarded as attractive on both sides of the negotiating table and I hope that they can be endorsed in the near future.

When we met in April we also discussed the separate taxation issue. You told me that this matter was being considered by the Malaysian Government and that a reply would be given to the Board of Airline Representatives in Kuala Lumpur. I look forward to learning of your decision on this matter. The tax measure is seriously affecting the ability of both BA and Cathay Pacific to compete with MAS on a fair and equal basis. It is costing our airlines up to £10m per annum and has caused Cathay Pacific to defer the introduction of a fifth service between Hong Kong and Kuala Lumpur.

Paul Channon has told me of the warm and friendly reception which he was given during his recent visit to Malaysia. I am sure that improved business and commercial links between our two countries will bring advantage to both sides.

I look forward to meeting you again in London next year.

MALAYSIA : Relations : Aug 1979



PART 1 ends:-

Kuala Lumpur Tel 380 31.7.85

PART 2 begins:-

Dept. Transport to CDP 2.8.85.



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