

PREM 19/1497

PART 2

WT

TOP SECRET

CONFIDENTIAL FILING

Prime Minister's Visit To South /
East Asia 4-14 April 1985.

FOREIGN POLICY

Policy.

Part 1: December 1984

Part 2: April 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
4.4.85							
PART ENDS							

PART 2 ends:-

Cabinet Office to Airborne tel 2 4.4.85

PART 3 begins:-

Draft Tel. 223 5/4/85.

04 APR 1985

JOR 04/1839z

ZCZCFW0857
AAAA
041630Z APR 85
FM CABINET OFFICE
TO AIRBORNE 002 IMMEDIATE
BT
RESTRICTED
AIRBORNE TELEGRAM NUMBER 002

FOR POWELL, PRIME MINISTER'S PARTY FROM ADDISON, 10 DOWNING STREET
AVAILABLE REFERENCE WORKS CLEAR. LIANAS NOT, REPEAT NOT, ACQUATIC.
THEY ARE VINE-LIKE CREEPERS. RAFFLESIAS GROW IN THEIR TANGLED BASE.
HENCE THE RAFFLESIAS HABITAT DOES NOT - IN ANYONE'S PARLANCE -
MAKE THEM WATER LILIES. NOR DOES THE PICTURE WE HAVE SUGGEST THEY
LOOK LIKE THEM. BUT ENCYCLOPAEDIA CONFIRMS THEY ARE INDEED THE
WORLD'S LARGEST FLOWER (EVEN IF THEY DO SMELL, ATTRACT CARRION-
EATING FLIES, AND AMOUNT TO WHAT MOST WOULD REGARD AS AN OVERSIZED
FUNGUS). CONCLUDE REFERENCE TO +WATER LILIES+ SHOULD BE DELETED.

GREENFINGERS

GRS 00100
NNNN

08036 FFNRE

E. R.

04 APR 1985

Following for Flesher, 10 Downing Street, from
Powell (Airborne)

Reply regarded as bordering on disloyal. Please report
soonest exact status of lianas. Are they not aquatic? And
were Rafflesia to grow on top, could they not defensibly
be regarded in common parlance as water lilies? They
certainly look like them. Please consult MAFF, National
Plant Research Laboratory and Kew.

You will know that alterations to speech must at all costs be
avoided. Supporting evidence of link with water lily a
must.

Percy Thrower to you.

TOD 04/1420

NR 003

D.T.F. 04/1400

TOR 04/1236

04 APR 1985

AAAA

041205Z APR 85

FM CABINET OFFICE

TO AIRBORNE 1 IMMEDIATE

BT

RESTRICTED

TELEGRAM NUMBER AIRBORNE 001

FOR POWELL, PRIME MINISTER'S PARTY FROM FLESHER, 10 DOWNING STREET.

BOTH YOU AND HM AMBASSADOR INDONESIA ARE RIGHT.
RAFFLESIA ARNOLDII IS THE LARGEST KNOWN FLOWER IN THE WORLD
WITH A FLOWER MEASURING ABOUT ONE YARD ACROSS. IT IS NOT
HOWEVER A WATER LILY: IT IS A LEAFLESS PARASITIC PLANT WHICH
GROWS ON LIANAS. THE FLOWER, DESPITE ITS SIZE, IS NOT A THING
OF BEAUTY. ENCYCLOPAEDIA BRITANNICA RECORDS THAT IT REMAINS
OPEN FOR FIVE TO SEVEN DAYS EMITTING A FETID ODOUR THAT
ATTRACTS CARRION-FEEDING FLIES, WHICH ARE BELIEVED TO BE
THE POLLINATING AGENTS.

ANY MORE FOR GARDENERS' QUESTION TIME?

GRS 00100

NNNN

E. R.

04 APR 1985
04 APR 1985

FOR FLESHER, 10 DOWNING STREET, FROM POWELL

I am in telegraphic dispute with HM Ambassador, Indonesia, about exactly what the Rafflesia is. I read somewhere that it is a giant water lily, the largest plant in the world. He maintains it is a leafless parasitic plant which grows on lianas. Grateful for definitive view soonest. If it's not a water lily, we have to change a speech! Please telegraph aircraft.

D.T.G. 04/1105 ≠ NR002
10D 04/1109 ≠

END TFC LCB152

ZCZCLCB153

AAAA

041105Z APR 85

FM AIRBORNE

TO CABINET OFFICE 002 IMMEDIATE

BT

~~SECRET~~

FROM PRIME MINISTERS PARTY.
FOR FLESHER, 10 DOWNING ST., FROM POWELL.

I AM IN TELEGRAPHIC DISPUTE WITH H.M. AMBASSADOR, INDONESIA,
ABOUT EXACTLY WHAT THE RAFFLESIA IS. I READ SOMEWHERE THAT
IT IS A GIANT WATER LILY, THE LARGEST PLANT IN THE WORLD. HE
MAINTAINS IT IS A LEAFLESS PARASITIC PLANT WHICH GROWS ON LIANAS.
GRATEFUL DIFINITIVE VIEW SOONEST. IT IT'S NOT A WATER LILY,
WE HAVE TO CHANGE A SPEECH EXCLAIM. PLEASE TELEGRAPH AIRCRAFT.

BT

GRS 00080

NNNN

Mr Powell

I have delivred
to Jim Wightman
D/Pel with request he
does not identify
Bumby Leary

4

Whole
string.

3 No 10

1122

(1)

FOR. PDL

SE Asia PE 2

visit

Bl up

29.4

ce STPPS?



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/
Secretary of State for Trade and Industry

4 April 1985

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

Dear Charles,

LETTER FROM MR MICHAEL NIGHTINGALE, CHAIRMAN OF THE
ANGLO-INDONESIAN CORPORATION TO THE PRIME MINISTER

Mr Nightingale seeks the Prime Minister's help, during her visit to Indonesia, to resolve a problem they have with the Indonesian authorities in obtaining land on which to develop a plantation in Sumatra.

2 The history, very briefly, is that in 1971 AIC were granted a concession of virgin forest land in Northern Sumatra as part of the compensation for estates in Java seized by the Indonesian authorities during 'confrontation' in the mid-60s. For one reason or another AIC did not seek to develop it until 1979. In the interval, the rules on land tenure had been changed. Rising nationalisation had brought forth legislation permitting only Indonesians to hold the title to land. AIC were forced to find a suitable Indonesian partner. There were long drawn-out negotiations about the precise location and parcels of land which should form AIC's concessions at Riau. These negotiations are still continuing. The political sensitivities for the Indonesian authorities are considerable but other British organisations (notably CDC and Harrisons and Crosfield) have resolved similar difficulties amicably. AIC have a good case but it is widely thought that their abrasive, confrontational style of negotiating and their insistence on discussions only with top level Indonesians has contributed a great deal to the difficulties and delays. We understand that the latest position, however, is that AIC are considering two alternative areas which appear to have been offered by the Indonesians.

3 Meanwhile two other ventures with which AIC are concerned, a tea plantation in Java and the Tasik oil-palm estate mentioned in Mr Nightingale's letter, which have both had more than their share of problems in the past, appear to be going well.

JHICER



4 Given the long and sensitive history of the Riau case it would seem inappropriate for the Prime Minister to raise it with Indonesian Ministers. Chris Benjamin of PEP Division here will, however, be briefed on it and if a suitable opportunity arises he might mention it as a case which, unless settled quickly, could discourage other UK investors from putting money into Indonesia.

Yours sincerely,

Maureen Dodsworth

MAUREEN DODSWORTH
Private Secretary

JH1CER



From: Michael Morris MP Northampton South

VISIT TO INDONESIA

12th - 17th January, 1985

Background

The visit arose from my attendance at an investment seminar on Indonesia held in the autumn. Prof. Dr. Sumarlin who led the delegation to the UK asked me if I would visit his country as a guest and I accepted.

Meetings

During my stay in Jakarta I had formal meetings with :

Prof. Dr. J.B. Sumarlin: Minister for National Development - my host.

Prof. Dr. Ing. B.J. Habibie: Minister of Research & Technology.

Mr. Speaker: H.E. Mr. Amir Machmud

Foreign Minister: Prof. Dr. Mochtar Kusumaatmadja

Nurtanio senior management: Air Vice Marshall Suwondo and Mr. Suropto Sugondo.

British Ambassador: H.E. Alan Donald

Harrisons & Crosfield: G. Browne

Belawan Harbour management.

Ken Mount: P.T. Wheelock Marden - Indonesia British Council:

Dr. J.C. Blackwell



Assessment

It would be invidious to give any detailed economic assessment based on a five day visit. The facts speak for themselves; namely it is the 5th largest country in the world with a population of 160 million and an average per capita income that takes it out of the poorest nations. There is a dynamism and commitment of purpose to Indonesia that I have never witnessed anywhere else. There are problems because of the economy's dependence on oil and natural gas and the sheer scale of the numbers coming on the labour market each year; 1.8 million a year, but the overseas debt is under control and inflation appears to be a genuine 10%.

Attitude

I was surprised to discover a very pro-British attitude: in fact the two Western nations most respected are West Germany and Britain. Whilst the dominant trading partner is the USA, there was almost a hostile attitude towards the United States.

Development Finance

The whole strategy of the economic development is to encourage inward investment in partnership with Indonesian capital, particularly in technology transfer markets. Successful propositions put to the Indonesian Government are likely to be on the basis of soft loans rather than grant aid and commercial loans. I found evidence of loans from West Germany quite often at 6 - 8% over 25 years.

I believe our Department of Trade & Industry should study the situation and use such aid as we intend to give in the form of pump priming of soft loans. Inevitably I contrasted the amount of aid we give to India with that of Indonesia. A doubling or more of our aid to Indonesia used as I have suggested would produce returns far above that obtainable elsewhere in S.E. Asia or the Indian subcontinent.



Opportunities

I came away with evidence of several areas for potential investment.

1. Infrastructure: the sheer vastness of the country necessitates investment in airports, harbours, dams etc. We have a good reputation in this area with companies like Balfour Beatty. I confess to be amazed why ODA appointed two different consulting engineers to Phase I and Phase II of the Belawan Port. The result is a dissipation of effort, rivalry and a poor return to UK Ltd.
2. Power Generation: although a number of contracts have recently been awarded to our rivals, there are a substantial number of contracts in the pipeline, GEC should be encouraged to treat this market seriously.
3. Indonesianisation: the strategy is to gradually switch from imports to local manufacture; nowhere was this more evident than at the Nurtanio aircraft factory I visited. There seem to me to be opportunities for companies like: Smiths Industries, Lucas, Tube Investments, Plessey, IMI and GEC.
4. Plantations: Harrisons and Crosfield clearly are held in high esteem. The whole agriculture and plantation sector seems to offer potential, not least in terms of management expertise.
5. Tourism: Although I did not visit the main tourist island Bali, there is little doubt that Indonesia intends to develop tourism with the support of foreign investment.
6. Medical Exchanges: At the moment, nearly all the exchanges are done with the USA and Germany. I received a plea that there should be a closer link with some of our specialist hospitals. Hospital development is a major growth market but at the moment it is all going elsewhere.



7. Defence: Undoubtedly there has been a good reaction from the visits made by Ministers and senior forces personnel. Our commitment and professionalism are greatly respected as is our after sales service. The Indonesians also welcome the opportunities for technology transfer. The potential for military sales is very high.

8. Students: The British Council appear to be doing a sound job in teaching English. There is, however, an insatiable desire by Indonesians to travel and study abroad. At the moment the chief recipients are Western Germany and the USA. Since the specification of future orders is often dependent on a man's training, it seems clear that UK Ltd. needs to assess how we can get a larger share of this market.

9. Aid - British Ships: It was made quite forcibly clear to me by the British community that goods purchased with British aid should be delivered in British ships. Apparently the Germans, Americans and French do this and everyone wonders why we do not.

Conclusion

I came away totally enthused by Indonesia. I repeat there is a vibrancy and commitment to investment that we no longer see in the West. Attitudes to Britain are very positive. We need companies to show real interest and to back them up with discounted soft finance at low but still viable interest rates. Given real commitment I see no reason why Indonesia should not become as important as Nigeria has been.



From: Michael Morris MP Northampton South

VISIT TO SRI LANKA

5th - 12th January 1985

Meetings

During my brief stay I had formal meetings with the following :

H.E. J.R. Jayewardene - President - 45 mins with Deputy High Commissioner J. Nason

Hon. A.C.S. Hameed - Foreign Minister

Hon. Lalith Athulathmudali - Minister of National Security

Hon. A. de Alwis - Minister of State

Hon. G. Jayasuriya - Minister of Agricultural Research

Hon. Festus Perera - Minister of Fisheries

Dr. Tiruchelvan - Former MP and member of TULF

Our new High Commissioner kindly organised a dinner party for my wife and I. Amongst the guests were Minister of Finance, Ronnie de Mel and Hon. Gamini Dissanayake. In addition, I met a number of friends from the private sector.

Observations

In general terms the security situation has markedly deteriorated since my visit last May. Jaffna is to all intents and purposes cut off and there has been a major breakdown of security in the East. There were clear signs of a resurgence of Government law and order in the East but nothing appeared to be happening in the North.

(1) All Party Conference

The President was insistent that when TULF left the Conference he thought he had an agreement and that they were going to India just to clarify one or two items. He claims he was astounded when they telephoned to say it was unacceptable. He was at pains to describe to me the lengths to which he had gone, not least the



draft legislation. He seemed satisfied that Mr. Cyril Matthews had now gone. He asserted that he was not down hearted but he would now go ahead and implement proposals (undefined) for the North and East.

(2) Terrorist Groups

These are now much stronger than they were just 7 months ago. There are, according to Dr. Tiruchelvan, four major groupings but maybe as many as 35 different factions. He claims there are only 1000 armed men with a back up of maybe 4000 helpers. Other views are that the number of armed men may be as high as 3000. They are well armed with Indian and Soviet equipment and reasonably well trained. India continues to give refuge to the terrorists and, indeed, to allow training on her territory. The Government are not doing too well except in the East where the Special Task Force of police is operating. The Government strategy appears to me to be one of rescuing the East before deciding what to do in the North.

(3) India

There appears to be no change in India's position since the election. Rajiv Gandhi doesn't yet accept the full involvement of Tamil Nadu with the Sri Lankan terrorists.

I sensed an obvious touchiness and resignation in Colombo from the President and others. They accept India is the dominant power in the region. They are not prepared to go to Delhi, cap in hand, begging for help.

(4) Armed Forces

The army is still improving but the Ministers and senior officers are still worried about it being trigger happy.



One battalion has been de-commissioned and there are some rumours of a military takeover (which doesn't seem very likely to me).

(5) Human Rights

There are undoubtedly still problems with the security forces. However, inquests are going much better although there are still criticisms; notification of people arrested is also much improved. However, after the terrorist raids on the fishing villages and the massacres at Dollar and Kent Farm attitudes in the Government have undoubtedly hardened.

(6) Economy

The economy is undoubtedly badly affected. Some 20% of rice is not being properly planted or harvested. Fishing has been decimated with production down 40% - 50% because the fishermen have been removed from their villages in the North and the East; the more productive seas. There are over 6000 fisher folk in the refugee camps in Negombo.

In total some 40,000 people are now in receipt of food stamps. Rs. 300 per individual per month.

Tourism is still badly affected. Bookings were quite good until the breakdown of the All Party talks. Occupancy in November - to end January in the South West was quite good 80%+ but now the forward bookings are poor. There is no evidence of any adverse effect in the S. West however the cultural triangle must be a little bit of a worry.

(7) Aid

UK stock remains high because of Victoria. The Airport project appears to be going well and there is some evidence that the Cable & Wireless proposal to run the telephone system is still making progress.



The key issue remains Samarawella. My views are well known and reinforced by what I found on this visit. Every Minister to whom I spoke made Samarawella their No. 1 priority including, after some reflection, Ronnie de Mel. I understand Balfour's, the French and Japanese have put together a proposal. I hope ODA will agree to fund the feasibility study and that ECGD will give cover for the main funding even though it be above Sri Lanka's credit limit. There is little doubt that companies like Balfour Beatty get spin off contracts particularly on roads, if they are already there on the ground.

(8) Tamil Problems

Apart from the obvious problems of life in Jaffna which is virtually at a standstill, the grievances of the Tamils remain :

- (a) The language in terms of ensuring the law is followed.
- (b) University places.
- (c) Fair prices and a guaranteed market for produce.

Future

The President is emphatic he will now ignore TULF, hold elections in Jaffna and the East and implement some form of limited devolution. I question the extent to which he can take his senior UNP ministers with him. It is clear that all of them have spent the last six months building up their own power bases to safeguard their own positions. Moreover, the SLFP and Cyril Matthews are not being the least bit cooperative. I am also worried about the commitment to Sri Lanka of the Colombo Tamils. The owners of the Maharaja organisation have clearly sold out and moved funds abroad. There appears to be no willingness by the Colombo Tamils to speak out and support their brothers in the North. The key to the problem lies with India but I suspect Rajiv Gandhi quite likes to see Sri Lanka squirming.



From: Michael Morris MP Northampton South

Sri Lanka - Aid Programme

In view of the Prime Minister's impending visit to open the Victoria Dam, there is the problem and/or opportunity of Samanalawewa which will undoubtedly be raised by President Jayewardene.

Background

The very success of Victoria, albeit at high cost to the British taxpayer, has created a pro British atmosphere and created opportunities that should be capitalised upon.

Samanalawewa

The Mahawehli project will not meet all Sri Lanka's power needs. Two alternative schemes were considered, a coal fired station at Trincomalee and the dam at Samanalawewa. The latter has just been given priority by the Sri Lankan Government.

A joint UK/Fr./Japan bid is being assembled with Balfour Beatty in charge. At the moment a key missing element is a firm package of finance from UK.

Department of Trade have indicated that £12M of A.T.P. will probably be forthcoming which is fine.

ODA have been asked for £9M spread over 5 years (i.e. just under £2M p.a.) for design engineering but their response appears to be negative. In my experience they are against big capital projects and in favour of rural schemes, although to be fair, they supported enthusiastically my English language proposals.

There appears to be a degree of procrastination going on between departments and the parties involved.

Question:

Would the Prime Minister on her visit to Sri Lanka be in a position to announce a British initiative on Samanalawewa amounting to the following:

- i. A joint British/French/Japanese consortia led by Balfour Beatty for a total of

Britain	£60M
France	£55M
Japan	£55M



ii. British Finance to be :

ODA design engineering : £9M over 5 years

ATP : £12M

Private sector finance : £39M
with ECGD cover

If no announcement is made I fear the project in toto will be lost to the Japanese.

The point of contact in the UK is :

Colin Sanderson,
Balfour Beatty Limited,
7 Mayday Road,
Thornton Heath,
Surrey CR4 7XA.

01 684 6922



16
9

10 DOWNING STREET

From the Private Secretary

4 April 1985

Dear Qidad,

Visit by the Prime Minister to Saudi Arabia: Tornado

Thank you for your letter of 2 April enclosing a brief on Tornado for the Prime Minister's visit to Saudi Arabia.

You also asked whether the Prime Minister would wish Sir James Blyth to be present at her meeting with King Fahd. The Prime Minister has said that she does not think that it would be appropriate on this occasion. She would not wish this to be pursued further.

*Yours sincerely
Charles Powell*

Charles Powell

Richard Mottram Esq
Ministry of Defence.

SP



10 DOWNING STREET

From the Private Secretary

4 April 1985

This is just to confirm that the Prime Minister saw your letter of 2 April about her forthcoming visit to Singapore before her departure. She was grateful to you for writing.

(Timothy Flesher)

Geoffrey Dickens, Esq., MP.

255



Foreign and Commonwealth Office

London SW1A 2AH

3 April 1985

*Dear Charles,*Civil Aviation: Malaysia

Kuala Lumpur telno 214, reporting Mr Gillmore's meeting with Dr Mahathir, shows that the Malaysians have no inclination to seek in advance of the Prime Minister's visit a compromise solution to the Air Services dispute along the lines agreed with the Prime Minister last week.

Air Services will therefore inevitably be a major item in Dr Mahathir's agenda for talks with the Prime Minister. There are a number of possible outcomes which can be listed in descending order of desirability:

- (a) Dr Mahathir agrees to drop the tax measure; we agree to a fifth service to begin in 1987; public announcement that agreement has been reached, details to be worked out by officials, including possibility of a 1986 start;
- (b) Dr Mahathir agrees privately that the tax measure will be reconsidered in due course; we confirm willingness to introduce a fifth frequency in 1987 once measure has been removed; public announcement that matter has been discussed constructively and officials will follow up;
- (c) Dr Mahathir refused to offer any commitment over tax measure; we say we shall have to consider further steps (unspecified); public announcement that there has been no agreement but discussions will continue;
- (d) Dr Mahathir obdurate and demands our agreement to fifth frequency; we riposte by threatening to call for consultations, perhaps in company with other airlines concerned, and mention possibility of terminating Air Services Agreement; public announcement that no agreement has been reached.

There is still a possibility, as Mr Gillmore says, that (a) may be achievable. Dr Mahathir may have it in mind to keep any concession up his sleeve until the last minute during his actual discussion with the Prime Minister. This would be consistent both with his character and perhaps a wish to take personal credit for a diplomatic success. We should certainly continue to work for such an outcome.

/Nevertheless



Nevertheless, we may have to accept that, realistically, the best we are likely to achieve is (b). Such an outcome would be reasonably consistent with the hints we have received of what the Malaysians could accept provided they did not have to announce publicly that they had made any concessions. If this line were agreed, the next step would be for us to reopen Air Service talks between the two Governments to see what further progress could be made; but it would have to be on a strict understanding that the starting of a fifth frequency would be dependent on the prior removal of the tax measure and that agreement on the one would be conditioned upon a firm commitment about the other. Dr Mahathir's clear agreement on this point would be essential.

If we were unable to achieve either of the first two outcomes above, that at (c) would probably represent the only other outcome which would allow the remainder of the visit to continue relatively unaffected and which would avoid damaging repercussions to our bilateral relationship. The object would be essentially to achieve a breathing space with the possibility, which could be mentioned, that the Prime Minister would be prepared to continue discussing the subject with Dr Mahathir during his private visit here later in the month (18-20 April). This offer might be sufficient to convince Dr Mahathir that, while firm on the details, we were still prepared to try and find an amicable solution; but we would not, I think, be able to hold out the possibility of reopening talks at official level until more common ground between our two positions had been found.

Outcome (d) would clearly imply an open confrontation and almost certainly the souring of the atmosphere for all further talks during the visit. We should also have to accept that the consequences could well involve damage to our commercial interests over a wide range and possibly the reimposition by Dr Mahathir in some form of his "Buy British Last" policy. There would certainly be a strong chance of such a reaction to any threat on our part to terminate the Air Services Agreement; calling for consultations under the Agreement in order to study the effects of the Malaysian tax measure might be less provocative in his view. The repercussions would still be likely to be severe so far as our relations with Malaysia were concerned and there would also be inevitable and adverse effects on the visit.

I am sending copies of this to Richard Allen (Department of Transport) and Richard Hatfield (Cabinet Office).

Yes we
 (P F Ricketts)
Private Secretary

Peter Ricketts

C D Powell Esq
 10 Downing Street



FLASH

ADVANCE COPY

MAED

SEAD

Ps

Ps/MR LUCE

Ps/MR RENTON

Ps/PUS

SIR W HARDING

MR BRAITHWAITE

MR WILSON

MR O'NEILL

KL/FCO 002/02

ZZ FCO

GRS 850

FLASH

CONFIDENTIAL

FM KUALA LUMPUR 021100Z APR 85

TO FLASH FCO

TELEGRAM NUMBER 214 OF 02 APRIL

YOUR TELNO 180: PM'S VISIT: AIR SERVICES DISPUTE
SUMMARY

1. I HAD MORE THAN AN HOUR WITH DR MAHATHIR THIS AFTERNOON. THE BULK OF THIS TIME WAS DEVOTED TO THE AIR SERVICES ISSUE. HE WAS RELAXED AND COURTEOUS, BUT QUITE UNBENDING. NONE OF THE IDEAS I PUT TO HIM EVOKED A CONSTRUCTIVE RESPONSE.

DETAIL

2. I WENT OVER THE MAIN ISSUES WHICH WE EXPECTED TO BE RAISED DURING THE BILATERAL TALKS ON 5 APRIL MENTIONING THE MAIN CONTRACTS IN THE PIPELINE OF INTEREST TO UK COMPANIES AND INVITING DR MAHATHIR TO COMMENT. BUT PRACTICALLY ALL OF OUR CONVERSATION WAS DEVOTED TO THE AIR SERVICES DISPUTE. I EMPLOYED THE LINE IN PARAGRAPHS 2(A) AND (B) OF YOUR TELNO 165, REHEARSING THE BACKGROUND TO THE AIRLINE TALKS AND THE CONCLUSION THAT HAD BEEN REACHED ABOUT LIKELY AIR TRAFFIC GROWTH ON THE KUALA LUMPUR/LONDON ROUTE. I TOLD HIM OF MY TALK WITH DAIM ZAINUDDIN (MY TELNO 195) AND, REFERRING TO THE ASSURANCE WHICH DAIM HAD GIVEN ME ABOUT WITHDRAWAL OF THE TAX LEGISLATION AT THE NEXT BUDGET, SAID THAT THIS WAS A LONG WAY OFF AND WOULD MAKE IT VERY DIFFICULT FOR THE PRIME MINISTER PUBLICLY TO ANNOUNCE A SOLUTION TO THE AIR SERVICES PROBLEM AS SHE WISHED.

3. DR MAHATHIR SAID THAT THE AIR SERVICES ISSUE WAS THE ONE OUTSTANDING MATTER OF CONTENTION BETWEEN THE TWO COUNTRIES. THE SUCCESS OF THE PRIME MINISTER'S VISIT WOULD BE JUDGED BOTH HERE AND, HE THOUGHT, IN THE UK IN RELATION TO THIS ONE ISSUE. IN HIS VIEW THE...

DING MATTER OF CONTENTION BETWEEN THE TWO COUNTRIES. THE SUCCESS OF THE PRIME MINISTER'S VISIT WOULD BE JUDGED BOTH HERE AND, HE THOUGHT, IN THE UK IN RELATION TO THIS ONE ISSUE. IN HIS VIEW THE 5TH FREQUENCY WAS A TOTALLY DIFFERENT MATTER FROM THE PROBLEM OF THE TAX LEGISLATION SEMI COLON THE TWO SHOULD BE TREATED QUITE SEPARATELY. I HAD TO UNDERSTAND THAT IT WAS OUT OF THE QUESTION FOR THE MALAYSIAN SIDE TO BE SEEN TO YIELD TO PRESSURE FROM BRITAIN; A NUMBER OF GOVERNMENTS HAD PROTESTED AND IT WAS A MATTER TO BE DEALT WITH VIS-A-VIS ALL OF THEM, NOT JUST BRITAIN. DR MAHATHIR SAID THAT THE REMOVAL OF THE "BUY-BRITISH-LAST" EDICT IN 1983 SO SOON AFTER HIS VISIT TO LONDON HAD LED TO CRITICISM THAT HE HAD GIVEN WAY TOO EASILY TO THE PRIME MINISTER; HE COULD NOT TAKE THE RISK OF SUCH CRITICISM AGAIN (SIC).

4. FURTHERMORE, DR MAHATHIR MADE CLEAR, HE WAS NOT CONVINCED THAT THE DAMAGE TO BRITISH CARRIERS WAS AS BAD AS WE PRETENDED. HE COULD NOT, FOR EXAMPLE, UNDERSTAND WHY IT HAD BEEN POSSIBLE FOR THE JAPANESE AND AMERICANS SO RECENTLY TO AGREE TO THE NEW TRIANGULAR DEAL FOR A TRANS-PACIFIC SERVICE TO CALIFORNIA IN SPITE OF THE TAX ISSUE, WHEREAS WE COULD NOT MAKE A GESTURE ON THE 5TH FREQUENCY WHICH WAS LONG OVERDUE. THE JAPANESE IN PARTICULAR, THANKS TO THE DIRECT INTERVENTION OF NAKASONE, HAD GIVEN THE MALAYSIAN AIRLINE EVEN MORE IN TERMS OF CAPACITY THAN THE MALAYSIANS HAD ANTICIPATED. WHY WAS IT ALWAYS THE BRITISH WHO MADE DIFFICULTIES?

5. I AGAIN WENT OVER THE GROUND CAREFULLY, EMPHASISING THE LOSSES INCURRED BY BRITISH CARRIERS BECAUSE OF THE TAX MEASURE, WHICH WAS ITSELF A DIRECT BREACH OF THE AIR SERVICES TREATY, AND THE IMPOSSIBILITY OF A CONCESSION OVER THE 5TH FREQUENCY WITHOUT AN ASSURANCE ON THE WITHDRAWAL OF THE TAX MEASURE. I SAID THAT, EVEN WITH A PRIVATE ASSURANCE, I, PERSONALLY, COULD NOT SEE HOW THE PRIME MINISTER COULD PUBLICLY OFFER THE 5TH FREQUENCY. DR MAHATHIR REVERTED AGAIN TO THE JAPANESE EXAMPLE: NAKASONE HAD DONE IT, WHY NOT MRS THATCHER? ON MY REFERENCE TO A PERSONAL ASSURANCE, HE SAID HE COULD NOT IN ALL HONESTY OFFER THE PRIME MINISTER EVEN THIS. CERTAINLY THE WHOLE QUESTION OF THE TAX LEGISLATION WOULD BE REVIEWED BUT HE COULD NOT SAY EXACTLY WHAT THE OUTCOME WOULD BE. (COMMENT: IN THIS RESPECT HE WENT LESS FAR THAN DAIM TO ME LAST WEEK.)

6. ON A PERSONAL BASIS I ASKED IF THERE WAS ANY POSSIBILITY THAT THE MALAYSIAN SIDE COULD ANNOUNCE A "REVIEW" OF THE TAX MEASURE BEFORE THE PRIME MINISTER'S ARRIVAL. HE TURNED THIS DOWN FLAT. WE WENT OVER THE SAME GROUND AGAIN FOR THE THIRD TIME DURING WHICH I DETECTED NO CHINK IN HIS POSITION. HE EVEN REITERATED THE OLD CANARD ABOUT THE MAS ORDER FOR BOEING 747S WITH ROLLS ROYCE ENGINES. I SAID THAT IT WAS NOT TRUE THAT WE HAD FAILED TO HONOUR OUR WORD; FOLLOWING THE BOEING ORDER WE HAD NEGOTIATED AND SIGNED A CMU PROVIDING FOR INCREASED CAPACITY, AN AGREEMENT ENTERED INTO IN GOOD FAITH BY BOTH SIDES.

SIGNED A CMU PROVIDING FOR INCREASED CAPACITY, AN AGREEMENT ENTERED INTO IN GOOD FAITH BY BOTH SIDES.

7. IN CONCLUSION, I SAID I WOULD REPORT OUR CONVERSATION. BUT, PERSONALLY, I COULD NO SEE A WAY OUT OF THE PROBLEM. HE SAID THAT, AS FAR AS HE WAS CONCERNED, THE SOLUTION WAS SIMPLE. THE PRIME MINISTER SHOULD ANNOUNCE HER INTENTION OF MEETING MALAYSIAN WISHES ON THE 5TH FREQUENCY AND THE TAX ISSUE WOULD BE DEALT WITH AS A SEPARATE MATTER.

8. COMMENT: I FEAR THAT I HAVE GOT NOWHERE. DR MAHATHIR, IN SPITE OF ALL THE EVIDENCE AND AGAINST ALL THE ARGUMENTS, BELIEVES HE IS IN THE RIGHT ON THE 5TH FREQUENCY AND THINKS HE HAS BEEN TREATED BADLY. THE UNFORTUNATE PROXIMITY IN TIME OF THE DEAL WITH THE JAPANESE HAS COMPOUNDED THE PROBLEM FOR US. I WOULD NOT EXCLUDE THE POSSIBILITY THAT, WHEN HE IS FACE TO FACE WITH THE PRIME MINISTER, HE WILL BE READY TO OFFER HER SOME FORM OF PERSONAL ASSURANCE, EG ABOUT THE REMOVAL OF THE TAX MEASURE. HE MAY ALSO BE KEEPING HIS CARDS CLOSE TO HIS CHEST UNTIL HE TALKS PERSONALLY TO THE PRIME MINISTER. BUT WE CERTAINLY CANNOT BANK ON THIS, IF MY CONVERSATION TODAY IS ANYTHING TO GO BY. WE MAY THEREFORE BE FACED WITH A STARK CHOICE. EITHER WE GIVE WAY ON THE 5TH FREQUENCY (PRIVATELY NOW AND PUBLICLY LATER OR PUBLICLY AT ONCE) OR WE HAVE TO DECIDE TO TACKLE THIS HEAD-ON, ACCEPTING INEVITABLE DAMAGE TO OUR OTHER COMMERCIAL INTERESTS. I MENTIONED TO DR MAHATHIR THE POSSIBLE FURTHER STEPS REFERRED TO IN PARAGRAPH 2(D) OF YOUR T.U.R. HE DID NOT REACT IN ANY WAY.

GILLMORE

NNNN

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM (one piece/item number)	Date and sign
Extract/Item details: <i>Powell to PM dated 3 April 1985</i>	
CLOSED FOR <i>40</i> YEARS UNDER FOI EXEMPTION	<i>21/3/2014</i> <i>S. Gray</i>
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Brunei Seen Planning More Control Over Oil and Natural-Gas Industries

By A.J. TRONER

SINGAPORE (AP-DowJones) — Brunei plans to exert more control over its oil and natural-gas industries by creating an energy control board and possibly by reducing the extensive influence of the Royal/Dutch Shell group, according to industry insiders.

If the plan goes ahead, the energy board will oversee the operations of Brunei Shell Petroleum Co., the main energy concern in Brunei. The concern is half owned by the government and the rest is controlled by Shell.

Brunei officials are negotiating with two U.S. companies to help draw up a framework for the proposed board. An international energy consulting concern would supply technical advice to the board and would make the first independent assessment of Brunei's energy reserves.

The government is considering increasing its stake in Brunei Shell Petroleum, perhaps to as much as 65%, and is said by industry insiders to be talking with several large international oil companies, including British Petroleum Co. and Compagnie Francaise des Petroles Total of France, to establish a new oil company.

Brunei is also said to be considering an expansion in the role of Sahabas Co., a trading company with ties to the Brunei royal family, in marketing the country's oil. An oil-industry insider says, "Shell can claim that everything's never been better, but they're whistling in the wind. Big changes are coming, and there's little that Shell can do about it."

Dominating the Economy

Energy dominates Brunei's economy, accounting for 99% of total exports of \$6.81 billion in 1983. Last year, the country produced 155,000 barrels of crude oil a day, although a conservation program and weak oil prices have cut current output to 88,000 barrels. Industry insiders estimate the country could increase output to 230,000 barrels fairly easily.

Brunei exports liquefied natural gas to Japan. Contracts running through 1993 call for the sale of five million metric tons a year.

Shell dominates Brunei's energy business. Indeed, the country sometimes is dubbed "the Shellfare state."

An energy expert in the region says Brunei no longer feels comfortable doing all its business with one company. "They want some independent technical evaluation of their reserves, production and day-to-day oil operations. They don't think they've been cheated but would like some second opinions," he says.

Brunei is important to Shell. A recent study by Salomon Brothers Inc. of the U.S. estimates Shell earns about \$240 million a year from energy production in Brunei, and a substantial amount of Shell's refining and

marketing earnings, perhaps as much as a further \$110 million, can be traced to Brunei operations.

Shell officials won't comment on the government's plan to set up an energy board, because they say they haven't been told about it. But they have heard about proposals to bring other international oil companies into the energy industry.

Andrew Hall, financial controller of Brunei Shell Petroleum, says, "No doubt they're interested in bringing other people into Brunei. But there's a structural, physical limit to the amount of pipe you lay, storage tanks you build, wells you drill. How any new company's activity can fit in here with us is a difficult question to answer."

Discord in Royal Family

Officials close to the Brunei government say changes to the energy industries were to be disclosed in a five-year economic development plan expected to be announced soon. But disagreements within the royal family have delayed the approval needed from the sultan for the energy plans.

Some industry observers say a fundamental change is likely in the relationship between Brunei and Shell. That generally close relationship recently has come under some pressure.

One point of contention is a government program to bring more Brunei citizens into Brunei Shell Petroleum. Only 15% of the company's senior staff in 1984 were local people. Shell officials say few Bruneians want to work in the oil industry because it can't match the employment benefits offered by the government, which is the main employer after Brunei Shell Petroleum.

"It's not altogether Shell's fault," says a foreign diplomat in Brunei. "There aren't that many people in Brunei (fewer than 200,000), less who are educated, and few who want to work in the oil industry. It's much easier to take a soft government job."

Shell officials estimate Brunei's commercially recoverable oil reserves at about 709 million barrels and natural-gas reserves at 221 million cubic meters. They concede these estimates could be underestimated by 10% and point out that what is commercially recoverable depends on the price at the time.

"It depends on how you look at the numbers," a Singapore-based oil geologist says. "I suspect the reserves are considerably higher than Shell would admit."

A few other foreign companies have explored for oil in Brunei in recent years, but they haven't found commercial amounts. Last year the government granted a new exploration agreement to a consortium including Phillips Petroleum Co. of the U.S. and Jasra Jackson, a concern owned by Jackson Exploration Inc. of Dallas and private U.S. investors.

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3 APRIL 1985

3 MR LETWIN
1 P-6

FOR THE ATTENTION OF OLIVER LETWIN, C/O THE CABINET OFFICE

A BRIEF TELEX TO RECAPITULATE SOME OF THE BACKGROUND ON THE MALAYSIAN STUDENT QUESTION WHICH MIGHT BE USEFUL.

1. CAMBRIDGE COMMONWEALTH TRUST (CHAIRMAN HIS ROYAL HIGHNESS THE PRINCE OF WALES, ESTABLISHED OCTOBER 1982) AIMS TO HELP OUTSTANDING STUDENTS FROM THE COMMONWEALTH (PARTICULARLY DEVELOPING COUNTRIES) TO COME TO CAMBRIDGE. THE TRUST'S INITIATIVES IN MALAYSIA HAVE BEEN WARMLY WELCOMED BY MAHATHIR AND THE MINISTER OF EDUCATION (NOW THE HON. DATUK ABDULLAH BIN HAJ AHMAD BADAWI, WHO VISITED US IN CAMBRIDGE LAST OCTOBER). THE TRUST'S INITIATIVES ARE SIX-PRONGED.

- 1) A COLLABORATIVE ARRANGEMENTS BY WHICH THE PUBLIC SERVICE DEPARTMENT (WHICH HAS SOME RESPONSIBILITY FOR MANPOWER PLANNING AND STUDY OVERSEAS) SENDS CANDIDATES, BOTH GRADUATE AND UNDERGRADUATE, TO CAMBRIDGE, MAINLY BUMIPUTRAS, TO REDRESS THE ETHNIC BALANCE. AS YET RELATIVELY FEW OF THESE CANDIDATES HAVE MADE THE GRADE, BUT THE PUBLIC SERVICE DEPARTMENT IS STRIVING TO IMPROVE THEIR PRELIMINARY TRAINING.
- ii) A COLLABORATION WITH THE SIME DARBY FOUNDATION BY WHICH TEN OUTSTANDINGLY ABLE UNDERGRADUATES AND GRADUATES, SELECTED FROM A VERY LARGE FIELD OF APPLICANTS BY OPEN COMPETITION, ARE ALREADY IN RESIDENCE IN CAMBRIDGE.
- iii) A SIMILAR COLLABORATION WITH MALAYSIA TOBACCO FOUNDATION (A SUBSIDIARY OF BAT) ON A SLIGHTLY MORE MODEST SCALE.
- iv) THE CAMBRIDGE MALAYSIA FOUNDATION (UNDER THE AEGIS OF THE CAMBRIDGE COMMONWEALTH TRUST) - PATRON YTM TUNKU ABDUL RAHMAN PUTRA - AND INCLUDING AMONG ITS DIRECTORS TUN MOHAMED SUFFIAN BIN HASHIM (FORMER LORD PRESIDENT OF THE FEDERAL COURT OF MALAYSIA), (AND JOHN SKRINE AND HENRY BARLOW WHO ARE BOTH OLD MALAY HANDS). THE FOUNDATION IS ACTIVELY RAISING MONEY TO HELP SEND MALAY STUDENTS TO CAMBRIDGE. MALAYAN CEMENT (SUBSIDIARY OF BLUE CIRCLE) IS ONE OF THE FOUNDING MEMBERS AND SO IS TUN DATUK (PATINGGI TAN SRI HAJI) ABDUL RAHMAN YA'KUB (GOVERNOR OF SARAWAK). THIS PROMISES TO BE AN IMPORTANT VEHICLE FOR THE FUTURE.

- V) VARIOUS COLLABORATIONS (WHICH INCLUDE MALAYSIA WITHIN THEIR SCOPE) BETWEEN THE CAMBRIDGE COMMONWEALTH TRUST AND UK COMPANIES AT THIS END, FOR EXAMPLE TATE AND LYLE (LORD JELICOE WHO USED TO BE CHAIRMAN OF TATE AND LYLE AND NOW CHAIRMAN OF THE BRITISH OVERSEAS TRADE BOARD HAS BEEN AN ACTIVE SUPPORTER), SHELL AND GUTHRIES.
- VI) AD HOC PART-COST BURSARIES FROM THE CAMBRIDGE COMMONWEALTH TRUST TO SOME 14 MALAYSIAN STUDENTS - PARTICULAR MENTION SHOULD BE MADE OF YAA RAJA TUN AZLAN SHAH EX LORD PRESIDENT OF THE FEDERAL COURT OF MALAYSIA AND NOW 'DEPUTY KING', SHOSE SON IS AMONG THOSE MALAYSIAN STUDENTS RESIDENT IN CAMBRIDGE. AS THE HIGH COMMISSIONER DAVID GILLMORE WILL CONFIRM, THERE IS MUCH ENTHUSIASM IN THE TOP RANKS FOR THE CAMBRIDGE CONNECTION (FOR EXAMPLE, MANY OF THE JUDGES ARE CAMBRIDGE MEN AND SO ARE THEIR CHILDREN).
2. ON A WIDER FRONT, I WANTED TO GIVE YOU PRELIMINARY (AND CONFIDENTIAL) INFORMATION ON A NUMBER OF QUITE WELCOME DEVELOPMENTS IN MALAYSIAN GOVERNMENTS PLANS FOR SENDING (AT THEIR COST!) STUDENTS ABROAD, PARTICULARLY TO THE UNITED KINGDOM.
- I) THE PUBLIC SERVICE DEPARTMENT (WITH THE APPROVAL OF THE MINISTER OF EDUCATION AND, I BELIEVE, THE PRIME MINISTER'S OFFICE) NOW PLAN TO PREPARE ABOUT 1000 STUDENTS PER ANNUM FOR ENTRY INTO UK UNIVERSITIES, BY TAKING 'A' LEVELS IN MALAYSIA (BUT WITH THE CAMBRIDGE LOCAL EXAMINATION BOARD ORGANISING THE EXAMS) AT TEN SPECIAL SCHOOLS. THE FIRST BATCH WILL BE TAKING THEIR 'A' LEVELS IN JUNE 1987 AND THE PUBLIC SERVICE DEPARTMENT HOPE TO PLACE THE WHOLE LOT (1000 AND MORE) IN UK UNIVERSITIES. THIS IS A VERY IMPORTANT PART OF THE OVERALL GOVERNMENT PLAN TO MEET THEIR FUTURE MANPOWER REQUIREMENTS AND, BY THE WAY, TO REDRESS THE BALANCE IN FAVOUR OF BUMIPUTRAS, THE ETHNIC MALAYS.
- II) FOR THEIR ELITE CANDIDATES (AS IT WERE THEIR MERIT SCHOLARS) - AGAIN LIKELY TO BE MAINLY BUMIPUTRAS - PERHAPS THIRTY A YEAR, THEY WANT AN OXBRIDGE OR TOP UK UNIVERSITY EDUCATION (ON THE LINES OF LEE KUAN YEW'S PUBLIC SERVICE COMMISSION SCHOLARS FROM SINGAPORE WHO COME TO OXFORD AND CAMBRIDGE - AS WELL AS HARVARD-IN IMPRESSIVE NUMBERS). THE IDEA IS THAT THESE THIRTY OR SO BEGIN RIGHT AWAY TO DO THEIR 'A' LEVELS AT TOP EDUCATIONAL ESTABLISHMENTS IN THE UK (AGAIN AT THE PUBLIC SERVICE DEPARTMENT'S EXPENSE) AND BE HEADED TOWARDS OXBRIDGE. THIS AGAIN IS A DEVELOPMENT WHICH SHOULD BE WELCOMED, WHILE BEARING IN MIND THAT NO UNIVERSITY CAN GUARANTEE A PLACE UNLESS THE CANDIDATES ARE OF SUFFICIENT CALIBRE AND MEET THE NORMAL ADMISSION REQUIREMENTS.

111) THEN THERE ARE THE PERSONS THE PUBLIC SERVICE DEPARTMENT SEND ON MORE SPECIFICALLY TECHNICAL COURSES. ABOUT 200 OUT OF SOME 600 COME TO THE UK FOR ENGINEERING AND OTHER USEFUL SUBJECTS. THE PUBLIC SERVICE DEPARTMENT IS ANXIOUS TO IMPROVE THE ARRANGEMENTS FOR PLACING THESE STUDENTS - AND I AM SURE THERE ARE WAYS IN ^{which} UNIVERSITIES AND POLYTECHNICS CAN HELP.

3. IT IS WORTH MENTIONING THAT BRITISH BUSINESSES IN MALAYSIA HAVE (AS EVEN THE CAMBRIDGE EXPERIENCE SHOWS) BEEN ACTIVE IN MENDING FENCES AND BUILDING BRIDGES AND THEY, ESPECIALLY BMITA AND THE ANGLO MALAY SOCIETY DESERVE ENCOURAGEMENT.
4. FINALLY YOU WILL KNOW THAT THE FCO AND ODA ARE KEEN THAT MALAYSIA BE KEPT IN THE SIGHTS WHEN AND IF THE 'PYM PACKAGE' IS LOOKED AT AGAIN BY THE POWERS THAT BE.

KIND REGARDS,

DR. ANIL SEAL,
DIRECTOR,
CAMBRIDGE COMMONWEALTH TRUST

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PLEASE ACKNOWLEDGE SAFE RECEIPT.

RGRTKS GOT OK KK
TKS VERY MUCH

BIBI

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Subject as master
of.

File

EL3AF5



cc: fco

10 DOWNING STREET

THE PRIME MINISTER

3 April 1985

**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T60/85.**

Your Majesty

Your Majesty very kindly suggested earlier in the year that I might pay a short visit to Oman on my way to or from South East Asia where I go tomorrow. I would much like to have taken up this invitation but felt that I would not be able to find sufficient time in my very full programme to do justice to a visit.

Because of my regard for Your Majesty I would not wish there to be any misunderstanding about the brief stop I shall be making in Riyadh on 14 April on my way back to London. I am making my refuelling stop there rather than in Bahrain in order to discuss with King Fahd an important and urgent specific matter which has arisen at short notice. King Fahd therefore suggested over last weekend that I should break my journey in Riyadh.

I hope very much that we shall have an opportunity to meet again soon and that when you are next in England you will do me the honour of coming to lunch at Chequers. There is much for us to discuss.

With my warmest personal good wishes.

Yours sincerely
Margaret Thatcher

His Majesty Sultan Qaboos bin Said, GCB, GCMG, GCVO.

85



10 DOWNING STREET

From the Private Secretary

3 April 1985

PRIME MINISTER'S VISIT TO SAUDI ARABIA:
MESSAGE TO SULTAN OF OMAN

Thank you for your letter of 2 April.

I have somewhat revised the draft message to the Sultan and the Prime Minister has now signed it. It is enclosed. I should be grateful if it could be telegraphed Flash to Muscat for delivery today so that we can go ahead with an announcement of the Prime Minister's visit to Riyadh this afternoon.

Charles Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

5T

CONFIDENTIAL

PRIME MINISTER

3 April 1985

INDIA: WESTLAND HELICOPTERS

It is possible that Rajiv Gandhi may deploy the argument that, even if the "technical difficulties" with the Westland aircraft are resolved, the Indian Government could not commit itself to an aircraft which the MoD may choose not to buy, from a company whose financial difficulties are widely reported in the British press.

He could make his own purchase conditional upon the MoD ordering a batch of W30 aircraft as a reassurance on the two points above.

It would be unwise, and unnecessary, to offer comfort along these lines. Westland are not in difficulties yet. They do need to take action to get a better grip on their stocks (around £140 million in support of a turnover of £300 million in 1984). If they need more equity, there are ways open to them to raise it. MoD should advise Westland to make some changes in their Board and to put in better financial controls. It would be wrong to solve their problems on the MoD Budget, by buying aircraft which the services don't really need.

The line to take with the Indians, if pressed on this point, is that MoD has declared its confidence in Westland by awarding the EH101 development.

Nicholas Owen

NICHOLAS OWEN

CONFIDENTIAL



10 DOWNING STREET

Prime Minister

Patrick Wright

has now also
said that he thinks

the Sandis would

find it too

'pointed' for James

Blyth is he

present.

CDP
3/4



6
Lee

10 DOWNING STREET

From the Private Secretary

3 April 1985

Indonesia - Alvis/Scorpion Project

I am writing to thank you for your letter of 3 April to the Prime Minister, which I will put in her briefing folder for reading on the aircraft on the way to South East Asia. I am sure that she will be willing to raise the project if the opportunity offers - and she is going to Bandung to see Dr. Habibie.

Charles Powell

The Rt Hon Sir Frank Cooper GCB CMG

1

British Aerospace
PUBLIC LIMITED COMPANY

Aircraft Group
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Telegrams: Britair Kingston-upon-Thames
Telex: 23726

3rd April 1985

C.D. Powell, Esq
Private Secretary to the Prime Minister
No. 10 Downing Street
LONDON SW1

Dear Mr. Powell,

MALAYSIA

I refer to our telephone conversation of this morning and I apologise once again for adding to the amount of paper you must already have for the forthcoming visit to South East Asia. Although a British Aerospace brief has already been submitted through the usual channels, some additional information has come our way which you may find useful.

We have just had a visit from Datuk Eric Chia, the Chairman of Malaysia's United Motor Works and Chairman designate of their embryonic aircraft industry known as AIM (Aerospace Industries of Malaysia).

Mr. Chia purported to be acting in the role of an emissary from the Malaysian Prime Minister, Dr. Mahathir, and made two points to us which we understand are likely to feature in the Prime Minister's discussions there.

These were:-

1. As British Airways and Malaysian Airlines System seem to be close to an agreement that an additional flight per week is justified for commencement towards the end of 1986 or early in 1987, it is suggested that this be no longer regarded as a problem. The Malaysian tax on certain individuals who do not choose to fly with their national airline should, we were told, be mentioned as a separate problem which Malaysia would recognise needed to be solved as soon as possible because of its discriminatory nature.

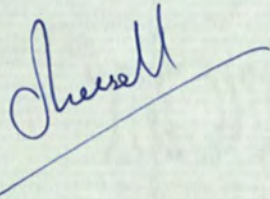
and

2. British Aerospace aspirations in Malaysia for sales of the 146 airliner in the short term and Rapier Missile and Hawk aircraft in the longer term, would be enhanced by collaboration between BAe and AIM. We have accordingly entered into a protocol with AIM covering the objective of collaboration and this was signed on 30th March 1985.

cont'd.../2

I hope that the above is useful additional background for the Prime Minister's discussions in Malaysia and I have also informed our usual channel in the Department of Trade and Industry. Many thanks for your assistance in this matter and please accept the best wishes of all of us in British Aerospace for a successful visit to this most important part of the world.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Russell", is written over a horizontal line.

COLIN RUSSELL
Head of Marketing
Far East & Australasia

UNITED SCIENTIFIC HOLDINGS PLC

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Our ref: FC/EAC/2552/85

3rd April 1985

Rt. Hon. Margaret Thatcher MP FRS
10 Downing Street,
Whitehall,
London. S.W.1.

Jean Pierre Arnoult

Indonesia - Alvis/Scorpion Project

We would be very grateful indeed for any help you can give us with this project during your forthcoming visit to Indonesia. Some information about Scorpions generally and a short background brief about Indonesian interests is enclosed.

Briefly, the project would be in three phases stretching from 1985 to 2001. The first phase would mainly be export of complete Scorpions built by Alvis in Coventry. The second phase would be mainly the import of kits and parts for assembly in Indonesia. The third phase would primarily be manufacture in Indonesia with supply of parts and spares from Coventry.

In terms of value we are talking of as much as £350m over the years dependent on the Indonesian specification for the exact type of Scorpion and numbers. A full financial package has been offered.

We have been dealing with Dr. Habibie, the Minister of Research and Technology, and his staff. We know that the President of Indonesia is being briefed today in preparation for your visit. Recently negotiations have speeded up and much greater enthusiasm and activity has been evident, no doubt because of your impending arrival. It now seems very possible that the President will endorse the project in principle this week. We have hopes that it might be possible for Dr. Habibie to sign a contract when he visits this country this summer.

The enclosed specially coloured Chart, which is in the hands of Indonesian Ministers and is being seen by the President, sets out the whole project.

cont....

Our ref: FC/EAC/2552/85

-2-

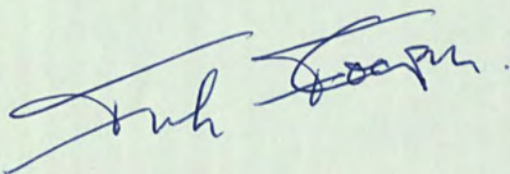
3rd April 1985

What would be of enormous help would be if you would raise the matter with the President and Dr. Habibie. We are told it would forward our cause if the enclosed chart could be shown to be in your hands in front of Indonesian Ministers so demonstrating that you are aware of, and informed about, the project.

It would also be extremely helpful if you could say that you know that Alvis has great experience of designing and building vehicles of this type; that they had built and sold in many different parts of the world some 4,000 aluminium vehicles; and they were very much in the forefront of world manufacturers in this field and very willing to transfer this technology and work with Indonesia.

We would be very grateful for help and this is by far the largest prospect for Alvis in the short term.

Yours sincerely,
UNITED SCIENTIFIC HOLDINGS PLC



Frank Cooper
Chairman

ALVIS SCORPION PROJECT

BACKGROUND

1. The Alvis Scorpion is a Light Armoured Fighting Vehicle of which over 4,000 have been built since 1972, which are in service with the British Army and a number of other armies throughout the world, including S.E. Asia, Thailand, Malaysia, Brunei and Philippines.

2. The Indonesian Army has a stated requirement for some 1,000 AFV's in the Scorpion class, and discussions have been taking place with BPP Teknologi, under the aegis of Dr. Habibie, regarding the manufacture under licence in Indonesia of the Scorpion family. The project is worth at least £350m in UK content over a 10 - 15 year period. ECGD have stated willingness to support credit for 80% of the project, if required. Agreement has been reached on the main commercial and technical principles of the project, and it is understood that both President Suharto and Dr. Habibie expect to raise the matter with the Prime Minister. Formal contract negotiations are expected to commence shortly, and the contract may be completed when Dr. Habibie visits the UK in July.

LINE TO TAKE

1. Scorpion is an excellent vehicle which has given good service to the British Army, particularly in the Falklands, and to many other armies throughout the world.
2. The United Scientific Group has been one of the fastest growing defence contractors in the UK, and has a good reputation for international collaboration in manufacture, as is shown by successful joint ventures with the Governments of Singapore and Egypt.
3. AFV technology transfer will enable Indonesia not only to assemble and, later, build Scorpion, but also to design, in collaboration with Alvis, other vehicles to meet further AFV requirements in Indonesia and other ASEAN countries.
4. Adoption of Scorpion by Indonesia will make it almost standard in ASEAN, and Indonesia will be able to service the ASEAN market for additional vehicles and spare parts.
5. HMG will provide 80% ECGD backing if required.



SCORPION



ALVIS LIMITED COVENTRY ENGLAND

Introduction to

SCORPION



The Scorpion family is probably the most exciting range of armoured fighting vehicles ever conceived.

Designed and developed by Alvis Limited of Coventry in conjunction with the British Ministry of Defence and the Military Vehicles and Engineering Establishment, to measure up to the military requirements of the 1970s and '80s, Scorpion fulfils the British Army Specification for a fast, highly manoeuvrable combat and

reconnaissance vehicle, capable of working day and night in any terrain, under all possible climatic conditions.

Scorpion, however, is just one vehicle. Out of one basic concept a whole family has been created, using the same engine, transmission and suspension. Its members include: Spartan — armoured personnel carrier; Striker — armoured guided weapon carrier; Sultan — armoured command vehicle; Samaritan — armoured ambulance; Samson — armoured recovery vehicle; Scimitar — armoured 30mm gun anti-APC

vehicle. Other variants are under consideration, and the company is always willing to consider customers' individual needs.

In addition to the low initial cost advantage, the Scorpion family offers even more important savings in terms of money and manpower. Because of the supreme versatility of the design, it is possible to put together armoured fighting units in virtually any configuration to suit a specific purpose — complete with all the necessary command and support vehicles — with spares and servicing facilities common throughout.



Design Philosophy

In the late 1950s the British Army started planning for a design to succeed the then current family of Saladin, Saracen and Ferret.

To enable the British Army to meet its tactical and strategic needs of the future there was a requirement for significant improvements in performance, mobility and fire power. Reductions in weight were also necessary, to ensure that the new vehicles would be truly air-portable. At first it was hoped to produce a single vehicle — the Combat Vehicle Reconnaissance (CVR) — capable of carrying out three major roles: reconnaissance, fire support and anti-tank. To achieve the desired strategic mobility the battle weight had to be sufficiently low to enable two of the new vehicles to be carried in a C130 Hercules transport — effectively one third less than the lightest existing vehicle. The weight limitation, however, made it impracticable to provide sufficient space in one vehicle, under armour, for all the weapons, equipment and crew necessary to carry out all three roles. As a result a range of fighting vehicles has been produced with compatible design characteristics, to satisfy the requirements, without compromise.

In contrast to its distinguished predecessors, which were wheeled reconnaissance vehicles, the Scorpion family has light steel tracks with rubber bushes and pads, to provide greatly improved cross country performance — just one of the benefits to accrue from the application of the most up-to-date and sophisticated techniques.

Other advantages are the reduced weight and increased immunity offered by the special aluminium alloy armour. Coupled with advances in armaments and ammunition, the overall result is a light, highly manoeuvrable, armoured reconnaissance weapon system with extremely impressive firepower.

Scorpion conforms to the British Ministry of Defence's most stringent quality standards. All aspects of the manufacture and testing of Scorpion fully conform with the requirements of the British Defence Standard 05-21 and NATO Standard AQAP-1.



Military Characteristics



Scorpion is a fast light tank, probably the fastest, smallest in the world. Its outstanding feature is its high cross-country speed, enabling it to move swiftly into and out of quickly selected and unprepared fire positions which, owing to the vehicle's small size, need only be small folds in the ground. This makes it an ideal vehicle for adopting hit-and-run delaying tactics. Its low profile reduces the risk of detection in such conditions.

A further measure of Scorpion's logistic strength is its airportability. As it is extremely light and compact any two members of the Scorpion family can be carried by a Hercules C130 and each can be air dropped with the aid of four parachutes and a shock absorber platform. Suitable helicopters can be used to lift single vehicles, with the operating crew travelling in the aircraft.

Scorpion's unique flexibility can be further extended by the addition of an optional wading screen which, when erected, permits the vehicle to float. Using track propulsion alone, a water speed of 6.5 km/h (4 mile/h) is achieved. Bolt-on propeller units, which are available as extra equipment, increase the speed of 9.65 km/h (6 mile/h), and considerably improve its manoeuvrability.

Because of its small size, width and weight, Scorpion easily negotiates narrow defiles and wooden bridges (down to classification 9) and can climb hills as steep as 1 in 2. Its low ground pressure is less than that of a walking man, so that it can tackle terrain such as bog land, paddy and soft sand.

No other vehicle or range of vehicles offers a commander such a high degree of tactical mobility with an almost limitless variety of ways in which to outflank enemy positions. In island and similar cross-water situations Scorpion comes into its own as a particularly valuable weapons system.

Scorpion operates efficiently through an ambient temperature range of minus 32°C to plus 52°C, and maintains a very low external noise level. It has a 76mm gun for use against tanks, armoured personnel carriers and other vehicles, and lends powerful support to

infantry when fired ahead of advancing troops; a 7.62mm co-axial machine gun is also mounted.

All these factors taken together produce the ideal combination for passive or aggressive reconnaissance, for convoy escorts and internal security duties, and for working with all manner of combat units and formations in theatres all over the world.

Roles

1. Reconnaissance:
 - Advance to contact
 - Battle reporting
 - Observation and surveillance
 - Rapid forward reconnaissance
2. Fire Support:
 - Counter insurgency
 - Armoured close support of infantry
 - Fire support in lieu of artillery and air cover
3. Escort:
 - Road Convoy support
 - Cross country support
 - Column support
 - Flank support
4. Tactical use as armour in advance and withdrawal
5. Internal Security:
 - Mobile patrols
 - Anti arms smuggling patrols
 - Airport security
 - Road blocks
 - Border patrols
 - Peace keeping duties
 - In support of police
6. Airborne attack and invasion
7. Anti airborne invasion
8. Anti seaborne invasion
9. Light seaborne invasion
10. Support of main armour



<i>Mobility</i>	
Max. speed	80.5km/h (50 mile/h)
Range on road	in excess of 644km (400 miles)
Vertical step	500mm (1ft 7.6in)
Angle of approach	26°
Angle of departure	21° 31'
Turning radii measured from centre line of vehicle	Pivot turn in neutral First gear 1.71m (5.6ft) Seventh gear 33.22m (109.0ft)
Angle of tilt	45°
Fording (screen stowed)	1067mm (42in)
Battle weight	7938kg (17500lb)

MLC	9
Airportability	Two vehicles/ aircraft (C130)
Power/Weight ratio	17.85kW/tonne (24.32bhp/ton) gross
Ground pressure	34.5kN/m ² (5lbf/in ²)

Sights and Day and Night Surveillance Equipment

Commander's sight
Binocular with both ×10 and ×1 optical systems. The instrument is capable of limited rotation allowing approximately an 85° horizontal field of view. Seven ×1 periscopes.

Gunner's sights

Daylight sight. Monocular ×10 with ×1 magnification. Capable of an elevation of between -10° and +35°. Two ×1 periscopes. Night sight. A passive night sight is available.

Driver's periscopes

Normal equipment is a wide field periscope for driving when closed down. A passive night driving sight periscope can be supplied in addition.

Servicing and Maintenance

Scorpion and its variants have been designed to keep maintenance to the minimum and to make those tasks which are necessary as simple as possible. The track life is dependent on the type of terrain in which the vehicle is used, but in normal circumstances can be expected to exceed 5000km (3000 miles) of mixed road and track running. The family has been designed to require major maintenance only every 5000km (3000 miles) or once per year and complete overhaul only after 32000km (20,000 miles). An organisation exists within the British Ministry of Defence working in conjunction with Alvis Limited to help establish all facilities including workshop and repair for maintaining vehicles locally. Further information may be obtained on request. Planning advice can also be given to meet any other specific customer requirements. Technical literature is available.

Spares

Spares scalings can be prepared tailored to suit individual customer requirements and further details are available on request. The British Ministry of Defence in conjunction with Alvis Limited maintain stocks of spares for home and overseas customers.

Training

The British Ministry of Defence and Alvis Limited may, subject to availability, be able to arrange courses in the United Kingdom and overseas for crew and technical personnel covering: gunnery; driving and vehicle maintenance; signals; courses for instructors.



Fire Power

Scorpion is armed with the lightened version of the well proven 76mm gun, mounted in a 360° traverse turret. A 7.62mm MG is mounted co-axially, both weapons having 10° depression and 35° elevation from the horizontal. Two multi-barrel smoke dischargers are also fitted, one on each side of the turret.

The 76mm gun fires five natures of ammunition – all fixed rounds. HESH – (High Explosive Squash Head) capable of defeating medium armour at a range of up to 3500 metres, and is also effective against tracks and side armour of most main battle tanks. HE – High Explosive. SMOKE – Base Ejection. CANISTER – anti infantry. ILLUMINATING. Practice and drill rounds are also available.

The vehicle can carry: 40 rounds of 76mm ammunition, 3000 rounds of 7.62mm ammunition in belts of 200 rounds each, and sixteen smoke grenades for local smoke screen protection.

The 76mm main armament has a maximum range of 5000 metres. The low muzzle velocity contributes to accuracy by light recoil and low barrel wear. The HESH round, although the main armour-defeating round, is also extremely effective against buildings and concrete emplacements. Its lethality against troops in the open is close to that of high explosive, and canister round is lethal against infantry at close quarters.

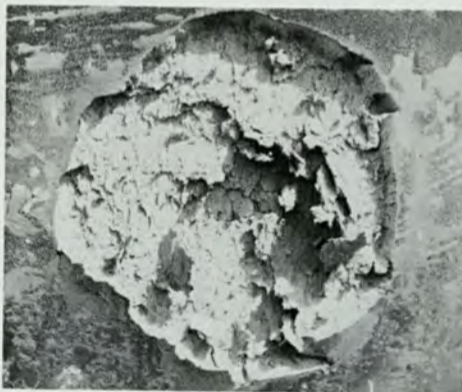
Scorpion can therefore deal with all types of target and inflict severe damage on main battle tanks.

HESH AMMUNITION

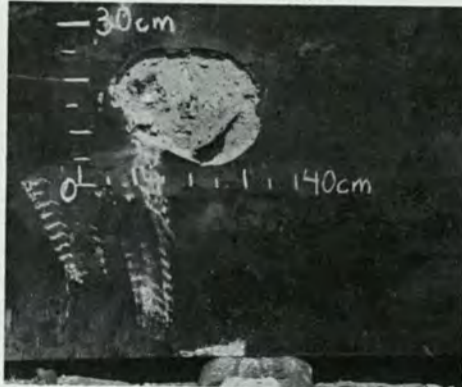
1. The HESH round consists of a high explosive filled head retained in a thin walled casing fitted with a base fuse. On striking a target the explosive flattens itself in a pool on to the surface of the target – so that the explosive is in direct contact with the target. It is then detonated from the base-fuse.

2. As the initiation is from the base fuse and the detonation wave travels towards the target, the main force acts at 90° (i.e. normal) to the target, presenting maximum effect directly through the minimum thickness of target material. This is true even if the round strikes at an acute angle of attack.

3. The effect of HESH is to produce a violent shock wave which travels through the target material. If this is armour plate over a certain thickness, the effect is to blow a large "scab" off the inner surface of the plate, together with a number of smaller fragments. These pieces fly off at high velocity and cause immense damage inside the vehicle, killing or severely wounding the occupants and destroying equipment. A secondary effect is to disrupt the welds and riveted or bolted joints, causing components and fittings to distort or become detached; and moving parts, such as turret rings and gun mountings and sights, can become jammed by distortion.



The effect of a 76mm HESH round on the front of thick armour plate. This round was fired at 90° to the target plate. Note the large scab blown off the rear of the same plate.



The front and rear of armour plate attacked by 76mm HESH at 45°. Note the size of scab.



A thick stone wall before and after attack by 76mm HESH.

4. Against thin armour (e.g. APCs), the effect is devastating. A large hole is blown in the armour, allowing the full force of the explosion, with blast gases and fragments, to enter the target vehicle.

5. Against concrete or brick the effect of HESH is dramatic, blowing the material apart in varying sizes of fragment, while the disruptive shock waves can cause complete collapse of structures.

6. Against soft targets and troops in the open HESH has a lethal effect from blast and fragments, comparable with conventional HE shell.

7. The performance of HESH is substantially unaffected by range. It is essentially as effective at long range as at point blank range and the spin stabilisation of the round is not detrimental to the effect of the charge. Equally, the velocity of the projectile has little bearing on its effectiveness at the target. These factors mean that HESH can be fired from medium velocity weapons in spin-stabilised rounds, giving:-

- (a) light recoil
- (b) low barrel wear
- (c) maximum effect at distant targets



General Description

General

Scorpion is a compact, fast light tank carrying a crew of three. It is also the basic vehicle of the range of seven vehicles in which all the automotive components have been tested and proved. Scorpion has a battle weight of 7938kg (17500lb) which enables two to be carried in a C130 Hercules aircraft for over 1600km (1000 miles).

Immunity

Despite its low weight, Scorpion has better protection than other light vehicles in its class; this is mainly due to the use of aluminium alloy armour.

Layout

The transmission is forward of the driver, who occupies a compartment in the front left. To his right is the engine. The radio sets are mounted at the back of the turret. The fuel tank, additional ammunition and the NBC pack (if fitted) are in the rear hull. This layout has meant that few changes are required for the other members of the CVR (T) family.

Driver's Compartment

The driver has standard type tracked vehicle controls and instrumentation. The hatch is a one-piece lift-and-turn type with a single periscope just forward in the hull. For night driving a passive image intensifier periscope can be fitted, the performance of which can be augmented by using the infra red masks on the headlamps.

The Engine

The Jaguar 4.2 litre engine gives 141.7kW (190bhp) in this its military form. It has been specially developed to give long life at high engine revolutions and the engine has been thoroughly proven in every type of terrain and climatic condition. It uses a single Solex carburettor and the compression ratio is 7.75:1 — which permits the use of military fuels and increases the life and reliability of the engine. It provides the vehicle with the high power/weight ratio of about 17.85kW/tonne (24.32bhp/ton).

Transmission

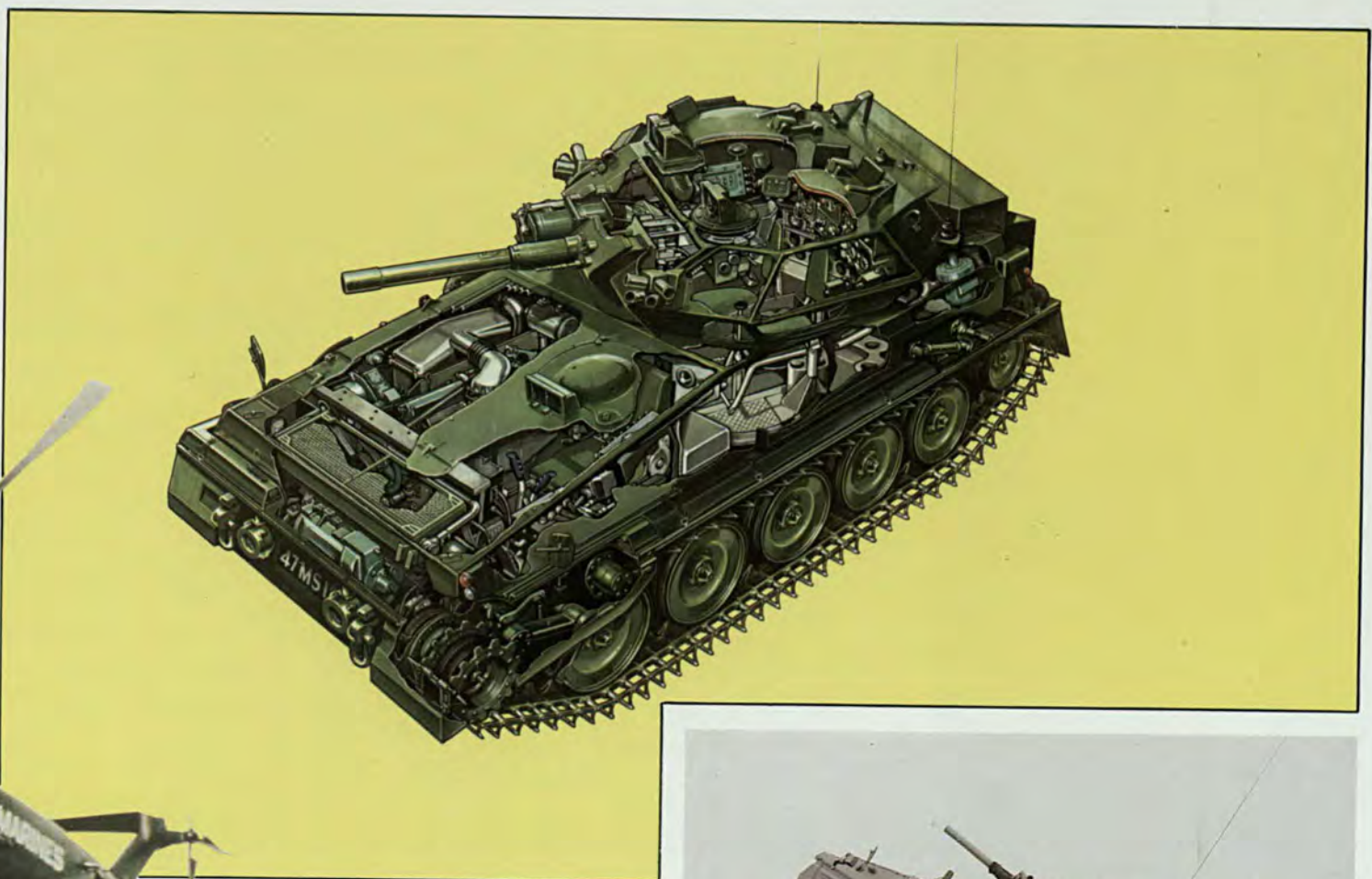
The transmission has been developed on the same principles as those used for the Chieftain main battle tank. It is a hot-shift, foot-operated, seven-speed gearbox with controlled differential steering system. Selection of forward or reverse provides the same speed in either direction. There is no clutch pedal and, as is normal in this type of box, the turning radii vary with the gear ratio; there is a neutral or pivot turn. The steering, and the main brakes are discs with a rim brake for parking.

Cooling

A newly developed single mixed flow fan draws air through the radiator situated over the gearbox, thence over the engine and out through the louvres. The exhaust is also cooled by some of this air.

Suspension

From the gearbox the drive goes to the front sprockets and then to the tracks, which are of the single horn type with rubber pads on the running surface, a rubber wheel path on the inside and rubber bushes. The sprocket has two rubber support rings which reduce track noise considerably. Suspension is by torsion bar with dampers on front and rear wheel stations. The wheels are of aluminium with improved hub seals for minimal servicing. Track adjustment is by hydraulic ram and hand pump.



Performance

The power/weight ratio of 17.85kW/tonne (24.32bhp/ton) gives a top speed of 80.5km/h (50 mile/h) and acceleration from 0 to 48.3km/h (0 to 30 mile/h) in 16 seconds. The ground pressure of 34.5kN/m² (5 lbf/in²) gives an outstanding soft ground performance. Road range exceeds 644km (400 miles) with the 423 litres (93 imperial gallons) carried under armour.





Water Crossing

A wading screen, which can be quickly erected, is available as optional equipment to enable the vehicle to swim. Using only track propulsion, a speed of about 6.5km/h (4 mile/h) is achieved. A propeller kit can also be fitted to the sprockets to give an increased water speed of 9.65km/h (6 mile/h) and considerably improve manoeuvrability. Because of Scorpion's low ground pressure, its bank exit capability is significantly better than that of other light armoured vehicles.

Fighting Compartment

The turret crew of two, a commander/loader and a gunner/operator, sit either side of the main armament. Elevation is 35° and depression is 10°. 40 rounds of 76mm ammunition are stowed in easily accessible bins. On the left of the main armament a 7.62mm machine gun is co-axially mounted. This is used as a ranging machine gun, giving a high first round hit probability. The gun controls include hand elevation and a mechanical two speed hand traverse. There is a clinometer and a traverse indicator. The loader's safety switch is readily accessible to the commander. A power traverse is available.

Optics

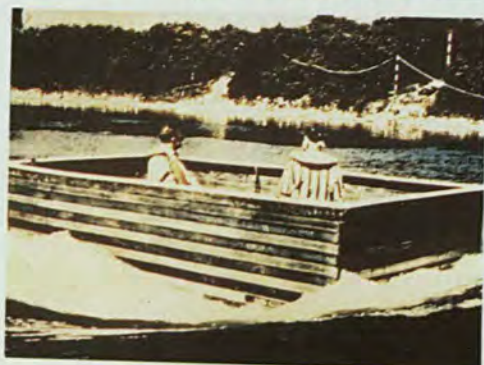
Scorpion has been designed to operate for 24 hours a day, and particular attention has been paid to vision devices. The commander has a periscopic binocular sight giving ×1 and ×10 magnification, plus seven ×1 magnification periscopes for all-round vision. The gunner has a monocular day sight ×1 and ×10 (plus two ×1 magnification periscopes). Vehicles are normally supplied to British Army standard specification in daylight trim. Additional equipment includes a gunner's passive night sight, giving ×1.6 or ×5.8 magnification which is armour protected and permanently mounted on the right-hand side of the main armament; a driver's passive night periscope is also available.

Nuclear, Biological and Chemical (NBC) Protection

An NBC filtration pack can be provided and is mounted at the rear of the fighting compartment and ensures clean air under pressure. It protects the crew from radio-active fallout, vapour and gases. Alternatively, an air-cooling or through-flow air circulation system can be fitted to suit customer requirements.

Electrics

The electrical system is 24 volt with a 140 ampere alternator and two sets of batteries. This provides ample capacity for silent radio watch and for the auxiliaries. Radios and communications equipment, being a matter of customer preference, are supplied as extra items.



General Data

General

Crew	3, i.e. Commander/Loader, Gunner/Operator, Driver
Battle Weight	7938kg (17500lb)
Ground Pressure	34.5kN/m ² (5lbf/in ²)
Power/Weight Ratio	17.85kW/tonne (24.32bhp/ton)
Fuel Capacity	423 litres (93 gallons)
Airportability	Two vehicles/Aircraft (C.130)
Airdrop	1 vehicle (C.130) @ 15,500lb vehicle weight

Dimensions

Length, over rear stowage bin (gun forward)	4788mm (15ft 8½ in)
Length, over rear mudflap (gun forward)	4572mm (15ft 0in)
Height (top of commander's periscope)	2102mm (6ft 10¾ in)
Width, overall	2235mm (7ft 4in)
Width, over tracks	2134mm (7ft 0in)
Ground Clearance (approx)	356mm (1ft 2in)

Armament

Main Armament	Gun, 76mm, L23A1
Elevation	+35° to -10° (+622 to -178 mils)
Traverse	360° (6400 mils)
Auxiliary Armament	7.62mm Ranging Machine gun
Smoke Protection	2 multi-barrel Smoke Dischargers, mounted on turret
Coverage	160° (2844 mils)
Ammunition Stowage	
76mm (fixed)	40 rounds
7.62mm M.G.	3000 rounds
Smoke Grenades	16 rounds

Sighting

Gunner	Monocular ×10 and ×1 day sight and passive night sight with fixed eyepiece systems. Objective systems elevate and depress with gun.
Commander	Periscopic Binocular ×10, with lever introduced ×1. Limited traverse.

Vision

Gunner	2 periscopes ×1, with forward sloping windows.
Commander	7 periscopes ×1, with forward sloping windows.
Driver	'Head out' for opened up vision. Single wide angle periscope, with forward sloping window for closed down daylight vision. A passive night viewing periscope interchangeable with the day periscope is available.

Engine

Make	Jaguar 4.2 litre Gasoline
Type	J60 No 1 Mk 100B
No of cylinders	6 in line
Bore and stroke	92mm (3.63in) × 106mm (4.17in)
Capacity	4235cc (258.4 in ³)
Compression Ratio	7.75:1
Max Power (Gross)	141.7 kW (190bhp) at 4750 rev/min
Max Torque (Gross)	345.8Nm (255 lbf ft) at 3500 rev/min
Carburation	Twin Choke Solex Downdraught (48 NNIP)

Transmission

Gearbox	TN 15X Crossdrive, Semi-automatic hot-shift type, providing seven speeds in each direction and pivot turn
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Gear	Gearbox Drive	Final Drive Ratio	Theoretical Turning Circle Radii
1	28.8	3.667	1.71m (5.6ft)
2	12.8	3.667	3.84m (12.6ft)
3	9.2	3.667	5.33m (17.5ft)
4	5.52	3.667	8.9m (29.2ft)
5	3.08	3.667	16.06m (52.7ft)
6	2.31	3.667	21.28m (69.8ft)
7	1.47	3.667	33.22m (109.0ft)

Final Drive	Single Epicyclic Reduction 3.667:1
Steering	Merritt system incorporated in Gearbox
Steering Brakes	Caliper discs, hydraulically operated
Main Brakes	Caliper discs, hydraulically operated
Driving Sprocket	13 teeth



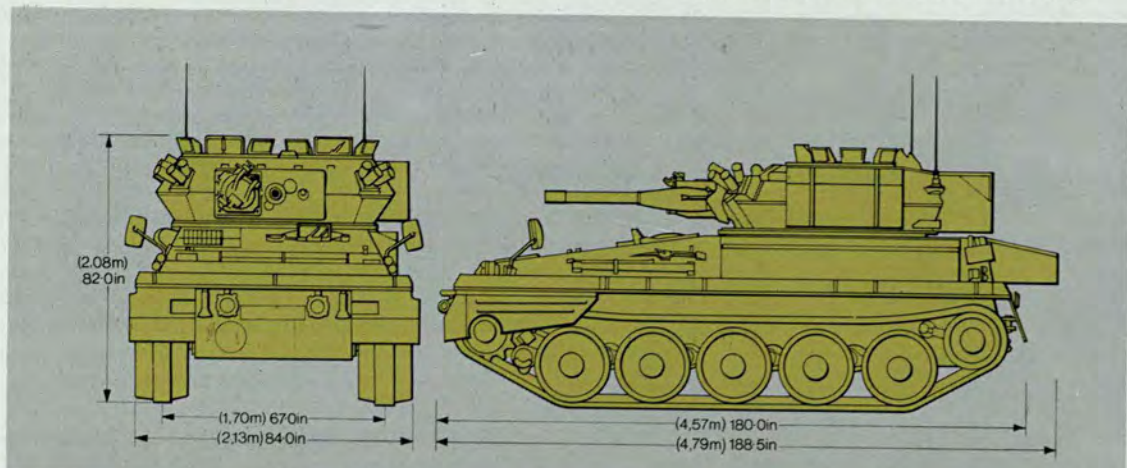


Controls

- Steering Levers Hydraulically connected to steering brakes
- Gear change Foot operated
- Forward and Reverse Lever Hand operated
- Hand Brakes Hand lever connected by cable to contracting bands operating on periphery of main brake discs
- Foot Brake Pedal Hydraulically connected to main brakes

Suspension

- Type Transverse Torsion Bar — 5 units per side
- Wheels 5 off 580mm (23in) diameter rubber tyred double aluminium alloy wheels per side
- Wheel Deflection 203mm (8in) bump; 102mm (4in) rebound
- Shock Absorbers On front and rear stations. Hydraulic lever type.
- Bump Stops Rubber. On front and rear stations.



Tracks

- Type Light steel links with rubber bushes and pads (single horn)
- Pitch 114mm (4.5in)
- Width 432mm (17in)
- No of links per Track 79 per side

Communications

Radio and Intercommunication
 A variety of radio and internal communication equipment can be fitted as required

Electrical System

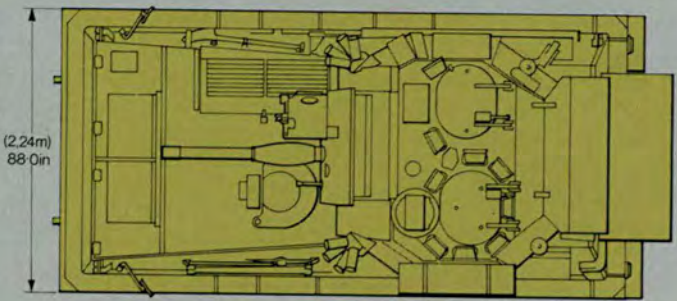
- Generator Type 8in diameter 3 ϕ Alternator with integral rectifying diodes
- Generator Output 140 amp at 28 volts at 3000/10,000 rev/min
- System Voltage 28.5 volts \pm 0.25 volts — normal
27.0 volts \pm 0.25 volts — tropical
- Batteries Lead acid type UK — 6TN, 100 Ah at 20 hour rate, two in hull for hull services, two in turret for radio and turret services
- Distribution and Charging System D.C. nominal 24 volt system with negative pole earth
- Headlamps With interchangeable I.R. lenses

Flotation

- Propulsion Tracks
An applique propeller kit is available
- Freeboard with raised screen 965mm (38in) in front
711mm (28in) in rear
- Attachment points for fixed line crossings.

Optional Installed Equipment

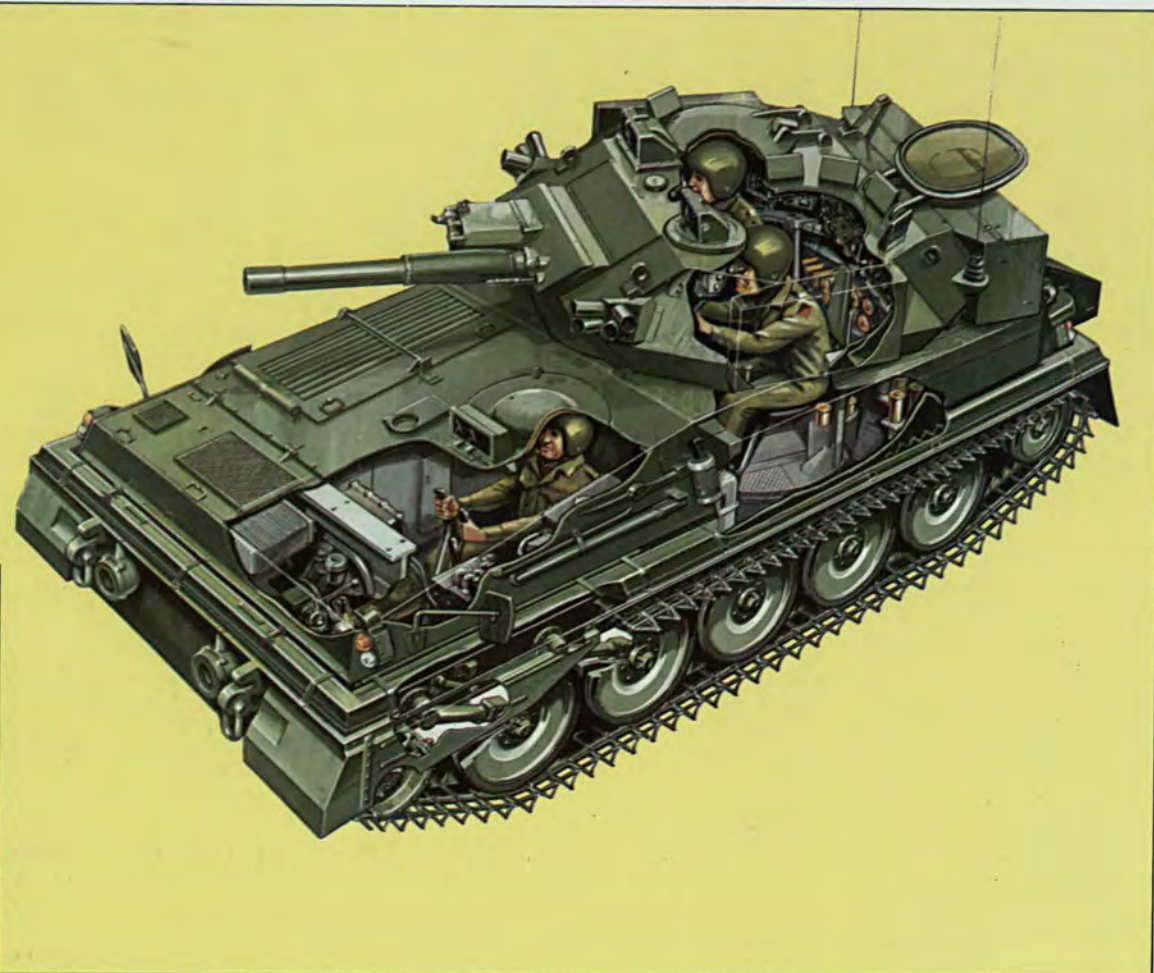
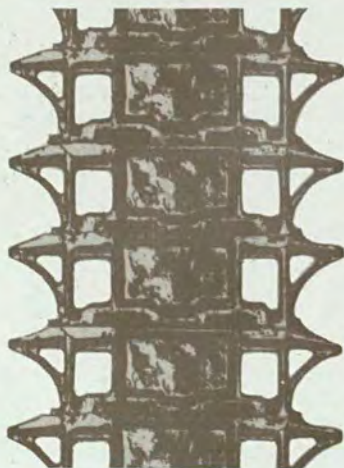
- Power traverse
- Night fighting equipments
- Swimming equipments
- Laser range facilities
- Air circulation equipments
- Nuclear, Biological & Chemical (NBC) protection equipments
- Radio/communications equipments



Performance (at 7938kg (17,500lb) GVW)

- Maximum road speed ... 80.5km/h (50 mile/h)
- Acceleration (i) thro' gears: 0-48.3km/h (0-30 mile/h) in 16 seconds
(ii) top gear: 32.2-64.4km/h (20-40 mile/h) in 27 seconds
- Range on roads In excess of 644km (400 miles)
- Road Fuel Consumption 1.6km/litre (4.5 mile/gal) at 48.3km/h (30 mile/h)
- Vertical Obstacle 500mm (1ft 7.6in)
- Max Gradient (Stop and Restart) 24° (45%)

- Brakes — Main 60% retardation (15.24m (50ft) stop from 48.3km/h (30 mile/h)
- Hand Hold on 18° (34%) slope
- Angle of Approach 26°
- Angle of Departure 21° 31'
- Turning Circle See TRANSMISSION
- Angle of Tilt 45°
- Fording (Screen Stowed) 1067mm (42in)
- Water Speed 6.44km/h (4 mile/h) approx with tracks
9.65km/h (6 mile/h) approx with tracks, propeller kit and washboard
- Military Load Classification 9





SCIMITAR
Rarden 30mm Gun Version



STRIKER
Anti Tank Guided Weapon Vehicle



SPARTAN
Armoured Personnel Carrier



SULTAN
Armoured Command Vehicle



SAMARITAN
Armoured Ambulance



SAMSON
Armoured Recovery Vehicle



Further information related to the Scorpion family of vehicles may be obtained on application to the following:

(a) *Commercial Director*
Alvis Limited, Holyhead Road,
Coventry CV5 8JH, England
Telephone: 0203 595501 Telex: 31459

(b) *Director of Sales*
The Defence Sales Organisation
Ministry of Defence, Stuart House
23-25 Soho Square, London W1V 5FJ,
England
Telephone: 01-632 3333 Telex: 825911

(c) *Military or Defence Attachés at
British Embassies overseas*

(d) *Office of the Military Attaché*
Belgian Embassy
103 Eaton Square, London SW1W 9AB,
England
Telephone: 01-235 4012
Telex: 22823

(e) *Ministère des Affaires Economiques*
Direction Générale de l'Industrie — bccd
Square de Meeûs 23, 1040 Bruxelles,
Belgique
Telephone: 02/126690 Telex: 21062

Also, for specific information on the
Swingfire missile system used by Striker,
please contact:

British Aerospace Dynamics Group
Stevenage-Bristol Division
PO Box 19, Six Hills Way
Stevenage SG1 2DA, England
Telephone: 0438 2422 Telex: 825125/6

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The Scorpion family of vehicles is now available with diesel engine power as an alternative to the petrol engine in current use. The diesel engine chosen is the Perkins turbocharged T6-3544 which is in quantity production and in use world-wide.

Engine Detail

Make Perkins Diesel
Type Turbocharged T6-3544
No of cylinders ... 6 in line
Bore and stroke ... 98.4mm (3.875in) x
127mm (5.0in)
Capacity 5.80 litres (354in³)
Max Power (Gross) 115.6kW (155bhp) at
2600 rev/min

Changes to the standard Scorpion vehicle specification as a result of the diesel engine installation are:

Battle weight 8260kg (18,214lb)
Ground pressure .. 38kN/m² (5.5lb/in²)
Range on road ... in excess of 866km
(600 miles)
Acceleration (i) thro' gears: 0-48.3km/h
(0-30 mile/h) in
18.5 seconds.
(ii) top gear: 48.3-64km/h
(30-40 mile/h) in
26 seconds.



ALVIS LIMITED COVENTRY ENGLAND



47MS18



SCORPION 90



ALVIS LIMITED COVENTRY ENGLAND



SCORPION 90

Fire Power

Scorpion 90 is an addition to the CVR(T) family of vehicles.

Scorpion can be armed with the 90mm Cockerill gun, the breech and barrel of which are made from high quality forged alloy steel (ESR type). The barrel is rifled and the rounds are fin stabilised. The gun is mounted in the Scorpion 360° traverse turret which is similar to that used for the 76mm gun.

A 7.62mm MG is mounted co-axially, both weapons having 8° depression and 30° elevation from horizontal.

The 90mm gun has a range of 4000 metres and fires five natures of ammunition. HE – High Explosive. HEAT – High Explosive Anti-Tank. SMOKE – white phosphorous. HESH – High Explosive Squash Head. CANISTER – anti infantry. Practice and drill rounds are also available.

Scorpion with the AC90 turret can therefore deal with all types of target and inflict severe damage on main battle tanks.

Power traverse and elevation are fitted as standard.



General Description

General

Scorpion fitted with the AC90 turret is a compact, fast light tank carrying a crew of three. It has a battle weight of 8723kg (19,231lb) and two can be carried in a C130 aircraft.

Engine

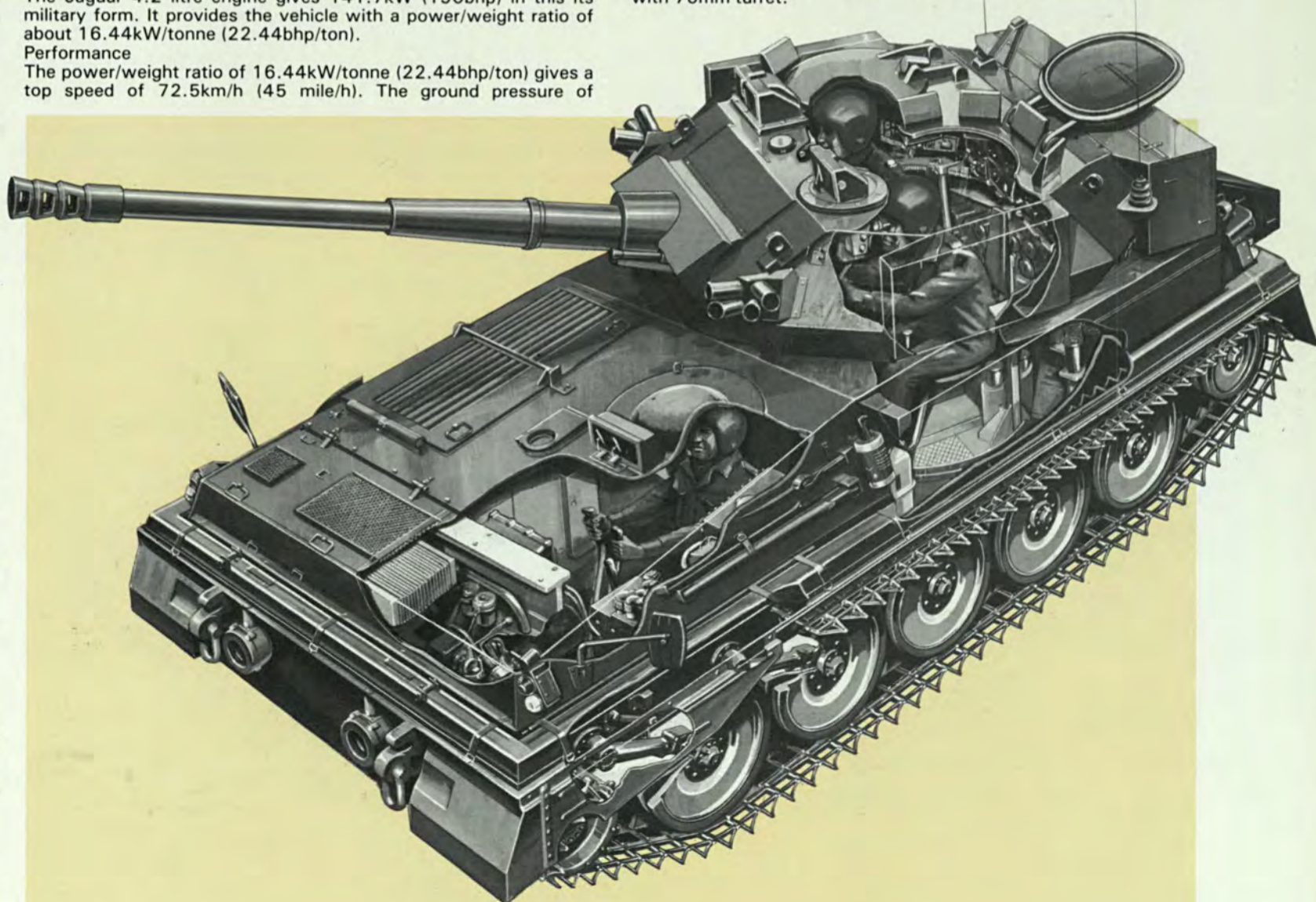
The Jaguar 4.2 litre engine gives 141.7kW (190bhp) in this its military form. It provides the vehicle with a power/weight ratio of about 16.44kW/tonne (22.44bhp/ton).

Performance

The power/weight ratio of 16.44kW/tonne (22.44bhp/ton) gives a top speed of 72.5km/h (45 mile/h). The ground pressure of

37.62kN/m² (5.41bf/in²) gives an outstanding soft ground performance. Road range exceeds 644km (400 miles) with the 391 litres (86 imperial gallons) carried under armour.

In other respects Scorpion with AC90 turret is similar to Scorpion with 76mm turret.



General Data

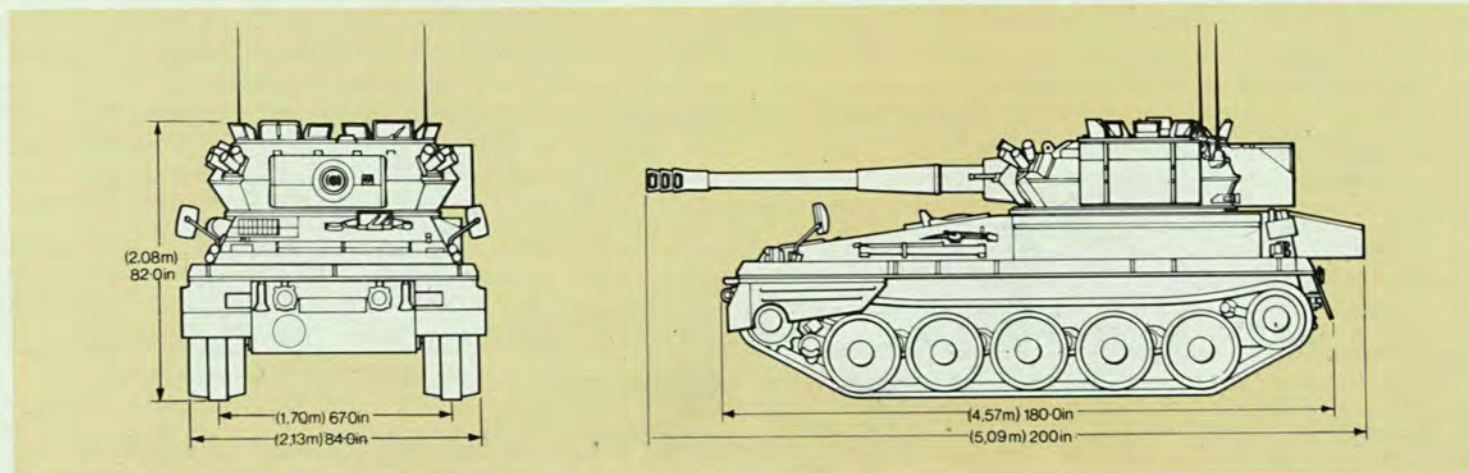
General

Crew 3, i.e. Commander/Loader,
Gunner/Radio Operator, Driver
Battle Weight 8723kg (19,231lb)
Ground pressure 37.26kN/m² (5.4lbf/in²)
Power/Weight Ratio .. 16.44kW/tonne (22.44bhp/ton)
Fuel Capacity 391 litres (86 gallons)
Airportability Two vehicles/aircraft C130
Airdrop 1 vehicle (C130) @7030kg
(15,500lb) vehicle weight

Dimensions

Length, over rear stowage bin (gun forward)
..... 5288mm (17ft 4 1/4 in)
Length, over rear mud flap (gun forward)
..... 5080mm (16ft 8 in)

Length, centre of turret to end of gun
..... 3485mm (11ft 5 1/4 in)
Height (top of commander's periscope)
..... 2102mm (6ft 10 3/4 in)
Width, overall 2235mm (7ft 4 in)
Width, over tracks 2134mm (7ft 0 in)
Ground clearance (approx) 356mm (1ft 2 in)
Armament
Main Armament Gun 90mm Mk III Cockerill
Elevation .. +30° to -8° (+533 mils to -142 mils)
Traverse 360° (6400 mils)
Auxiliary Armament 7.62mm co-axial machine gun
Smoke Protection 2 multi-barrel smoke
dischargers mounted on turret
Coverage 160° (2844 mils)



Additional Information

Further information relating to Stormer and the Scorpion CVR(T) range of vehicles may be obtained on application to the following:

- (a) Alvis Limited,
10 Fitzroy Square, London,
W1P 6AB, England.
Telephone: (01) 387-7224. Telex: 262748, 265403
- (b) Military or Defence Attachés at British Embassies Overseas.

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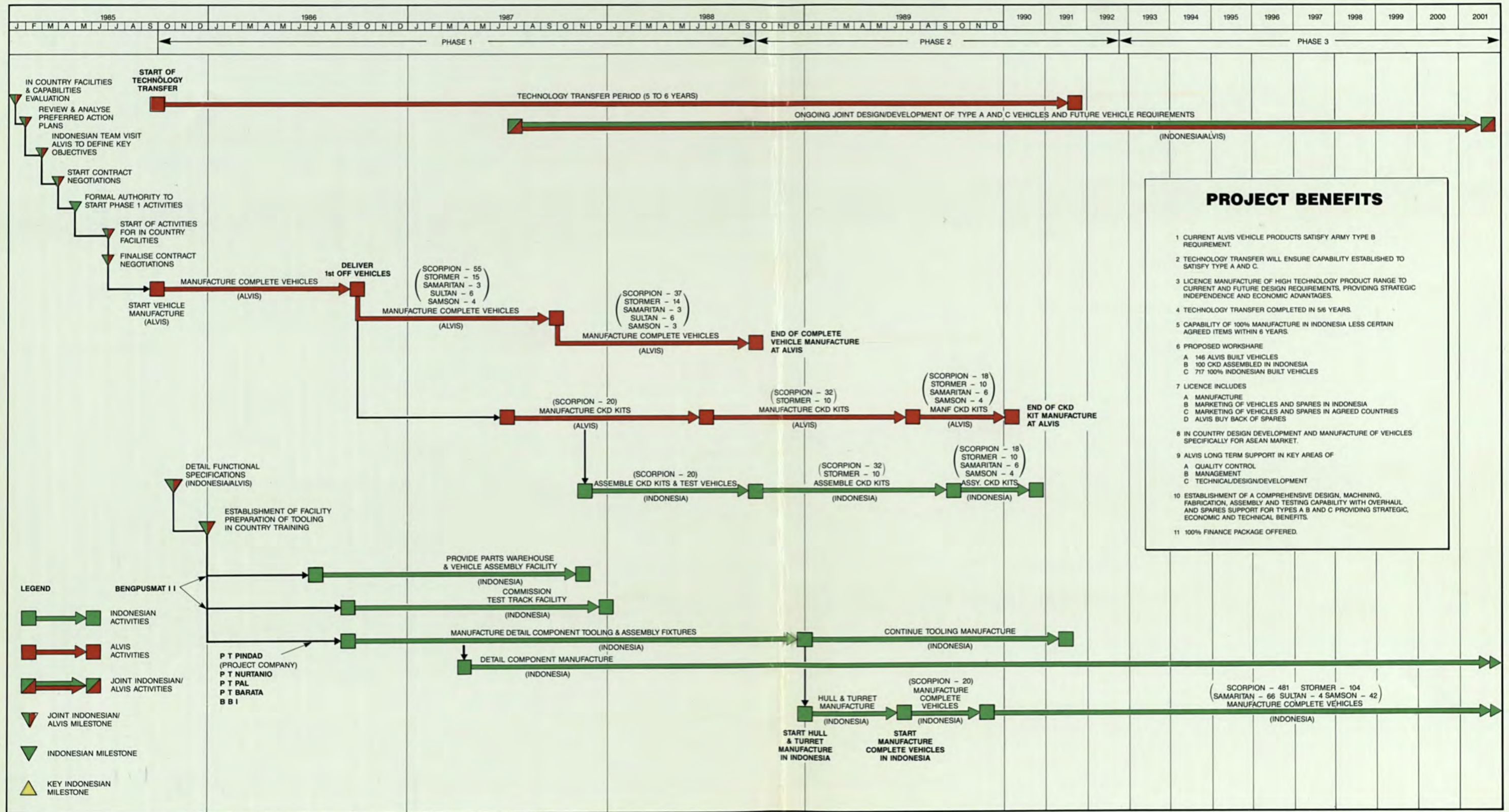


ALVIS LIMITED COVENTRY ENGLAND

A member of the United Scientific Group



INDONESIAN ALVIS SCORPION PROJECT



PROJECT BENEFITS

- 1 CURRENT ALVIS VEHICLE PRODUCTS SATISFY ARMY TYPE B REQUIREMENT.
- 2 TECHNOLOGY TRANSFER WILL ENSURE CAPABILITY ESTABLISHED TO SATISFY TYPE A AND C.
- 3 LICENSE MANUFACTURE OF HIGH TECHNOLOGY PRODUCT RANGE TO CURRENT AND FUTURE DESIGN REQUIREMENTS, PROVIDING STRATEGIC INDEPENDENCE AND ECONOMIC ADVANTAGES.
- 4 TECHNOLOGY TRANSFER COMPLETED IN 56 YEARS.
- 5 CAPABILITY OF 100% MANUFACTURE IN INDONESIA LESS CERTAIN AGREED ITEMS WITHIN 6 YEARS.
- 6 PROPOSED WORKSHARE
 - A 146 ALVIS BUILT VEHICLES
 - B 100 CKD ASSEMBLED IN INDONESIA
 - C 717 100% INDONESIAN BUILT VEHICLES
- 7 LICENSE INCLUDES
 - A MANUFACTURE
 - B MARKETING OF VEHICLES AND SPARES IN INDONESIA
 - C MARKETING OF VEHICLES AND SPARES IN AGREED COUNTRIES
 - D ALVIS BUY BACK OF SPARES
- 8 IN COUNTRY DESIGN DEVELOPMENT AND MANUFACTURE OF VEHICLES SPECIFICALLY FOR ASEAN MARKET.
- 9 ALVIS LONG TERM SUPPORT IN KEY AREAS OF
 - A QUALITY CONTROL
 - B MANAGEMENT
 - C TECHNICAL/DESIGN/DEVELOPMENT
- 10 ESTABLISHMENT OF A COMPREHENSIVE DESIGN, MACHINING, FABRICATION, ASSEMBLY AND TESTING CAPABILITY WITH OVERHAUL AND SPARES SUPPORT FOR TYPES A B AND C PROVIDING STRATEGIC, ECONOMIC AND TECHNICAL BENEFITS.
- 11 100% FINANCE PACKAGE OFFERED.

VEHICLE PRODUCTION	INDONESIA		ALVIS		CUMULATIVE TOTAL	
	CKD KIT ASSEMBLY	COMPLETE VEHICLE	COMPLETE VEHICLE	COMPLETE VEHICLE	COMPLETE VEHICLE	COMPLETE VEHICLE
			83	63	83	166
					20	186
					42	228
					38	266
					20	286
					65	351
					64	415
					63	478
					63	541
					62	603
					63	666
					64	730
					65	795
					64	859
					61	920
					63	983



CONFIDENTIAL

Memorandum to the Prime Minister - SRI LANKA

I visited Sri Lanka in February 1985 at the request of the Parliamentary Human Rights Group, together with Robert Kilroy-Silk. On our return we held a press conference at which we reported our findings but this received little coverage at home. As there is press censorship in Sri Lanka, it is unlikely to have been reported there although the BBC World Service carried it. Our written report is at present being printed but will not be published until after your visit. The report, summarised below, was written jointly and represents the impressions of both of us. The added comments are my own.

We had a relaxed and frank 45-minute meeting with the President, an hour with Lalith Athulathmudali, Minister of National Security, and three lengthy meetings with the Foreign Minister, Mr. A.C.S. Hameed. Amongst the places we visited were Welikada prison in Colombo and the army camp at Boosa, south of Colombo, where terrorist suspects from the north are detained. We were not able to visit the north, travelling being said to be dangerous. However, we spoke to a number of people from the north and members of the various communities in the country. We concluded that human rights are violated in Sri Lanka in a number of respects.

The Terrorists - known as Tigers - blow up trains and lorries carrying soldiers and blew up a police station, killing all the occupants. They have also raided villages in traditional Tamil areas occupied by Sinhalese, killing some of the inhabitants and causing the remainder to flee.



The Army are accepted by Ministers as being untrained in dealing with terrorism and ill-disciplined. There have been several instances where, following a terrorist incident, soldiers have taken revenge into their own hands, lining up local civilians and shooting them, then running riot. In at least one case the Army have effectively admitted responsibility by paying compensation. We were told that, following indiscipline of this sort, 177 soldiers and 6 officers have been summarily discharged. (But the authorities will not publicise this in Sri Lanka for fear of causing unrest in the Army.)

In the north there has been forced evacuation from a "prohibited zone" strip whilst further inland there are severe restrictions. Thousands of people have lost their livelihoods as fishermen and their homes and there is widespread hardship and disruption of normal life. The justification for these measures is the Government's belief that trained terrorists and weapons are reaching the north in fishing vessels across the narrow straits from southern India.

The Emergency Regulations allow arrest and detention for 90 days for almost any reason, such as distributing leaflets.

The Prevention of Terrorism Act enables those suspected of being involved in terrorism to be detained without trial for up to 18 months. It is quite usual after a terrorist incident for all men between 16 and 35 in the area to be detained and interrogated and many are kept in detention at Boosa in the south. We were satisfied that a number of such detainees were tortured during interrogation. We also learned that many found to be innocent after interrogation, or after their cases had been reviewed by the Advisory Board, were still detained for many weeks through bureaucratic delay.



The foregoing cannot convey, as our full report tries to, the atmosphere which we found amongst business and professional people as well as representatives of, for example, the Ceylon Workers Congress. Amongst all, including those who have in the past supported the President, there is concern at the way the Government is handling the situation. In some we encountered a genuine fear.

The President has abandoned attempts to find a negotiated solution to the "Tamil problem" and is committed to dealing with the separatist movement by military means. This is the Government's policy though Hameed (who is a Moslem) spent a lot of time explaining to us the details of the proposals which emerged from last year's all party conference. Hitherto the British Government has kept out of these internal problems. But the situation could very easily develop into a disastrous and tragic civil war and it seems to me that the time may well be ripe for a third party to intervene. India is, of course, much involved but the links between the state of Tamil Nadu and northern Sri Lanka make its impartiality suspect. Britain is well respected in Sri Lanka.

The purpose of your visit is to see the Victoria Dam of which the Government are very proud and for which they are most grateful. No doubt other projects involving British aid are under consideration. You may think it appropriate to draw the President's attention to the concern in the UK, particularly amongst parliamentarians and the very vocal Tamil community, about some of the things that are happening in his country. In a terrorist situation dreadful things will happen but some of the aspects to which our report draws attention are the result of lack of



training, lack of discipline, lack of imagination,
bureaucratic delays and sometimes sheer incompetence.

Neither the police nor the Army have experience or
training in dealing with terrorism. I believe a few
soldiers and police come to the UK for routine training
but perhaps this is an area where we could offer the
Sri Lankan Government more help?

Roger Sims

ROGER SIMS

3rd April 1985

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

3 April, 1985

Dear Charles,

Prime Minister's Visit to Asia: Briefing

I have sent you separately eight fresh sets of the briefing for the Prime Minister, taking account of the latest developments. We have included revised and updated programmes for the Prime Minister and for Mr Thatcher.

Malaysia (Country Brief C i)

The sections in the revised Country Brief on Air Services should be read in conjunction with the separate letter on this subject which I sent to you earlier today.

Sir John Thomson has recommended that the Prime Minister should be briefed on Antarctica in the light of Dr Mahathir's initiative to apply "common heritage" principles to Antarctica. We have, accordingly, included a short section on this.

Singapore (Country Brief C ii)

Updated to reflect the resignation of President Nair

Indonesia (Country Brief C iv)

We have revised the section on East Timor to enable the Prime Minister to give a rather more forthcoming response on Britain's attitude to this question. The sections on oil have also been amended.

Sri Lanka

We have revised the Prime Minister's brief to take account of very recent contacts between the Indian and Sri Lankan Governments on the inter-communal problem.

The sections in the brief dealing with the Samanala Wewa hydro-electric project will need to be considered again in the light of the outcome of meeting of EX later this afternoon.

/India

CONFIDENTIAL

India

When Mr Gandhi's emissary, Mr L K Jha, called on the Prime Minister on 21 March he referred to the Pakistan nuclear programme and Pakistan's acquisition of sophisticated arms. Your letter of 21 March recorded the Prime Minister as saying she would be prepared to discuss these issues with Mr Gandhi. We have amended the brief accordingly. The US Government have asked, through our Embassy in Washington, that the Prime Minister raise the nuclear issue with Mr Gandhi in an "interrogative" manner.

Briefs for Officials

These have been amended as follows:

- 010: International Economic Issues (additional item)
- 019: Indonesia Country Brief
- 021: Sri Lanka Country Brief

We have sent copies of the revised brief to officials accompanying the Prime Minister, and to Richard Hatfield (Cabinet Office) to whom I am copying this letter.

Yes over,
P F Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

MUS/FO 023/03

OO FCO
RR JEDDA

GRS 60
CONFIDENTIAL

FROM MUSCAT 03 1500Z
TO IMMEDIATE FCO
REPEATED TO ROUTINE JEDDA
TELEGRAM NUMBER 128 OF 3 APRIL 85

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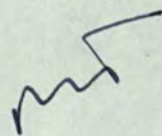
Hd/MED
Hd/NEWAD
PS
PS/M. Luce
PS/plus
7.
PS/No to Downing St

YOUR TELEGRAM NUMBERS 144 AND 145

VISIT BY THE PRIME MINISTER TO SAUDI ARABIA

1. I DELIVERED THE PRIME MINISTER'S MESSAGE TO THE SULTAN THIS AFTERNOON. QABOOS SAID THAT HE WAS GRATEFUL TO MRS THATCHER FOR TAKING THE TROUBLE TO INFORM HIM OF HER PLANS IN ADVANCE. HE ASKED ME TO CONVEY TO HER HIS WARM GOOD WISHES.

SLATER
NNNN



THATS ALL NIGHT NIGHT

M GLOWING AND CLEARING KK

CONFIDENTIAL

CC MS

GRS 180

J. H. Powell, No 10
a return for

CONFIDENTIAL
FM NEW DELHI 030455Z APR 85
TO IMMEDIATE FCO
TELNO 452 OF 3 APRIL 1985

1/7/85

YOUR TELNO 373 : PM'S VISIT

1. TODAY IS A GOVERNMENT HOLIDAY. BUT WE SHOULD BE ABLE TO CONTACT THE CHIEF OF PROTOCOL OR OTHER SENIOR OFFICIAL. WE WILL CONFIRM BY TELEPHONE TO YOU ONCE WE HAVE GOT THE NEWS THROUGH TO THEM.

mt

2. WE CAN ARRANGE ACCOMMODATION. SUGGESTED DETAILS TO FOLLOW.

3. A VISIT TO THE SAMADHI ^{Funeral Pyre site} COULD BEST BE FITTED IN ON THE WAY TO THE AIRPORT. ONE SHOULD ALLOW ABOUT 45 MINUTES FOR THE OPERATION (15 MINS TRAVELLING FROM 2KG, 10 MINS AT THE SITE AND 20 MINS AT AIRPORT). WE WOULD EXPECT THE INDIANS TO BE PLEASED AT THIS GESTURE.

4. IN THE NEW CIRCUMSTANCES, A MEETING WITH THE PRESS COULD BE FITTED IN EARLY (SAY 7.45 - 8.15 AT MY RESIDENCE). IF MRS THATCHER WERE PREPARED TO UNDERTAKE THIS, I WOULD VERY MUCH RECOMMEND IT, AS THE BEST MEANS OF CAPITALIZING ON THE VISIT.

WADE-GERY
LIMITED
SAD
SEAD
PROTOCOL D
NEWS D
PS
PS/PUS
SIR W HARDING
MR WILSON

Prime Minister
This refers to your
idea of visiting
Mr. Gandhi's memorial.
C.D.P.

CONFIDENTIAL



C-BT

②
Fine letter
i.e. like you
are too.
CJP
3/41

Government Chief Whip
12 Downing Street, London SW1
From the Private Secretary

3rd April 1985

mf

Dear Charles,

Miss Betty Boothroyd MP told me yesterday evening that she has been invited to Sri Lanka on a 3-day official visit between 10th - 13th April by the Minister of Land and Development.

Miss Boothroyd will be staying at the Oberoi Hotel Colombo during this period. I thought you might like to be aware of this.

yours ever,
Macleane

M MACLEAN

C D Powell Esq.,
Office of the Prime Minister

3 APR 1985

9 0 11 12 1
P: 2 7

DEPARTMENT OF THE ARMY
ATTENTION: DIRECTOR, ARMY CENTER FOR
OPERATIONAL RESEARCH AND ANALYSIS
ATTENTION: DIRECTOR, ARMY CENTER FOR
OPERATIONAL RESEARCH AND ANALYSIS

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

2 April, 1985

Dear Charles,

Prime Minister's Visit to Saudi Arabia: Message to Sultan of Oman

I enclose as you requested a draft message from the Prime Minister to the Sultan, together with a draft telegram of instructions to our Ambassador in Muscat.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

02 APR 1985



Post Office
Washington, D.C.

OUT TELEGRAM

	Classification and Caveats CONFIDENTIAL	Precedence/Deskby IMMEDIATE 030415 Z APR 85
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TEL NO

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6	TO IMMEDIATE DESK FM FCO 021200Z APR 85
7	TO IMMEDIATE DESKBY MUSCAT
8	TELEGRAM NUMBER
9	INFO JEDDA
10	
11	VISIT BY THE PRIME MINISTER TO SAUDI ARABIA
12	1. No 10 will announce on 3 April that at the invitation of
13	King Fahd, the Prime Minister will pay a brief visit to
14	Saudi Arabia on 14 April on her way back from her series of
15	visits to South and South East Asian countries. The Prime
16	Minister will stop ^{for a few hours at Riyadh} at Dhahran (the King will be visiting the
17	Eastern Province) on her return journey from Delhi to London.
18	2. When considering this invitation the Prime Minister has
19	weighed carefully the risk that Sultan Qaboos, whose invitation
20	she declined in February (FCO telno 62 of 12 February), will be
21	offended that she is now to call at Saudi Arabia. Although the
22	Prime Minister has decided to make the stopover, she wishes
23	to minimise any awkwardness in relations with Qaboos. Please
24	therefore convey the message to Qaboos in MIFT as soon as
25	possible. <i>Signed text follows in next bag.</i>

///
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NNNN ends telegram	BLANK	Catchword HOWE
File number	Dept MED	Distribution LIMITED MED NENAD PS PS/MR LUCE PS/PUS CC: PS/NO 10
Drafted by (Block capitals) A HEATH		
Telephone number 233 3982		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

	↓	Classification and Caveats	Page
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OUT TELEGRAM

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FM FCO	6	FM FCO APRIL 85
PRE/ADD	7	TO IMMEDIATE MUSCAT
TEL NO	8	TELEGRAM NUMBER
	9	INFO IMMEDIATE JEDDA
	10	MIPT: VISIT BY THE PRIME MINISTER TO SAUDI ARABIA: MESSAGE TO
	11	SULTAN QABOOS
	12	1. Following is text of message:
	13	BEGINS
	14	You suggested with characteristic thoughtfulness earlier
	15	in the year that I might break my journey to South East Asia
	16	by paying a brief visit to Oman.
	17	I have been very conscious of your kindness in making that
	18	offer and most sorry that the pressures on my programme are
	19	such that I am unable to take it up.
	20	In view of your kind suggestion, I particularly wanted to
	21	let you know that I have just received a personal invitation
///	22	from King Fahd in Saudi Arabia to stop over in Dhahran for a
//	23	few hours on my return home on 14 April. Given the important
/	24	developments in recent weeks in the search for an Arab/Israel
	25	peace settlement, and the worrying trend of events in the Gulf

NNNN ends telegram		BLANK	Catchword war
File number		Dept Private Office	Distribution Ltd MED NENAD PS PS/Mr Luce PS/PUS Mr Egerton cc: PS/No 10
Drafted by (Block capitals) PETER RICKETTS			
Telephone number			
Authorised for despatch			
Comcen reference	Time of despatch		

OUT TELEGRAM (CONT)

	Classification and Caveats CONFIDENTIAL	IMMEDIATE	Page 2
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1 >>>>
 2 war, I have decided that it would be right to accept the
 3 King's invitation. I thought that it would be useful to
 4 compare notes with the King following his own visit to
 5 Washington. I am sure that we must seize the present
 6 opportunity for progress towards Arab/Israel peace, and I
 7 shall want to encourage the King to do all he can in that
 8 direction.
 9 I do hope that your Majesty will understand that it will
 10 simply not be possible for me in the time available to visit
 11 Muscat as well on this trip. I very much hope that when
 12 you are next in England you will be able to come to lunch
 13 at Chequers. There is much for us to discuss. With my
 14 warmest personal good wishes.
 15 Margaret Thatcher.
 16 ENDS
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 18 HOWE
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NNNN ends telegram	BLANK	Catchword
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SH/MS
to note

10 DOWNING STREET

From the Private Secretary

2 April, 1985.

The Prime Minister has asked me to thank you for your letter of 29 March with which you sent her the draft prospectus for Anglo-Eastern Plantations Plc. The Prime Minister's visit is a very short one, and the time for detailed discussion limited. But I will make sure the point raised in your letter is covered in her briefing.

(C.D. Powell)

Michael Nightingale, Esq. O.B.E.



Ash. col. L

10 DOWNING STREET

From the Private Secretary

April
2 ~~June~~, 1985.

I enclose a copy of a letter to the Prime Minister from the General Secretary of the Catholic Institute for International Relations asking her to raise the question of East Timor during her visit to Jakarta.

I should be grateful for a draft reply.

*See + Martin
to note*

(C.D. Powell)

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

h

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1497</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Letter Mottam to Powell dated 2 April 1985</i>	
CLOSED FOR YEARS UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	<i>14/5/2015</i> <i>G. Gray</i>
TEMPORARILY RETAINED	
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MISSING	
NUMBER NOT USED	



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 7089

Sir Robin Nicholson, FEng, FRS
Chief Scientific Adviser

W0304

Mr R Braithwaite
Foreign and Commonwealth Office
Whitehall
LONDON SW1

CAF

2 April 1985

De Lohri

PROPOSED SCIENCE AND TECHNOLOGY AGREEMENT WITH INDONESIA

I am somewhat concerned to learn that, in the context of the Prime Minister's forthcoming visit to South East Asia, consideration is being given to a favourable response to a request from Indonesia for a formal S and T agreement. My concern is on two counts.

The first is that such agreements, though convenient forms of expression of goodwill at the time, have yet to prove advantageous to the United Kingdom and bring with them obligations which are disproportionately time consuming for the scientific and technological community. Mrs Ransom, in her letter of 16 August 1984 (copy attached) to Sir Crispin Tickell pointed out a number of problems associated with such agreements and I believe those points still stand.

The second is that, although this secretariat is responsible for coordinating international science and technology, it was not consulted on this matter by the FCO. I assume the DTI has been consulted and that it has been able to assure the FCO that it regards this agreement of sufficient priority to be able to divert resources to it, but I have to say that I have my doubts over whether an agreement is worthwhile. Had I been consulted by FCO, I would most likely have advised against it, and for this reason, I am copying this letter to Charles Powell.

Yours ever,

ROBIN NICHOLSON

C 0529

Sir Crispin Tickell KCVO
Foreign and Commonwealth Office
Whitehall
LONDON
SW1

16 August 1984

Dear Sir Crispin

PRIME MINISTER'S VISIT TO INDONESIA 21-25 SEPTEMBER:
PROPOSAL FOR A COMMERCIAL CO-OPERATION AGREEMENT

Dr Nicholson has asked me to register his views on the subject of bilateral technological agreements, in the light of the recent correspondence on an agreement with Indonesia. He would not wish to argue the pros and cons about the special merits of an agreement with Indonesia, but would hope the decision reached takes due account of some of the general problems affecting technical agreements.

Dr Nicholson recognises that, with many countries, such agreements appear to be a pre-requisite to strengthening commercial relationships, and he would not wish to underestimate the pressures this creates for an agreement. Moreover most of our formal science and technology agreements have been concluded with commercial benefits to the United Kingdom in mind. However, experience has shown that making these agreements work to the United Kingdom's advantage requires considerable efforts, and that, all too frequently, we are left with an agreement which creates demands on the United Kingdom science and technical community without equivalent reciprocal benefits. These agreements are, of course, extremely difficult to terminate, and an unserved agreement can cause friction.

Dr Nicholson has also become increasingly concerned about the ad hoc way in which we consider these matters in the United Kingdom. Proposals for bilateral technical agreements frequently emerge in connection with senior level visits, often at the request of the partner country rather than the United Kingdom. This means we are in danger of signing up, in a rather arbitrary fashion, a series of agreements on a purely responsive basis, without an overall assessment of where the United Kingdom's interests lie, and the sort of agreement and the sort of countries to which we should give priority. Furthermore, in almost every case, we are told we must have an agreement, because our competitors have one. But, when one enquires about the advantages they have derived from such agreements, the honest reply often reveals no advantage at all.

I know his concern has been echoed elsewhere in Whitehall, and the role of bilateral agreements with a strong science and technology component is a prospective agenda item for the first meeting of the new inter-departmental Committee on International Science and Technology relations. This should help establish a perspective on these matters from the science and technology angle, though of course there will always be wider diplomatic and commercial considerations to take into account.

ELIZABETH RANSOM

02 APR 1985

10 11 12 1
9 8 7 6 5 4
3 2



Michael

With Compliments

Could you very kindly
see that the P.M. sees this
before her Asian tour? It wd.
be most helpful.

With all good wishes to
you & Sylvia may be a very
happy Easter. *Johnny*

HOUSE OF COMMONS
LONDON, SW1A 0AA

P.S. Internal date due to Asian Dispute.

JOHN WILKINSON, MP



Rt. Hon. Mrs. M. Reidler, M.P.

HOUSE OF COMMONS
LONDON SW1A 0AA

Prime Minister,

10 Downing Street,

London S.W.1.

2nd. April, 1985

Dear Prime Minister,

In view of your important forthcoming
visit to S.E. Asia I thought that you might
welcome this very short background note on the
role of Toronto within A.S.E.A.N.

As you know the production line is due to
run down towards the end of this decade and
effort orders are badly needed. For this reason since in
the brief paper attached there would be interest in Indonesia,
Malaysia and Singapore which would be encouraged by high
level political support. With all good wishes for Easter and
a successful visit.

Yours ever

John [CHAN-AVIATION CTEE]

BRIEFING PAPER FOR THE PRIME MINISTER

Singapore

Singapore has been considering how best to improve its forces for a number of years. PANAIA has regularly visited Singapore over the past five years and maintained close contact with the Republic of Singapore Air Force (RSAF). Nevertheless, the RSAF has shown a preference for the American F-16/100. Initially, the United States Government declined to permit Singapore to purchase the F-16/100 and Singapore has been forced to lower its sights and ask for the less powerful F-16/79. However, no official announcement has been made and, therefore, it is concluded that no formal contract has been signed. If neither aircraft is made available Singapore may have to look at aircraft such as TORNADO.

Recently PANAIA gave presentations to the head of the Air Force and his senior staff which resulted in a request by the RSAF to conduct a flight evaluation. The head of the RSAF has also asked to fly in the aircraft when he visits Europe for the Paris Air Show.

During this visit it would most useful if TORNADO could be raised in discussions with Mr. Lee Kwan Yew and the point made that not only is this aircraft ideally suited to Singapore's military requirements, it would also strengthen the bonds between United Kingdom and Singapore. If Singapore decided to license manufacture some or all of these aircraft, valuable jobs will also be created and it would gain access to advanced technology.

Malaysia

PANAVIA has kept a close watch on developments in Kuala Lumpur. Several visits have been made and a number of presentations have been given. However, the Royal Malaysian Air Force (RMAF) has always made it clear that its new aircraft requirements would not firm-up until 1986 or 1987.

It would help a great deal if TORNADO could be brought to the attention of senior members of the government. For example, a part-license manufacture of TORNADO would be an ideal project for the recently formed Aviation Industries of Malaysia (AIM).

Indonesia

Like Singapore, Indonesia has expressed a clear preference for the F-16/100. However, the United States has so far declined to provide this aircraft. During a recent visit by PANAIA to Jakarta a senior air force officer explained that, if the F-16/100 is not made available, then the IAF would be looking for a suitable alternative which could be TORNADO.

Indonesia's rapidly developing aviation industry is short of work and technical assistance. Through the medium of a TORNADO purchase, considerable work could be made available to this fledgling industry and at the same time give the Indonesian Air Force a significant increase in capability. It would be of great assistance to PANAIA if these aspects could be brought to the attention of ministers.

Summary

The ASEAN group is a rapidly developing economic community, whose joint defence interests have yet to be formally established in a defence pact. Nevertheless, there is a degree of commonality developing within the group to the extent that most countries have an in-built preference for the F-16/100. The United States has recognised this fact and considered the advantages and disadvantages of supplying this aircraft to one or more of these nations. They have for example noted that, should they supply the F-16/100 to one country, then the others will have a strong case for acquiring it too. But although the Americans may be prepared to supply the aircraft to a front line country like Thailand, it might not wish to supply it to a more volatile country such as the Philippines. It would appear therefore that, in the short term, the United States has decided to decline all ASEAN requests for the F-16/100. Against this background, PANAVIA has attempted to interest these countries in TORNADO as a possible alternative. Although individually the numbers under consideration are small (Singapore - 8 aircraft, Malaysia - 20, and Indonesia - 24), collectively a TORNADO order would be significant.

If PANAVIA was able to penetrate this market by succeeding in one country, then undoubtedly the other countries would also wish to purchase the aircraft.

Traditional marketing techniques with high value equipment such as TORNADO will not be successful unless considerable political assistance is available. A mention of TORNADO during the South East Asia visit would achieve more than PANAVIA can hope to achieve by itself.



MR. POWELL

10 DOWNING STREET

From the Private Secretary

2 April 1985

Dear Lord Avebury

The Prime Minister has asked me to thank you for your letter of 27 March, and to arrange for this to be passed across to the Foreign and Commonwealth Office, so that the points you make can be taken on board in the briefing for her forthcoming visit.

Yours sincerely
Mark Addison

(Mark Addison)

The Lord Avebury

SECRET

7



Foreign and Commonwealth Office

London SW1A 2AH

2 April 1985

CDP
3/4

Dear Charles,

Prime Minister's Visit to Saudi Arabia: Press Line

I enclose a draft announcement to be made by your Press Office during tomorrow, 3 April. We have telegraphed this to Sir P Wright in Jedda, and asked him to confirm by 1100 BST tomorrow that the Saudis have no objections. We have also suggested some points to be made unattributably in response to questions.

I am copying this letter to Richard Mottram (MOD).

Yr ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
No 10 Downing Street

SECRET

VISIT BY THE PRIME MINISTER TO SAUDI ARABIA:
ANNOUNCEMENT AND PRESS BRIEFING

ON THE RECORD:

At the invitation of His Majesty King Fahd, the Prime Minister will pay a brief visit to Saudi Arabia on 14 April on the way back from her series of visits to South and South East Asian countries.

IF ASKED (UNATTRIBUTABLE):


Visit arranged at invitation of King Fahd. Stopover: a few hours only. No formal agenda, but discussions likely to centre on Arab/Israel, Gulf conflict, possibly Lebanon.

Important to maintain high-level contacts with country of such importance to British interests (largest market outside Western Europe and North America; exports 1984 £1387 million; swing producer in OPEC; huge financial reserves, much invested in Britain; 35,000 UK passport holders in Saudi Arabia). Prime Minister's first meeting with Fahd since her visit to Saudi Arabia and then Crown Prince Fahd's visit here, both 1981.

Relations excellent; no major problems. Visits: outward: Foreign Secretary January 1984; Defence Secretary January and November 1984; Minister for Trade November 1984; Minister of State, FCO (Mr Luce) 4-7 March 1985. Inward: Crown Prince Abdullah visited UK in February 1984. Invitation to King Fahd open: no dates agreed.

Prime Minister unlikely to have time to raise consular matters or individual cases. Mr Luce made clear our views to Saudi hosts in March.

Visit not seen as opportunity for substantive exchange of views on oil matters. But if King Fahd raises the subject, welcome as always his views on current developments in the market. Have explained to Saudis decision to abolish BNOC: Yamani said move "might not lead to any adverse development". OPEC reaction to decision generally muted.



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IF PRESSED ON TORNADO:

Will take opportunities as they arise to promote major export projects. Would not be surprising if Tornado were raised in this context. Still under discussion: no decisions taken (equally, no evidence that sale has gone to the French).

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SECRET



File
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10 DOWNING STREET

From the Private Secretary

2 April 1985

SAUDI ARABIA: TORNADO

The Prime Minister has seen Richard Mottram's letter of 2 April to me recording the Defence Secretary's conversation last night with Prince Bandar. The Prime Minister agrees that, in the light of this, she should visit Saudi Arabia on her way back from South East Asia and the arrangements set out in my letter of yesterday evening should therefore be implemented.

I should be grateful if instructions could be sent to HM Ambassador Jeddah to inform King Fahd that the Prime Minister would be delighted to stop briefly on her way back to meet him in Dhaharan on 14 April. At the same time, he should agree with Saudi officials the text of an announcement of the visit on the lines set out in my earlier letter. The essential point is that the statement must make clear that the invitation comes from The King. I suggest that we should aim to make the announcement tomorrow afternoon. This will give time for an explanatory message from the Prime Minister to the Sultan of Oman to be approved and despatched.

I should also be grateful if Protocol and Conference Department could put in hand the necessary arrangements for the Prime Minister's party to overnight in Delhi on 13/14 April.

I am sending a copy of this letter to Richard Mottram (Miistry of Defence).

C D POWELL

Len Appleyard Esq
Foreign and Commonwealth Office

SECRET

SA



The National Archives

DEPARTMENT/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>1497</i> (one piece/item number)	
Extract/Item details: <i>Ricketts to Powell dated 2 April 1985 with enclosure</i>	
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Foreign and Commonwealth Office

London SW1A 2AH

2 April 1985

Dear Charles,

Prime Minister's Visit to Saudi Arabia

Thank you for your letters of 1 and 2 April on this subject. Instructions have been sent to Sir P Wright. I now enclose a brief covering foreign policy topics with the usual press line at the end, in case this is needed with journalists on the plane after the lunch at Dhahran. The Ministry of Defence will provide a brief on Tornado.

I am copying this letter to Richard Mottram (MOD).

Yr ever

(P F Ricketts)
Private Secretary

P F Ricketts

C D Powell Esq
No 10 Downing Street

SECRET

02 APR 1985



FOR THE DIRECTOR, FBI
COMMUNICATIONS SECTION

SAUDI ARABIA (GMT +3 hours)

SUNDAY 14 APRIL

R1	1210	Arrive Riyadh
R2	1500	Depart Riyadh
R3	2030	Arrive London Heathrow Airport

CONFIDENTIAL

PRIME MINISTER'S VISIT TO SAUDI ARABIA: 14 APRIL 1985

Our Objectives

- To ascertain how far Saudis are contemplating closer support for initiative of King Hussein and Yasser Arafat and what specific measures they may intend to take; to stress UK sympathy with both Saudi and Jordanian/Palestinian/Egyptian efforts;
- to make clear to Saudis our desire to see earliest possible end to Gulf conflict;
- to discover Saudi reaction to the UN Secretary-General's visit to the Gulf;
- to register continuing concern at deteriorating situation in Lebanon.

Our Arguments

- King Fahd's visit to Washington a success. Helped produce slightly more forthcoming US position. Have urged President Reagan to react positively. Hussein/Arafat agreement, though fragile, offers rare prospect of progress. If it fails, fresh scope for Russians, radicals. President Mubarak's ideas also interesting. How do Saudis see their role now?

- Our representative in New York in close touch with Secretary-General and other Security Council members to try to find common ground between Iran and Iraq;

- quiet diplomacy and step-by-step approach being pursued by the UN Secretary-General offers the best way forward;

- concerned at deterioration of situation in Lebanon. Horrifying cycle of violence (kidnappings); need for early, orderly and complete Israeli withdrawal. Saudi assessment of developments?

Their Objectives

- to press for greater UK efforts to persuade the US to respond positively to Arab initiatives; perhaps to avoid too close identification with specific Hussein/Mubarak ideas; to enquire why

the European Council did not issue more comprehensive statement on the Middle East;

- to call for tougher action by the Security Council on ending the Gulf conflict;
- possibly to press for further isolation of Iran and halt to UK supplies of military equipment to Iran;
- perhaps to criticise UK abstention of the Lebanon UNSC Resolution;
- perhaps to press for constraints on UKCS production and suggest UKCS tax prices be set artificially high following demise of BNO.

Our Response

- Have made our views clear to President Reagan and urged European Council to give public support; meeting dealt with many complicated Community issues; agreement could not be reached on issue of conclusions; but Ten's pointers and messages clear and favourable;
- the UK has supported all moves in the Security Council aimed at reducing signs of conflict. Need to avoid alienating Iranians;
- our Interests Section's contacts with the Iranians are used to urge moderation. We supply no defence equipment to either Iran or Iraq which might significantly prolong or exacerbate the conflict;
- urgent need is for full Israeli withdrawal behind the border; resolution contains nothing to encourage this; not forward-looking; discussion useful and agree with much of draft, but abstention consistent with UK policy;
- HMG does not control the level of UKCS production. Matter for oil companies. Because up to £750 million needed before first barrel produced from new field, they would be disinclined to invest in the high capital cost North Sea if they thought production controls would be introduced. Especially important for the UK when UKCS production already at about its peak and likely to decline;



- we cannot assess tax on prices above the market level. Our tax treaties with other countries mean taxation must be based on actual proceeds. Nor do we see how this would help market stability.

Press Line

- Exchanged views on recent developments in the Arab/Israel dispute, in particular initiatives of King Hussein; expressed support for all efforts to achieve a just, peaceful and lasting settlement;

- share Saudi concern at recent escalation in the Gulf conflict: like them, wish to see the earliest possible end to the fighting;

- shared concern at tragic events in Lebanon, including kidnappings; called for early, orderly and complete Israeli withdrawal; urged all parties to facilitate restoration of Lebanese sovereignty, unity, territorial integrity and independence;

- (if discussed): took opportunity to exchange views on oil matters. We find informal discussions with other producers helpful.

Background

Political/Bilateral

1. Bilateral relations excellent: no major problems. King thinks highly of Prime Minister. Grateful for action in encouraging President Reagan to take fresh Middle East initiative.

2. Prime Minister met then-Crown Prince Fahd twice in 1981, in Riyadh and London. No subsequent meeting, but exchanges of letters November-February (resting with PM's letter of 27 February) on ~~February~~, Arab/Israel, two visits to Washington. (Texts at Annex A) King visited Washington 10-15 February. Invitation outstanding to King to visit United Kingdom.

Arab/Israel

3. Saudis urge pressure on US administration to react positively to King Hussein's initiatives, but remain themselves on the fence. Attached to principle of "Arab Unity", however discouraging the practice; do not wish to alienate Syrians and other radicals.

4. Jordan/PLO Agreement, signed by King Hussein and Arafat on 11 February includes important PLO concessions (territory for peace, confederation with Jordan and Joint Jordanian/Palestinian delegation at an international conference) albeit (deliberately) in framework which allows parties plenty of room for manoeuvre. Not necessarily in our interests to press for full clarity at this stage; important thing to maintain momentum. Agreement enjoys full support of Egypt, and tacit approval of other moderate Arab states though the longer it fails to elicit positive US and Israeli responses, the greater the danger of this evaporating. Only Syria, Libya, PDRY and the minority radical Palestinian Groups have rejected it. Israeli reactions have varied from scepticism (Peres) to rejection (Shamir) but overall have been less negative than might have been feared. Despite insistence on "clarification" of two clauses, no mainstream PLO leader has repudiated it. King Hussein has accepted two "clarifications" to appease the more hardline PLO opinion (a joint Arab - not Jordanian/Palestinian - delegation and clearer reference to full Israeli withdrawal).

5. President Mubarak has made additional proposals including US reception of a Jordanian/Palestinian delegation, widening dialogue to include Israel, and meetings between Jordanian/Palestinian and Israeli delegations in Cairo. First thought was part of King Hussein's strategy, but Mubarak's announcement not coordinated with him and caused embarrassment. Peres has welcomed idea of direct talks, provided no PLO members involved; senior Palestinian, Milhem, rejected idea. Hussein and Mubarak now concentrating on securing meeting between US and Jordanian/Palestinian delegation, which Mubarak claims sufficient to prompt Palestinian recognition of Israel's right to exist. US remain sceptical about Mubarak's proposal, sending Mr Murphy to the area to see if US meeting with acceptable Jordanian/Palestinian delegation could proceed. Israelis have dropped their objections to such a meeting.

6. The European Council meeting on 29/30 March issued press guidance (Annex B) in support of King Hussein's efforts. The French blocked the issue of formal "conclusions".

Lebanon

7. Since Israeli withdrawal from Sidon area on 16 February, increasing violence and reprisals between Israeli forces and Lebanese groups. Cycle of violence can only be broken by complete Israeli withdrawal. Split in the Christian community has blocked Syrian-led efforts to promote agreement on new power-sharing arrangements in Lebanon: serious challenge to President Gemayel's authority. Lebanese draft Security Council resolution was vetoed by the US on 12 March; Britain and Netherlands abstained, France voted in favour.

8. One Briton, abducted on 25 March, Alec Collett, remains captive. Apart from contacts with the Lebanese authorities and political/militia groups through our Ambassador in Beirut, we have also sought the cooperation of the Syrians and Iranians and are in close touch with France, the United States and the UN Secretariat.



Iran/Iraq

9. Saudis have said they hope international community, including Britain, will be more active in seeking a solution to the Gulf conflict, and have implicitly criticised our balanced approach to UN Security Council discussions. We regard one-sided condemnation of Iran as counter-productive.

10. Iraq has rejected proposals by the UN Secretary-General aimed at limiting scope of conflict: Iraqi policy now one of comprehensive war alongside readiness for moves towards a comprehensive peace. Iran has not modified demand that Saddam Hussein be overthrown before peace negotiations. But Iranians support efforts aimed at:

- (i) stopping attacks on civilian targets;
- (ii) freedom of navigation in the Gulf;
- (iii) non-use of CW;
- (iv) ending threat to civil aviation.

11. The UN Secretary-General will have completed tour of Gulf states (30 March-8 April). Visited Riyadh 30 March-2 April; went on to Oman, Bahrain and Qatar. Would be prepared to visit Tehran and Baghdad if he were given an assurance on substantive discussions to bring about cessation of hostilities. As Tehran will not agree to this he is unlikely to visit Iran or Iraq.

Oil

12. Following demise of BNOC, Saudi attention has switched from UKCS prices to level of UKCS production: about 2.5 million barrels per day in 1984, likely to be slightly higher this year.

13. On 25 March BNOC made its pricing proposals for March (retaining \$28.65 per barrel price set for January and February) and the second quarter (market-related prices as BNOC runs down its operation). So far there has been no Saudi response, other than (from Yamani) a suggestion that following BNOC's abolition HMG should somehow fix taxation prices above current spot market levels.



02 APR 1985

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02 APR 1985

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1497</i> (one piece/item number)	Date and sign
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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-920202 218 2111/3

MO 5/3/3

2nd April 1985

*Prime Minister
I'm rather inclined
to think that Sir James
Blyth's presence might be
too pointed: and that it's
better not to include him.*

*Agree not to include him?
Agree not*

*CDD
2/4*

Dear Charles,

VISIT BY THE PRIME MINISTER TO SAUDI ARABIA: TORNADO

In your letter of 1st April to Len Appleyard, you asked for a brief on Tornado. This is attached. I have cleared the attachment with the Defence Secretary on his return from Paris and, because of this, I have slightly missed your deadline.

As I mentioned to you on the telephone, we would not propose that an expert from Defence Sales should travel on the Prime Minister's aircraft. Sir James Blyth was, however, intending to be in Saudi Arabia at around this time and could therefore be present during the Prime Minister's brief stopover. He has, of course, all the background at his fingertips. I should be grateful to know in due course whether you wish us to arrange this.*

I am copying this letter and the attachment to Len Appleyard (FCO).

*I would not
be appropriate on
this occasion*

Yours etc,
Richard Mottram
(R C MOTTRAM)

* We would also discreetly establish if there were any Saudi sensitivities over his presence, if the Prime Minister is herself content.

C Powell Esq
10 Downing Street

MEETING WITH KING FAHD: TORNADO1. Our objective

To confirm King Fahd's personal commitment to proceed with purchase of Tornado (interdiction/strike) aircraft and Hawk training aircraft, and to establish when letter of intent will be handed over.

2. Arguments

a. Much valued our exchanges of messages in recent months and the opportunity to discuss issues arising with Prince Bandar.

b. Britain anxious to play a full part in affairs of the region and to develop our ties with our friends including in the field of defence.

c. Delighted to learn from Prince Bandar on 7th January that Your Majesty had decided to acquire Tornado for the Royal Saudi Air Force (RSAF). Tornado best aircraft of its kind in the world.

d. Understand the need to handle carefully timing of completion of purchase and for absolute confidentiality. Matter is of course one of keen interest in Britain. Hope we can finalise arrangements during my visit.

3. Tactical Arguments

a. RSAF has proved its defensive capability with F15 successes last June, shooting down at least 1 Iranian F4 over the Gulf. However, it must have ability to retaliate effectively if systematically attacked. Current examples in Iraq/Iran confrontation. Possession of a retaliatory capability itself a strong deterrent to enemy attack. The recent Bombing and Navigation Competition in US showed Tornado clearly superior in this role.

b. Hawk has shown its superior qualities with a number of air forces, and has now been selected by the US Navy.

c. Tornado is considerably cheaper than the American F15. The relative price fallen since agreed with Prince Sultan in May 1984 because of the relationship between the US Dollar and Sterling.

d. Britain can guarantee security of supply of spare parts etc under sole British control.

4. Saudi Objectives

These are not clear, but King Fahd could take the line that, while he is committed to the purchase, he cannot enter into a final commitment at this stage for budgetary reasons, and/or because of the need to handle matters delicately with Saudi Arabia's other friends (ie the US and France).

5. Your Response

a. Emphasise the main points of purchase agreed with Prince Sultan in May 1984 and matter now been subject to

exchanges at the highest level for some months.

b. We have carefully safeguarded confidentiality of exchanges over aircraft but mounting interest and speculation inevitable.

c. Offer to provide aircraft by diversion from RAF and fixed price set in May 1984 cannot be held open indefinitely.

6. Press Line

It is important to avoid, as far as possible, press comment, in view of past Saudi criticism of our apparent inability to maintain confidentiality.

7. Background

a. Offer is:

Supply 20 Tornado

Supply 24 Hawk

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

Net total value of initial order:

b. Sir James Blyth agreed the prices at a. with Prince Sultan in May 1984.

c. The Prime Minister has been personally involved in exchanges since last November.

CONFIDENTIAL

GRS 850

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FROM JEDDA 010822Z APR 85

TO ROUTINE FCO

TEL NO 187 OF 1ST APRIL 1985

INFO ROUTINE LAGOS, KUWAIT, DOHA, ABU DHABI, DUBAI, MUSCAT,
BIS TEHRAN, BAGHDAD, ALGIERS, WASHINGTON, TOKYO, BAHRAIN.
INFO SAVING JAKARTA, CARACAS, QUITO, MEXICO CITY, OSLO, RIYADH.

CALL ON SAUDI OIL MINISTER

SUMMARY

1. YAMANI MAINTAINS THAT OPEC MONITORING ARRANGEMENTS ARE WORKING AND THAT OPEC PRODUCTION IS CURRENTLY 15.5 MBD, IN SPITE OF HIS PUBLIC

C
OPTIMISM YAMANI SEES GROWING RISK OF AN UNCONTROLLED DROP IN PRICE. HE IS CONCERNED THAT UKCS EXPORTS MAY INCREASE AND ADVOCATES A BRITISH OIL TAX REFERENCE PRICE. THERE MAY BE AN ELEMENT OF BLUFF IN HIS WARNINGS THAT THERE ARE LIMITS TO SAUDI ARABIA'S WILLINGNESS TO GO ON SHORING UP THE PRICE.

DETAIL

2. HAVING FAILED TO SEE SHAIKH AHMED ZAKI YAMANI WHEN CARRYING OUT THE INSTRUCTIONS IN YOUR TELNOS 115 AND 116 OF 12 MARCH, HE WAS INVITED TO CALL ON HIM IN RIYADH ON 31 MARCH.

IN ANSWER TO MY QUESTION YAMANI CONFIRMED THAT THE OPEC AGREEMENT OF 30 JANUARY HAD SO FAR HELD. HE HAD HIMSELF SEEN JANUARY OPEC PRODUCTION FIGURES: THOSE FOR FEBRUARY AND MARCH HAD GONE TO THE DUTCH ARBITERS. HE WAS SATISFIED THAT THEY WERE ACCURATE. CURRENT OPEC PRODUCTION WAS 15.5 TO 15.6 MBD.

3. OF THIS, SAUDI PRODUCTION WAS 3.9 MBD (400,000 MBD BELOW QUOTA). THIS FIGURE EXCLUDED CRUDE FOR IRAQ AND THAT PUT INTO STORAGE AND NOT SOLD. BUT IT INCLUDED CRUDE SOLD FROM STORAGE, WHICH MEANT THAT IN FEBRUARY IT HAD BEEN HIGHER THAN ACTUAL LIFTINGS. THE OIL IN STORAGE WAS NEARLY ALL AT SEA IN EUROPE, AMERICA AND THE FAR EAST: THE VOLUME WAS WELL BELOW THE PRESS ESTIMATE OF 60 M BBL.

4. KUWAIT PRODUCTION IN MARCH WAS ABOUT 100,000 BD BELOW THE QUOTA TO COMPENSATE FOR QUOTE ACCIDENTAL UNQUOTE OVER PRODUCTION IN JANUARY. THE NIGERIANS WERE 100,000 BD OVER THEIR QUOTA, ON WHICH THERE WAS SOME DISAGREEMENT. IRAN HAD BEEN UNDER QUOTA IN JANUARY, NEAR IT IN FEBRUARY AND UP TO IT IN EARLY MARCH. BUT IRANIAN EXPORTS HAD FALLEN MARKEDLY IN THE LAST 7 TO 8 DAYS: ACCORDING TO JAPANESE SOURCES AIR RAIDS ON KHARG ISLAND APPEARED TO HAVE DAMAGED THE TANK FARM: BECAUSE OF THIS OR PERHAPS BECAUSE THEY WERE SCARED OF MOVING FROM UNDER THE SURROUNDING AIR COVER SIX TANKERS WERE WAITING AT KHARJ. IRAQI ACTION APPEARED ALSO TO HAVE INTERRUPTED THE TANKER SHUTTLE TO THE SOUTH GULF (THE SAUDIS WERE MONITORING TANKER MOVEMENTS).

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15.

5. YAMANI SAID THAT THE NEW SAUDI BUDGET HAD BEEN BASED ON AN ASSUMPTION OF 4 MBD PRODUCTION. THIS WAS QUOTE A PROBLEM UNQUOTE (I.E., HE ASSUMED INSUFFICIENT REVENUE TO BALANCE THE BUDGET WITHOUT FURTHER DRAWINGS FROM THE FINANCIAL RESERVES) BUT OTHER OPEC MEMBERS HAD MORE SERIOUS PROBLEMS. NIGERIA WAS NOW AT THE MINIMUM LEVEL OF PRODUCTION NEEDED TO FINANCE THE BUDGET. IRAQ WOULD BE PUTTING AN EXTRA 1 MBD ON THE WORLD MARKET WHEN THE RED SEA AND MEDITERRANEAN PIPELINES WERE COMPLETED IN LATE 1985 AND EARLY 1986. OPEC'S ABILITY TO CONTROL PRICES WAS WEAKENING AND THE RISK OF A PRICE WAR WAS INCREASING. YAMANI DID NOT SEE THERE BEING ANOTHER CONTROLLED DROP IN THE PRICE: IF A CUT CAME IT WOULD BE SHARP- TO BELOW DOLLARS 20 BBL. NIGERIA, FOR EXAMPLE, WOULD INCREASE PRODUCTION IF THE PRICE BEGAN TO SLIDE AND THAT WOULD DRIVE PRICES DOWN STILL FURTHER. YAMANI, WHO LOOKED AND SOUNDED WEARY SAID THAT HE WAS PRIVATELY LESS OPTIMISTIC ABOUT PRICES THAN IN PUBLIC AND ADDED POINTEDLY THAT HE WAS QUOTE GETTING TIRED OF FIGHTING TO CONTROL PRICES UNQUOTE.

6. HE ASKED ABOUT PRESS REPORTS, WHICH HAVE BEEN DENIED, OF FURTHER OIL BARTER DEALS. YAMANI SAID, WITH A SMILE, THAT HE WAS QUOTE NOT FOND OF BARTER UNQUOTE. IF SPENDING MINISTERS COULD NOT GET ALL THE MONEY THEY NEEDED FROM THE FINANCE MINISTER, THEY TRIED TO GET OIL FROM THE OIL MINISTER. THE IMPLICATION WAS THAT SUCH EFFORTS WOULD BE RESISTED, BUT THAT RESISTANCE MIGHT BE OVERRIDDEN.

7. YAMANI COMMENTED ON UK POLICIES AT SEVERAL POINTS IN OUR CONVERSATION: AT THE OUTSET HE REMARKED THAT QUOTE OUR BUSINESS IS IMPROVING, DON'T PUSH IT TOO FAR UNQUOTE. LATER HE ADDED THAT UKCS PRODUCTION WAS HIGH: HE HOPED THAT IT WOULD NOT INCREASE: UKCS EXPORTS, WHICH WERE GROWING IN THE AFTERMATH OF THE MINERS' STRIKE WERE HAVING A QUOTE NEGATIVE EFFECT UNQUOTE ON THE MARKET. HE POINTED OUT THAT THE UKCS WINTER FIGURES HAD BEEN, AS USUAL, SEASONALLY HIGH: THE AVERAGE FOR THE YEAR WOULD BE LOWER: HE DREW YAMANI'S ATTENTION TO OUR 1985 FORECAST RANGE. ON THE CHANGE IN BNOC'S FUNCTION, WHICH HE SAW AS A MOVE TO AVOID PARLIAMENTARY CRITICISM OF FINANCIAL SUPPORT FOR BNOC, YAMANI SAID HE ATTACHED PARTICULAR IMPORTANCE TO OUR IMPROVING ON THE NORWEGIAN SYSTEM OF SETTING A TAX REFERENCE PRICE AND TO HMG CONTINUING TO SELL EQUITY CRUDE IN THE MARKET: IN OTHER WORDS AN ARGUMENT FOR HMG CONTINUING TO INFLUENCE THE UKCS PRICE. HE EXPLAINED THAT BNOC'S TERM PRICES HAD BECOME A DESTABILISING FACTOR AND OUR CONVICTION THAT PRICES SHOULD BE SET BY THE MARKET.

8. COMMENT. YAMANI'S MESSAGE WAS UNDERSTATED BUT NONETHELESS CLEAR. THERE WAS NO FURTHER SCOPE FOR CUTS IN OPEC, AND PARTICULARLY SAUDI, PRODUCTION TO COMPENSATE FOR INCREASES IN NON OPEC
LX4 6. WE SHOULD NOT COUNT ON A REPEAT OF THE SAUDI ACTION IN JANUARY TO SHORE UP PRICES SHOULD THEY AGAIN COME UNDER PRESSURE.

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THERE IS AN ELEMENT OF BLUFF IN YAMANI'S REMARKS. BUT THE SAUDIS MAY BE IN THE COURSE OF PERSUADING THEMSELVES THAT A SHARP DROP IN PRICE WOULD FOR THEM BE MANAGEABLE IN THE SHORT TERM AND PERHAPS EVEN BENEFICIAL IN THE LONG TERM. THE FACT IS THAT ANY SUCH DROP WOULD MAKE IT EVEN MORE DIFFICULT FOR THE SAUDIS TO HOLD TO THEIR FORECASTS OF A BALANCED BUDGET IN THE NEW FINANCIAL YEAR.

FCO PSE PASS SAVING ADDRESSEES

WRIGHT

REPEATED AS REQUESTED

STANDARD (PALACE)

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ECONOMIC ADVISERS
ECD'S
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MR JOHNSON
MR EGERTON

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HOUSE OF COMMONS
LONDON SW1A 0AA

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Res Prime Minister,
RE FAR EAST VISIT

ms

When you have talks in Singapore,
North West Members of Parliament would
dearly like *3 flights per week into
Manchester International Airport for
our Industry. Please say yes!

But not alter routes to London Airport
we would appreciate in addition!!

Many Thanks,

Your list,

* SINGAPORE INTERNATIONAL
AIRLINES.

Geoffrey Dickens,

2nd April, 1988.

Dear Prime Minister,

I felt I wanted to write to you and say how pleased I was to learn that you proposed to visit Sri Lanka. I spent all my business career there as a Scottish Chartered Accountant, (for 34 years) and retired in 1958 as Managing Director of a large Estate Agency house in Colombo.

In 1952 I entered the Ceylon Parliament on the invitation of the Prime Minister, Mr. Dudley Senanayake, and served in that capacity for six years. The main reason for my appointment was - I think - that for 5 years - from 1950 to 1954 - I was Chairman of the Ceylon Chamber of Commerce; so, one way and another, I had a very busy public life!

I believe I am now the last survivor of the European Appointed members of the Ceylon Parliament, the President of Sri Lanka, Mr. J.R. Jayewardene, will be particularly glad to meet you. He has been going through a very trying time during recent years because of the communal troubles, and your visit will be a great encouragement to him. He was a good friend to me while he was leader of the House.

As I am now in my eighties there is no prospect of my visiting 'The Island' again, so if you would be so kind as to convey to him my best wishes for many more years of service to Sri Lanka I feel sure that, coming from you, it would be much appreciated by both the President and

Yours very truly,

John R. Murray

P.S. I realise how extremely busy you must be, but I hope you can spare a moment to read this. Before you leave on your travels, Bon voyage! (over)

CCMS

BRADBURY, WILKINSON P.L.C.

TELEPHONE
01-947 3271 (7 LINES)
TELEGRAPHIC ADDRESS
"BRADBANK, NEW MALDEN"
TELEX NOS.
27103
8954070

265, BURLINGTON ROAD,
NEW MALDEN, SURREY,
KT3 4NH, ENGLAND.



Mr. C.D. Powell,
Private Secretary to
The Prime Minister,
10 Downing Street,
London S.W.1.

Our Ref: BJW/JMM

1st April 1985

Dear Mr. Powell,

This is to confirm our telephone conversation of this morning when I advised you that I had just returned from Sri Lanka where we performed the laying down of the Foundation Stones Ceremony for a security printing plant in that country. This plant is owned 60% by Bradbury Wilkinson and 40% by the Government of Sri Lanka, represented by The Treasury.

The chief guests at the Ceremony were the Honourable Minister of Finance, Mr. Ronnie de Mel, and the Minister of Youth Affairs and Employment and Minister of Education, Mr. Ranil Wickremasinghe. We had excellent coverage, both in the Press and on television for this event.

I thought perhaps the Prime Minister would like to have this information for her forthcoming visit to Sri Lanka. I hope the information will be useful and look forward to hearing from you should the Prime Minister include it in any of her speeches or meetings.

Yours sincerely,

P.P. B.J. Wauters





01 APR 1985

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MISSIAN ENGLAND
NEW WINDERS PARK
502 BURLINGTON ROAD

BRADBRILL WILKINSON PCC

SPRING
BLOS
LETON 4100
BRADBRILL NEW WINDERS
ATTENTION: DIRECTOR
OF POLICE (S) (C) (M) (P)
LETON 4100

THE GENERAL ELECTRIC COMPANY, pl.c.

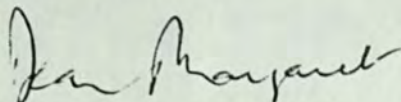
1 STANHOPE GATE · LONDON W1A 1EH

01-493 8484

FROM THE CHAIRMAN
THE RT. HON. JAMES PRIOR, MP

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
LONDON S.W.1.

1st April 1985



We had a short talk last Wednesday evening about your forthcoming visit to South East Asia and I mentioned a number of projects in which GEC are deeply interested. I am enclosing these for you in this letter and am most grateful to you for your promise of help.

I also mentioned to you our Teleview project in Singapore. This is worth initially some £15 million but hopefully will be much more. Although I signed the contract in February, the Singapore Telecom authority have so far insisted that no publicity be given to the contract. One of our senior people is out there at present and is trying to persuade the Singaporeans to announce the award of the contract while you are there. I have spoken to him this afternoon and I hope very much their reluctance can be overcome.

(a) Malaysia:

First, there is a C³ (Command Control and Communications) system for which our Easams company is submitting the sole British bid valued at about £220 million for equipment for Marconi, other GEC companies and Plessey. This will maintain an important continuing UK interest in advanced technology in Malaysia and provides for transfer of technology and local manufacture in the Marconi factory in Kedah. There could be a move from our competitors -

Hughes Aircraft of USA and Aeromaritime of FRG - to have this project split up. This would be very damaging to the Malaysians as the system must be fully integrated to be effective.

Second, an international consortium from the UK, Italy and France, comprising Marconi Italiana, Marconi (Malaysia), GEC/Telephone Cables Ltd., and CIT Alcatel, is bidding for the supply of optical fibre telecommunications equipment to Jabatan Telekom Malaysia. Total cost is estimated to be US\$120 million, of which the UK content is \$20 million to \$28 million. HMG has offered aid grant equivalent to 25.1% of this UK contract up to a maximum of £6.275 million. The Italian and French Governments have also offered aid on a similar basis. This is a good EEC collaborative project.

(b)

Sri Lanka:

GEC has a substantial involvement through the supply of power generating and other equipment in the proposals of the consortium led by Balfour Beatty for the next major hydro electric station to follow the Victoria Dam. We very much hope that the British connection with Sri Lanka's power generation programme can be continued, after the completion of the highly successful Victoria Falls project.

(c)

India:

Ruston Gas Turbines is competing for the supply of gas turbines for the HBJ (Hazira Bijayapur Jagdishpur) gas pipeline. Ruston, together with Rolls Royce, have also offered to transfer their technology to the Indians.

The Managing Director of Ruston Gas Turbines wrote to you about this project on 27th March. This could be a £100 million market for Ruston Gas Turbines over the next few years but there is fierce competition from the US. I have also been asked to point out the considerable and continuing business that Marconi have in India.

*Yours
Truly
Dun*

E. R.

ROBIN

TELEPHONE MESSAGE FROM MR JIM PRIOR:

Re: The Prime Minister's visit to S.E. Asia:

Subject: The Marconi contract, Singapore Telecom or Televue:

We have done our best to persuade Singapore Telecom that there should be publicity about the contract. They are still reluctant because it is felt at the highest level that this may give ammunition to the Opposition as it is a lot of money on a rather ambitious project.

It is suggested that Mrs Thatcher expresses great interest in the technical concept of Televue and says to Mr Lee Kuan Yew how pleased she is that Marconi are engaged in discussions about it. It is hoped that, as a result of this, Mr Lee Kuan Yew will say "Go ahead and announce it".

End of message.

Am



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH
Telephone 01-213 5409

CDJ 3/4

From the Minister

1 April 1985

C D Powell Esq
10 Downing Street
LONDON SW1

Dear Charles,

PRIME MINISTER'S VISIT TO SRI LANKA

Thank you for sending me a copy of your letter of 22 March to Chris Benjamin at the DTI.

As you know, Ministers have been unable to agree a line on the Samanala Wewa project and it is now to be discussed in EX on 3 April. The other two proposals that you mention are no concern of the ODA.

I am copying this letter to Chris Benjamin (DTI) and Peter Ricketts (FCO).

*Sincerely,
Michael*

TIMOTHY RAISON



10 DOWNING STREET

From the Private Secretary

1 April 1985

I am writing on behalf of the Prime Minister to thank you for your letter of 29 March.

I shall make sure that it is taken into account in briefing for the Prime Minister's visit.

(C.D. Powell)

David Ginsburg, Esq.



file SM

10 DOWNING STREET

From the Private Secretary

1 April 1985

I enclose a copy of a letter to the Prime Minister from Mr David Ginsburg of L H Manderstam and Partners about the Jabotabek Railway Project in Indonesia.

It would be useful to have a note on this for the Prime Minister's visit to Indonesia. Meanwhile I have acknowledged the letter.

I am copying this letter and enclosure to Peter Ricketts (FCO) and Michael McCulloch (ODA).

C D POWELL

Callum McCarthy Esq
Department of Trade and Industry

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10 DOWNING STREET

From the Private Secretary

1 April 1985

I write to thank you for your letter of 29 March to the Prime Minister. I shall ensure that she sees this before her visit to Singapore and that a reply is sent to you as soon as possible.

C D POWELL

Basil de Ferranti, Esq., M.E.P.



10 DOWNING STREET

From the Private Secretary

1 April 1985

I enclose a copy of a letter to the Prime Minister from Mr Basil de Ferranti about Singapore Airlines' wish to operate into Manchester. I should be grateful for an early draft reply.

I am copying this letter and enclosure to Henry Derwent (Department of Transport) and Callum McCarthy (Department of Trade and Industry).

C D POWELL

Peter Ricketts Esq
Foreign and Commonwealth Office



File SP

10 DOWNING STREET

From the Private Secretary

1 April 1985

The Prime Minister will, I am sure, be grateful for your note on the potential Single Cell Protein project under consideration in Malaysia. I shall ensure that she sees it with the other briefing for her visit to Malaysia.

C D POWELL

Sir Robin Ibbs

RM

GRS 450

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FM NEW DELHI 010620Z APR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 433 OF 1 APRIL

INFO IMMEDIATE ODA, DTI AND MOD (FOR RMD 3)

MY TEL NO 426: WESTLANDS

1. TREACHER CAME TO SEE ME AGAIN ON 30 MARCH BEFORE HIS RETURN TO LONDON. HIS LATEST INFORMATION SUGGESTS THAT THE TECHNICAL ADVICE ON WHICH RAJIV GANDHI IS RELYING COMES FROM A REPORT BY A COMMITTEE SET UP TO LOOK INTO THE ESTABLISHMENT OF AN INDIAN HELICOPTER CORPORATION TO OPERATE ALL NON-MILITARY MACHINES. THE PRINCIPAL MEMBERS ARE THE CHAIRMAN-MANAGING DIRECTOR AND SENIOR OFFICIALS OF INDIAN AIRLINES. ACCORDING TO TREACHER'S INFORMATION, THE REPORT (WHICH WILL LEAD TO THE EARLY SETTING UP OF A CORPORATION) EXPRESSES A PREFERENCE FOR THE DAUPHIN OVER THE WG30 ON THE SAME GROUNDS AS GANDHI MENTIONED TO THE PM IN MOSCOW AND BHATNAGAR TO ME ON 23 MARCH (MY TEL NO 401).

2. THE IMPORTANCE OF THIS REPORT IN GANDHI'S EYES IS THAT IT IS A POST - R K DHAWAN RECOMMENDATION AND COMES ESSENTIALLY FROM OFFICIALS OF INDIAN AIRLINES, WHOM HE TRUSTS. I THINK THE POSITION WE HAVE REACHED IS IN LINE WITH THE CONCLUSIONS IN PARA 4 OF MY TEL NO 408. L K JHA TELLS ME THAT HE LAST WEEK FOUND GANDHI MUCH TROUBLED OVER THE EFFECT WHICH THE HELICOPTER ISSUE COULD HAVE ON HIS RELATIONS WITH MRS THATCHER BUT AT THE SAME TIME CLEAR THAT THE IAF'S 1984 CONCLUSIONS ON THE RIVAL CANDIDATES WERE NOT RELIABLE.

3. FOR HIS PART TREACHER BELIEVES THAT

(A) NO DECISION WILL BE TAKEN BEFORE THE TWO PRIME MINISTERS MEET:

(B) IF WE REMAIN FIRM WE STAND A GOOD CHANCE OF SUCCESS BUT:

(C) WE SHOULD NOT SUGGEST THAT OUR AID WOULD BE JUST AS AVAILABLE FOR SOME OTHER PURPOSE:

(D) THE PM MAY ALSO NEED TO BE ABLE TO MAKE SOME GESTURE OF FLEXIBILITY IN ORDER TO HELP GANDHI TO HELP HER.

4. I SHARE THIS ANALYSIS. BOTH SIDES ARE IN A DIFFICULT POSITION. THE PRIME MINISTER'S LETTER GIVES THE NECESSARY FIRMNESS: THE AREA OF FLEXIBILITY MAY BE IN HELICOPTER USAGE, AS SUGGESTED BY BHATNAGAR (PARA 7 OF MY TEL NO 401). I SHOULD BE GRATEFUL IF DEPARTMENTS COULD URGENTLY EXPLORE HOW FAR WE COULD GO ON THIS POINT.

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5. WE DO NOT YET HAVE TO FACE UP TO THE QUESTION OF WHAT HAPPENS TO THE EARMARKED AID IF THE DECISION DOES IN FACT GO AGAINST WESTLANDS. WE HAVE GIVEN THE INDIANS NO REASON TO SUPPOSE THERE COULD BE AUTOMATIC SWITCHING (PARA 9 OF MY TEL NO 401) AND SHOULD STAND ON THAT UNTIL THE POSITION IS CLEARER. CUTTING BACK DELIBERATELY ON THE AID PROGRAMME TOTAL IF WE LOSE THE CONTRACT WOULD OF COURSE BE SEEN AS (AND BE MEANT TO BE) A PUNITIVE MEASURE. THERE WOULD BE ARGUMENTS BOTH FOR THIS (WE SHOULD NOT WANT TO SEEM COMPLAISANT) AND AGAINST IT (OUR WIDER INTERESTS, WHICH UNDERLINE THE PRESENT AID TOTAL). MUCH WOULD DEPEND ON HOW GANDHI HIMSELF HANDLED THE ISSUE, AND ON THE IMPORTANCE OF AVOIDING A SERIOUS PERSONAL QUARREL WITH HIM.

WADE-GERY

LIMITED

SAD

MAED

ODA

PS

PS/LADY YOUNG

PS/MR RENTON

PS/PUS

SIR W HARDING

MR BRAITHWAITE

MR WILSON

ADD DIST
SUB CONTINENT

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CONFIDENTIAL



ate [signature]

10 DOWNING STREET

From the Private Secretary

1 April 1985

Many thanks for your letter of 29 March enclosing a note about Samuel Montagu's business activities in Malaysia, Indonesia and Brunei. I shall ensure that the Prime Minister sees it as part of the briefing for her visit to these countries; and I shall look out for Robert Opiat.

C D POWELL

The Rt Hon Sir Michael Palliser, GCMG



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10 DOWNING STREET

From the Private Secretary

1 April 1985

I enclose a copy of a note from Sir Michael Palliser about Samuel Montagu's activities in Malaysia, Indonesia and Brunei. I should be grateful if you could show it to Mr Benjamin, so that he can advise the Prime Minister on any points arising from it in the course of her visit.

C D POWELL

Callum McCarthy Esq
Department of Trade and Industry

SM

①



10 DOWNING STREET

Prime Minister

Malaysian Air Services

The only point for you to decide is:

Is a decision by the Malaysians to suspend implementation of the tax measure and a promise to revoke it in their next budget enough to let us offer the fifth frequency in two years time?

Officials from all US sub departments think it is. Agree? C.D.P.



10 DOWNING STREET

From the Private Secretary

1 April 1985

MALAYSIA: PRIME MINISTER'S VISIT:
AIR SERVICES DISPUTE

Thank you for your letter of 29 March enclosing draft telegrams to Kuala Lumpur adjusting the instructions for Mr Gillmore's meeting with Dr Mahathir tomorrow.

The Prime Minister is content for these telegrams to issue.

I am copying this letter to Richard Allan (Department of Transport), Callum McCarthy (Department of Trade and Industry) and Richard Mottram (Ministry of Defence).

(Charles Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

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A The National Archives

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1497</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Appleyard to Powell dated 1 April 1985 with attachments</i>	
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Charles,

When you have a few moments between now and tomorrow morning, could you please decide which files we need to take. I will definitely take:

PM Tours: S.E. Asia Admin. ✓

Foreign Policy: PM's Visit to S.E. Asia
✓ (Policy).

Do you want to take the ~~UK~~ Relations files with each country we are visiting? NO

Anything else you can think of? NO

Sue

1/4/85.

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1497</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Powell to Mottram dated 1 April 1985</i>	
CLOSED FOR <i>40</i> YEARS UNDER FOI EXEMPTION	<i>21/3/2014</i> <i>G. Gray</i>
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	
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MISSING	
NUMBER NOT USED	



With the compliments of
**ASSISTANT
THE PRIVATE SECRETARY
TO THE
MINISTER OF STATE**

**FOREIGN AND COMMONWEALTH OFFICE
LONDON SW1A 2AH**



Foreign and Commonwealth Office

London SW1A 2AH

1 April 1985

Dear Mr Miller,

Thank you for your letter of 13 March to the Prime Minister about your employee who comes from Brunei. I have been asked to reply on the Prime Minister's behalf.

I expect you will have seen the letter of 6 December from the Parliamentary Under-Secretary for Foreign and Commonwealth Affairs, Mr Renton, to Sir Paul Byran MP who wrote on your behalf, setting out the legal position concerning Brunei Chinese.

As you mention, the Prime Minister will shortly be visiting Brunei in the course of a tour of South and South East Asia. The Prime Minister and her party will spend only a few hours in Brunei but you may be sure that they will be fully briefed on matters such as you have raised.

Yours sincerely

Andrew Henderson

A D F HENDERSON
Assistant Private Secretary
to Mr Richard Luce MP

V W Miller Esq
House A2
The Rural Estates
Tai Po Road
Tai Po Kau
New Territories
HONG KONG

01 APR 1985

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MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
 Telephone 01-~~2207822~~ 218 2111/3

MO 5/3/3

1st April 1985

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

*New Under*SAUDI ARABIA: TORNADO

Thank you for copying to me your letter of today's date to Len Appleyard about a possible visit by the Prime Minister to Riyadh. When we spoke on the telephone, I agreed to give you the Defence Secretary's views in writing. He has yet to see the advice from our Ambassador in response to your telegram.

The Defence Secretary supports the Prime Minister's instinct, as reported in the second paragraph of your first letter of today's date, that she should be prepared to go to Riyadh if we could be certain that the outcome of her visit would be to clinch the Tornado deal.

The confusion over the King's knowledge of the invitation is not inconsistent with this since it would be normal Saudi practice to find out whether an invitation would be accepted before issuing it.

We cannot, however, rule out that matters have not yet been resolved and that a prospective visit by the Prime Minister is being used as a card in an internal Saudi argument. Given this, the Defence Secretary believes that the Prime Minister should not simply accept that she is now committed to visiting Saudi Arabia because to do otherwise would risk offence: rather we should respond more cautiously. He would therefore advise, subject to the Foreign and Commonwealth Secretary's views, that our Ambassador should make a further approach to the Saudis explaining that the Prime Minister would, of course, welcome the opportunity to call on the King and is most grateful for the invitation put to her by Prince Bandar. As well as the wider Middle East questions on which she has been in touch, the Prime Minister has continued to take a very close interest in the question of the sale of Tornado and Hawk to the Royal Saudi Air Force. This is already the subject of keen interest in this

C Powell Esq
 10 Downing Street

SECRET



country and speculation will inevitably increase about it as a result of the Prime Minister's visit. The Prime Minister assumes that it would be the intention of the King to use their meeting to inform her of the decision reached on this matter. To avoid any scope for misunderstanding, we would be grateful if the Saudis could clarify the intentions in this respect behind Prince Bandar's approach to the Prime Minister on behalf of the Royal Family.

I am copying this letter to Len Appleyard.

Yours etc

Richard Mottram

(R C MOTTRAM)

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01 APR 1985

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10 DOWNING STREET

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ACT 2000**

1 April 1985

From the Private Secretary

SAUDI ARABIA: TORNADO

While we were in Brussels at the European Council on 30 March the Director General of Marketing at the Ministry of Defence telephoned to say that he had been approached with the suggestion that the Prime Minister should stop off in Saudi Arabia either on the way to or from South East Asia. The suggestion apparently came from King Fahd and was connected with the Prime Minister's recent meetings with Prince Bandar. I subsequently discussed this by telephone with Richard Mottram who undertook to consult the Defence Secretary and let me have urgent advice on the morning of 1 April.

I have had some preliminary discussion of this with the Prime Minister. Her instinct is that, if we could be certain that the outcome of her visit would be to clinch the Tornado deal, she would be prepared to go. But any decision must of course wait upon the Defence Secretary's and the Foreign Secretary's advice.

As a contingency step I have telephoned Protocol and Conference Department and, without explaining the reason, asked them to work out timings for a possible visit to Riyadh either on Thursday 4 April or on Sunday 14 April. In the first case, it would mean a very early departure from Heathrow on 4 April to enable us to spend, say, 2 hours in Riyadh before travelling on to arrive in Kuala Lumpur at the planned time of 1045 on 5 April. If we were to do it on the return journey it would probably make sense to sleep overnight in Delhi on 13 April and leave there very early on 14 April, again spending a couple of hours in Riyadh on the way back. I have asked for possible timings to reach me by Monday morning.

There is one further point which worries the Prime Minister and which it would be helpful to have taken into account in any advice which is tendered.

It may be that this could be explained in a message from the Prime Minister. Alternatively, she might have to stop over very briefly in Oman on the way back from South East Asia.

To return to the point I made at the beginning: the crucial factor seems to me whether we could get a really clear undertaking that a visit would clinch the Tornado contract.

You will remember that correspondence on this subject has to be limited to a few named people only.

I am copying this letter to Richard Mottram (Ministry of Defence).

C.D. POWELL

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.

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ACT 2000



10 DOWNING STREET

From the Private Secretary

1 April 1985

PRIME MINISTER'S VISIT TO SOUTH EAST ASIA: SPEECHES

The Prime Minister has had not time to look in detail at the latest drafts of the speeches for her visit to South East Asia, and is unlikely to be able to do much work on them before we set out.

On the other hand, I notice from various telegrams that several of the posts concerned are anxious to have texts to start to prepare translations, press releases, etc.

I think that the best I can do is to let you have copies of the drafts as they at present stand. You could telegraph these en clair to the posts concerned with the caution that these are still only officials' drafts, that final versions are unlikely to be available before the Prime Minister's arrival, that they may nonetheless wish to begin to prepare translations and press versions which will be subject to amendments, but that on no account should they release texts to host governments or the press until authorised to do so by one of the Prime Minister's Private Secretaries.

C.D. POWELL

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

PART 1 ends:-

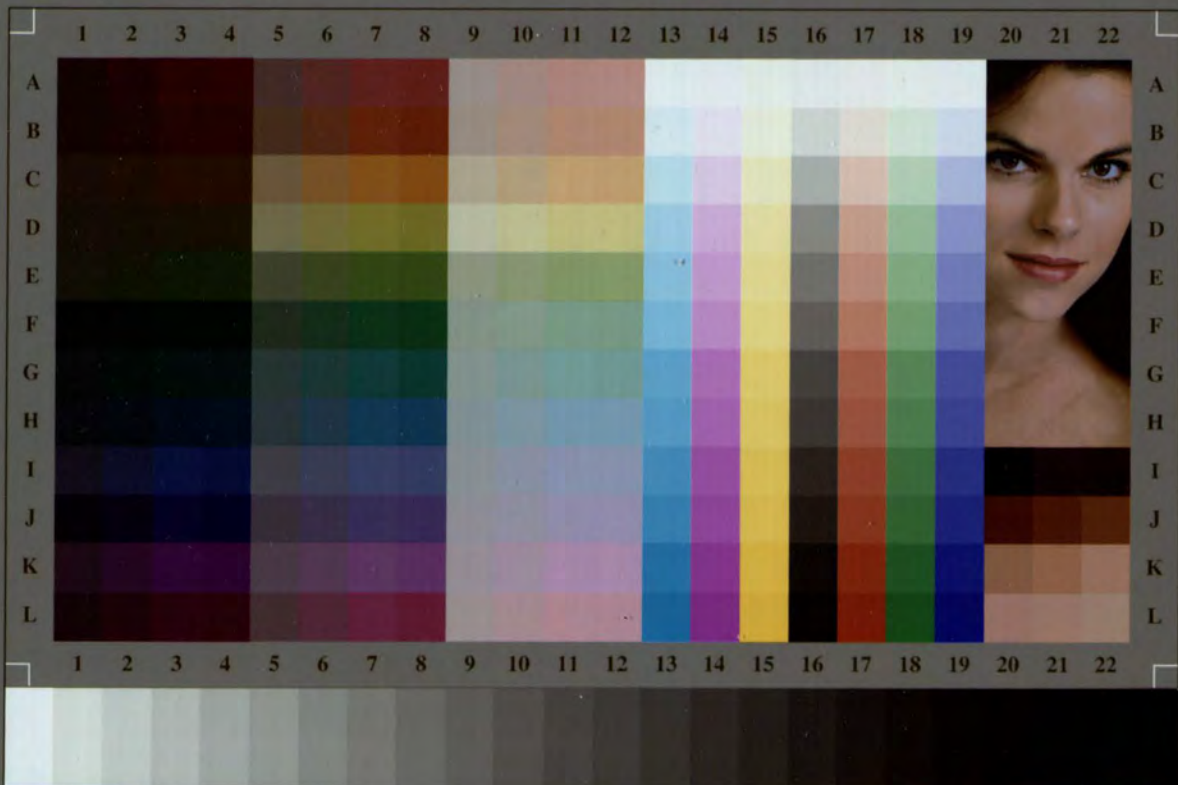
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PART 2. begins:-

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