

PREM 19/1566

C

Confidential Filing

UK/Malaysia Relations. PM's message
for National Day.

Internal Situation

Visit of PM of Malaysia

PART ONE

MALAYSIA

August 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
28.8.79		22.3.82		18.2.83		22.3.85	
27.6.80		6.4.82		3.3.83		14/6/85	
27.6.80		27.4.82		8.3.83		21/6/85	
15.7.81		15.6.82		10.3.83		25.6.85	
11.8.81		21.6.82		24.5.83		25.6.85	
5.10.81		22.6.82		4.7.83		4.7.85	
8.10.81		25.6.82		19/9/83		5.7.85	
15.10.81		5.7.82		25.10.83		8.7.85	
24.10.81		7.7.82		25.4.84		21/7/85	
42.11.81		9.7.82		30.5/84		15.7.85	
23.11.81		29.7.82		21.6.84		5.8.85	
10.1.82		30.7.82		25.6.84		31.7.85	
21.1.82		5.8.82		9.8.84		PART ENDS.	
25.1.82		13.9.82		11/184			
4.2.82		28.9.82		31.8.84			
11.2.82		26.1.83		13.9.84			
24.2.82		27.1.83		20.9.84			
10.3.82		15.2.83		8.10.84			
11.3.82		17.2.83		21.10.84			
18.3.82				14.11.84			
				1.3.85			

● PART 1 ends:-

Kuala Lumpur Tel 380 31.7.85

PART 2 begins:-

Dept. Transp to CDP 2.8.85

Cabinet / Cabinet Committee Documents

[illegible]

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

Signed J. Gray

Date 13/1/2014

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

1984 Commonwealth Countries' League Fair. Commonwealth Institute - 8 Kensington High Street. 24th October 1984.

Signed Wayland Date 17 April 2014

PREM Records Team

Foreign and Commonwealth Office document

Reference: DS(L)2454
FCO Departmental Series
South East Asian Dept
DS No 11/84

Description: The Agong: Past and Present

Date: 21 August 1984

The above FCO document, which was enclosed on this file has been removed and destroyed.

Such documents are the responsibility of the Foreign and Commonwealth Office. When released they are available in the appropriate FCO CLASSES.

Signed

J. Gray

Date

13/1/2014

PREM Records Team

PS (No 10. D. ST.

GRS 260
UNCLASSIFIED
DESKBY 311400Z
FM KUALA LUMPUR 311200Z JUL 85
TO IMMEDIATE FCO
TELEGRAM NUMBER 380 OF 31 JULY
AND TO IMMEDIATE DTP (FOR LINDLEY, IAD)
AND TO PRIORITY DTI (OT2)

ADVANCE COPY

FOR HARTLAND-SWANN, SEAD AND GRAY, MAED

UK/MALAYSIA AIR SERVICES

1 FOLLOWING IS TEXT OF JOINT PRESS STATEMENT ISSUED IN KUALA LUMPUR AT 1830 HOURS LOCAL TIME ON 31 JULY:

QUOTE

1. DELEGATIONS REPRESENTING THE AERONAUTICAL AUTHORITIES OF MALAYSIA AND THE UNITED KINGDOM MET IN KUALA LUMPUR ON 30 AND 31 JULY 1985 FOR CONSULTATIONS UNDER THE AIR SERVICES AGREEMENT BETWEEN THE UK AND MALAYSIA DATED 24 MAY 1973.
2. THE MAIN PURPOSE OF THE MEETING WAS TO IMPLEMENT THE AGREEMENT IN PRINCIPLE ABOUT A FIFTH FREQUENCY FOR BOTH AIRLINES REACHED BETWEEN THE TWO PRIME MINISTERS IN APRIL. THE DISCUSSIONS WERE HELD IN A FRIENDLY AND CONSTRUCTIVE ATMOSPHERE. COMPLETE AGREEMENT WAS REACHED ON THE QUESTION OF THE INTRODUCTION OF A FIFTH FREQUENCY BY MAS ON THE KUALA LUMPUR/LONDON ROUTE IN JULY 1986, WITH A PRO RATA INCREASE IN CAPACITY. THE MEANS AN INCREASE IN THE WEEKLY QUOTA FROM 1240 SEATS TO 1550 SEATS. UNDER THIS RECIPROCAL AGREEMENT, BRITISH AIRWAYS ARE ENTITLED TO INTRODUCE AN ADDITIONAL SERVICE ON THE ROUTE FROM THE SAME DATE.
3. BOTH SIDES ATTACH CONSIDERABLE IMPORTANCE TO THE BENEFITS WHICH WOULD FLOW FROM MORE LIBERAL AND MORE FLEXIBLE AIR SERVICES ARRANGEMENTS BETWEEN THE UK AND MALAYSIA.
4. ACCORDINGLY THE BRITISH SIDE PUT FORWARD PROPOSALS WHICH WOULD ENTAIL THE LIFTING OF THE SEAT RESTRICTIONS ON ALL FIVE FREQUENCIES AND INCREASED OPPORTUNITIES FOR BOTH AIRLINES TO CARRY PASSENGERS TO AND FROM OTHER POINTS ALONG THE ROUTES THEY SERVE. THESE PROPOSALS WERE DISCUSSED AND THE TWO SIDES AGREED TO MEET AGAIN IN SEPTEMBER TO STUDY THEM FURTHER.
5. ALL ISSUES WERE DISCUSSED ON THEIR MERITS WITHOUT REFERENCE TO OTHER MATTERS.

UNQUOTE

GILLMORE

LIMITED.

MAED.

LEGAL ADV.

SEAD

NEWS D

MR O'NEIL

MR WILSON.

PS

PS / Whence

PS / W Renton

COPIES TO

IA DIV / DTP

DTI (OT2).

PS / No 10. D. ST.



cc D/Trans.

VC

10 DOWNING STREET

THE PRIME MINISTER

15 July 1985

Dear John.

Many thanks for your letter of 9 July about the talks with the Malaysians. I am glad that the fifth frequency problem has been resolved. Like you, I hope very much that the Malaysian Government will remove the discriminatory tax.

With best wishes,

Lawrence
Hargrave

Lord King of Wartnaby

SKW

9th July, 1985

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

PO Box 10
Heathrow Airport (London)
Hounslow
TW6 2JA

Telephone: 01-759 5511
Cables: Britishair
Telex: 8813983 Bawysc G

Chairman:
Lord King of Wartnaby

Dear Prime Minister

MALAYSIA

Thank you for your letter of 8th July.

I am pleased to advise you that we have reached agreement with MAS which will permit them to operate a fifth frequency from July 1986.

Discussions on the amendments required to the air services agreement will take place between officials of the two Governments in Kuala Lumpur on 29th July at which time I would expect a new agreement to be drawn up of mutual benefit.

In due course, we will be seeking, from them, certain additional fifth freedom rights. We are also anticipating that the Malaysian Government will move to eliminate the discriminatory tax levied on departing expatriates.

No mention was made by MAS of possible sixth and seventh frequencies.

The meeting took place in a friendly atmosphere.

With kind regards,

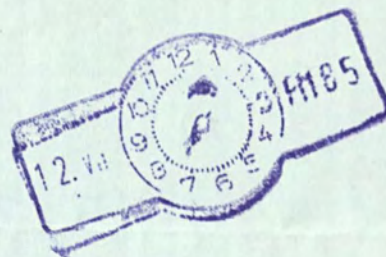
Yours ever
John



British Airways Plc
Registered office:
Speedbird House,
Heathrow Airport (London)
Hounslow TW6 2JA,
Registered in England No. 1777777.

Relations ; Malaysia Aug 79.

BRITISH AIRWAYS



(2)



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

C D Powell Esq
10 Downing Street
LONDON
SW1

Prime Minister
CDP
9/7.

9 July 1985

Dear Charles,

ma

UK-MALAYSIA AIR SERVICES

At a meeting held yesterday afternoon between Colin Marshall of BA and Dato Aziz of MAS, the two airlines agreed that MAS could operate its fifth weekly frequency to London as from July 1986 and that there should be no inter-airline commercial agreement as originally proposed by BA. I attach a copy of the Press Notice issued by BA after the talks.

This successfully removes the main stumbling block to final agreement on the implementation of the fifth frequency. The official consultations to be held in Kuala Lumpur at the end of July will deal with the necessary amendments to the air services arrangements but given the good progress made between the two airlines, we hope that this final stage can be conducted in an atmosphere of friendly give and take. At that meeting officials will try and secure rights for BA between Bangkok and Kuala Lumpur from the Malaysian Government, but we are not very hopeful that they will yield anything at all in return.

I am sending copies of this letter to Peter Ricketts (FCO), Rachel Lomax (HM Treasury) and John Mogg (DTI).

Yours, Richard.

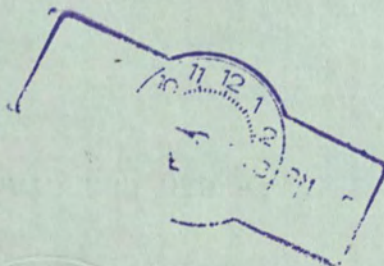
R A ALLAN
Private Secretary



PRESS RELEASE BY BRITISH AIRWAYS AND MAS -
8 JULY 1985

At a meeting today (8 July) between the Chief Executives of BA and MAS, a July 1986 start date was agreed for MAS fifth service to London in accordance with the understanding arrived at between the two Prime Ministers during Mrs Thatcher's recent visit to Kuala Lumpur.

Government officials are due to meet in Kuala Lumpur at the end of July to deal with the necessary amendments to the existing government arrangements. Mr Marshall, Chief Executive of BA, said that he is confident that the government officials will be able to agree arrangements of mutual benefit to both airlines, and looks forward to a joint effort with MAS to develop the London/Kuala Lumpur route.





10 DOWNING STREET

THE PRIME MINISTER

8 July 1985

Je MS
C/o
DIT/8pt
DTI

Dear John.

Thank you for your letter of 21 June about the problems we have with the Malaysians on the terms on which MAS will be able to operate a fifth weekly frequency between Kuala Lumpur and London.

Nicholas Ridley has sent me a full report on the developments since Dr Mahathir and I agreed in principle that MAS should be allowed to operate a fifth frequency to London. I understand that Colin Marshall will be having a further meeting with Abdul Aziz, Managing Director of MAS, on 8 July and I very much hope that they will make every effort to agree the detailed arrangements. This would clearly facilitate the official negotiations which have been arranged for the end of July.

It is of course deplorable that the Malaysians should link our attitude on air services to their attitude in relation to major export contracts. We shall continue to do our best to discourage these tactics, which are simply one of the factors in a difficult situation which we all have to take into account. I note that the Malaysians have also

raised the question of possible 6th and 7th frequencies;
this formed no part of my agreement with Dr Mahathir.

Y.
Lumsden
Rayner

The Lord King of Wartnaby



GR Allan
to PM's office

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Andrew Turnbull Esq
Private Secretary
10 Downing Street
LONDON SW1

5 July 1985

Dear Andrew,

Thank you for your letter of 24 June enclosing a copy of a letter the Prime Minister has received from Lord King, Chairman of British Airways, about our air services problems with Malaysia. I attach a reply which reflects the conclusions of the meeting which the Prime Minister held on 4 July.

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

Yours,

Richard.

R A ALLAN
Private Secretary

ATC

DRAFT LETTER FOR THE PRIME MINISTER TO SEND TO:

The Lord King of Wartnaby
Chairman
British Airways Plc
PO Box 10
Heathrow Airport (London)
HOUNSLOW
TW6 2JA

MALAYSIA

Thank you for your letter of 21 June about the problems we have with the Malaysians on the terms on which MAS will be able to operate a fifth weekly frequency between Kuala Lumpur and London.

Nicholas Ridley has sent me a full report on the developments since Dr Mahathir and I agreed in principle that MAS should be allowed to operate a fifth frequency to London. I understand that Colin Marshall will be having a further meeting with Abdul Aziz, Managing Director of MAS, on 8 July and I very much hope that they will make every effort to agree the detailed arrangements. This would clearly facilitate the official negotiations which have been arranged for the end of July.

It is of course deplorable that the Malaysians should link our attitude on air services to their attitude in relation to major export contracts. We shall continue to do our best to discourage these tactics, which are simply one of the factors in a difficult situation which we all have to take into account.

I note that the Malaysians have also raised the question of possible 6th and 7th frequencies; this formed no part of my agreement with Dr Mahathir.

MALAYSIA: Relations; Aug 1979.

Sir Arnold Hall F.R.S., F.Eng.

Chairman

SAK
Hawker Siddeley Group PLC
18 St. James's Square,
London, SW1Y 4LJ
Tel: 01-930 6177

*No reply
necessary*

4th July, 1985.

The Rt. Hon. Margaret Thatcher, F.R.S., *CDP 8/7.*
Prime Minister,
10 Downing Street,
London. SW1

*Rb
PPS
CF*

Dear Prime Minister

Thank you very much for your letter of the 27th June on the Malaysian Airline issue in reply to mine of the 6th June. We are very obliged to you for your interest.

As you say, the fifth frequency was agreed, with the expectation that it would be between one and two years before it operated. However, it usually takes between one and two years to obtain an aircraft. Following your discussion with Dr. Mahathir, Malaysian Airlines have placed an order with Boeing (with Rolls-Royce engines), but conditional on the Malaysian Government's approval, which is unlikely to be given until important aspects of the issue are settled.

Delay in settling has put a stopper on otherwise unrelated major contract placements, of which our locomotive position is an example. This gives our competitors more time to seek ways of improving their position.

We are, therefore, most grateful for the information that inter-governmental discussions are now likely to take place this month, and hope that these lead quickly to a reasonable agreement, so removing a situation that has overshadowed attempts to re-build trade with Malaysia for the last nine months.

Yours sincerely,

Arnold Hall

A.A. HALL.

Malaysia, Relations; 8/79



10 DOWNING STREET

From the Private Secretary

4 July 1985

Dear Richard,

UK MALAYSIAN AIR SERVICES

The Prime Minister held a short meeting following Cabinet this morning to discuss continuing problems in the negotiations over a fifth frequency for Malaysian Airline Systems (MAS). The Transport Secretary, Foreign Secretary, Trade and Industry Secretary and the Chancellor were present.

Mr. Ridley reported that negotiations between British Airways and MAS were continuing and there seemed a good prospect that they would reach agreement at their next session on 8 July. This would probably be on the basis of a fifth frequency starting in July 1986, with no capacity restrictions and no revenue sharing though with some additional rights for BA. There would be no commitment to a sixth or seventh frequency. It was not a good bargain for BA but probably the best which could be achieved.

In discussion it was agreed that an outcome on these lines would be in accord with the joint statement made by the Prime Minister and Dr. Mahathir in April. No explicit link should be made in discussions with removal of the discriminatory tax favouring travel by MAS. But once agreement on the fifth frequency was reached, we should press hard for a formal reply to the representations made by the Board of Airline Representatives in Kuala Lumpur. If the discrimination was not removed within a reasonable period, we might have to reconsider our attitude to the agreement on a fifth frequency.

It was noted that the Minister for Trade was at present in Malaysia. In any discussions he should say only that he understood that negotiations had resumed between representatives of the airlines and seemed in sight of an agreement acceptable to both sides. We welcomed this and hoped that it would open the door to increased exports from Britain.

The Prime Minister summed up on the lines above. It might be appropriate for her to send a message to Dr. Mahathir in due course, depending on the outcome of the airlines' negotiations.

CONFIDENTIAL

2

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

Yours sincerely,
C.D. Powell

C.D. POWELL

Richard Allen, Esq.,
Department of Transport.

CONFIDENTIAL

CONFIDENTIAL

PRIME MINISTER

3 July 1985

UK-MALAYSIAN AIR SERVICES

Having negotiated with the Malaysian State Oil Company for more than two years, I can understand Nicholas Ridley's exasperation. Nothing is achieved quickly through a straightforward meeting of minds.

What appears to be duplicity on the part of the Malaysians is often more a reflection of the different way their system works - or fails to work. As in the case of your recent meeting with Dr Mahathir, an understanding reached at the highest level on broad principles, disintegrates once the specialists are left to translate those principles into a detailed agreement.

In our system, the process of translation flows smoothly and consistently. There is a high degree of cohesion. The Department of Transport, FCO and BA have much the same perception of what is required. In Malaysia, hierarchy and ethnic divisions seem to inhibit good communications. The system is therefore less cohesive. Shared values and perceptions are less common. Hence, when the detailed follow-up negotiations begin, the Malaysian position bears little resemblance to the broad understandings originally reached.

Nicholas Ridley's instinct in wanting to stand firm and make minimal concessions is right. With the possible exception of the commercial agreement and the 5% royalty, the deal which BA have offered MAS is consistent with your

CONFIDENTIAL

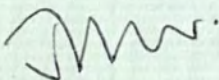
CONFIDENTIAL

- 2 -

understanding with Dr Mahathir, and with the normal principles of air services agreements. Those down the line in the Malaysian Government and MAS who want to show their leaders that you can tweak the old lion's tail and get away with it, must not be allowed to prove it. Concessions made on behalf of wider British interests will ultimately work to the detriment of all British business interests.

Conclusion

Danegeld never pays. We should stand firm for an agreement with MAS which fairly reflects your understanding with Dr Mahathir and customary air services practice. The more we can enlist the support of other international airlines and their Governments to defend the even-handed principles of air services agreements, the better. In defending such principles, we are not forsaking our ultimate goal of liberalising civil aviation. That will only be achieved if other business cultures, notably in the Far East, recognise that fair competition entails pitting airline against airline without the additional weaponry of special tax breaks and linkage with wider business interests.



JOHN WYBREW

CONFIDENTIAL

PRIME MINISTER

UK-MALAYSIAN AIR SERVICES

The purpose of the meeting is to consider our negotiating position.

The statement which you agreed with Dr. Mahathir is at Flag A. Subsequent negotiations have gone badly. BA have made what appears to be a generous offer. MAS have rejected it and called for official consultations, which will be at the end of July. The Malaysians have started to threaten us over contracts again. The discriminatory tax has still not been removed.

Mr. Ridley recommends sticking to a firm line: negotiate an agreement on a fifth frequency within the terms of the agreed statement but refuse to go beyond it. Lord King (naturally enough) and the Policy Unit support this advice.

Two points might be worth pursuing:

1. the style of the negotiations with the Malaysians. Lord Richardson said that he understood that the BA negotiator had taken an uncompromising take-it or leave-it line which had greatly offended the Malaysians. Can we adopt a softer, more tactful approach without giving any more on the substance?
2. is this the moment for you to send a message to Dr. Mahathir expressing regret for the turn taken by the negotiations and hoping that the terms of your agreed statement can be strictly observed?

C. D. P.

3 July 1985

A

April '85

AGREED TEXT OF STATEMENT
after PM met Dr. Mahathir in KL.

A

The two Prime Ministers have discussed the matter of a further flight for Malaysia Airline System between Kuala Lumpur and London and agreed in principle that there should be a Fifth Frequency. A similar right would be granted to British Airways if requested.

Details of the Fifth Frequency will be discussed between the two sides. It is expected that it will be between one and two years before the additional service is operational.

It was noted that the Board of Airlines representatives had made representations to the Government of Malaysia about concessions for tax relief on air travel by Malaysia Airline System and that this matter, which calls for a formal reply, is being considered by the Malaysian Government.

B

5 April 1985



10 DOWNING STREET

THE PRIME MINISTER

27 June 1985

Dear Sir Arnold,

Thank you for your letter of 6 June expressing anxiety about developments since Dr. Mahathir and I agreed in principle that MAS should be allowed to operate a fifth frequency to London.

As you will remember, the joint press release issued at the time of my meeting with Dr. Mahathir pointed out that details of the fifth frequency would be discussed between the two sides and it was expected that it would be between one and two years before the additional service was operational.

As a first step in the detailed discussions, BA met MAS as you know in Kuala Lumpur last month. BA put some detailed proposals to MAS within the framework of my agreement with Dr. Mahathir. I hope that these will provide a basis for an agreement during the discussions between governments which I understand the Malaysians are proposing and which I hope will take place in July.

Yours sincerely

Margaret Thatcher

Sir Arnold Hall, F.R.S., F.Eng.

SPW

PRIME MINISTER

RECEPTION FOR BRITISH MALAYSIAN ASSOCIATION

You agreed last autumn to give this Reception after you had had to postpone your visit to Malaysia and attendance at the Inaugural Banquet at the British Malaysian Association. The leading light on the British side is Lord Richardson.

You will find the guest list behind. As you will see, it contains a considerable number of Malaysian guests. Because of the restrictions on numbers, we have had to limit invitations to wives to those of Malaysian guests, officers of the Association's Committee, and Ministers. This was very readily agreed by the Association itself.

The Association have been warned that you may yourself have to leave the Reception shortly before its advertised end to depart for Milan. You might ask Richard Luce to take over as host in your place.

C D P

P.S. You may like to
invite Lord Richardson &
Tun Ismail to join you
in the receiving line.

26 June, 1985.



Foreign and Commonwealth Office

London SW1A 2AH

26 June 1985

ESP
26/6

Dear Charles,

Prime Minister's Reception for British/Malaysian Society:
27 June

I enclose a brief list of conversation points for the Prime Minister's use at the reception she is to give on 27 June for the British/Malaysian Society and their Malaysian guests. I also enclose a background note on the Societies prepared by the Secretary of the British/Malaysian Society, and personality notes.

The air services issue remains the only significant bilateral problem. Mr Ridley's letter of 20 June to the Prime Minister set out recent developments. The Prime Minister will know of the strong feelings expressed by some British companies (Biwater Shellabear, Hawker Siddley and Taylor Woodrow) that the Malaysians appear once again to be seeking to link it with important commercial contracts.

The only significant political development in Malaysia since the Prime Minister's visit was the recent surprise defeat of the Chief Minister of Sabah, Datuk Harris Salleh and his ruling (Malay) party by Datuk Pairin and his Kadazan Party (the largest single racial group in Sabah), the PBS. The political situation in Sabah is now tense and future stability in the State will depend on the extent of cooperation afforded Pairin by the Federal Government which has only grudgingly recognised his victory.

During his private visit to Britain in April, Dr Mahathir made a speech at Trinity College, Oxford, and in May he was interviewed on the BBC's phone-in programme "It's your World". Dr Mahathir, the first ASEAN leader to have appeared on the programme, performed reasonably well, although he only rather grudgingly conceded that UK/Malaysian relations had been helped by Mrs Thatcher's visit.

Yours ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

C D Powell Esq
10 Downing Street



PRIME MINISTER'S RECEPTION FOR BRITISH/MALAYSIAN SOCIETY, 27 JUNE

CONVERSATION POINTS

1. Greatly impressed by dynamism, friendliness I found throughout Malaysia. Long remember visit to Housing Project.
2. Most useful talks with Dr Mahathir. Augurs well for future of UK/Malaysian relations. Both sides have worked hard to achieve this. Must keep up the pace. Not allow individual issues to get in the way.
3. Our economic philosophies have much in common. Visits to Kedah, International Expo '85, lunch with Malaysian businessmen gave good opportunities to promote British trade, technology and investment.
4. Paul Channon now following up. In Malaysia next week. British companies keen to take up challenge.
5. Bilateral trade figures, first quarter 1985 promising. Malaysian exports to UK up 45%; our exports up 15%.

Projects

6. Britain well placed to renovate rail system. Our firms highly competitive. Paul Channon will be pursuing this.
7. Ingersoll Engineering hope to be involved in foundry machine shop for Malaysian car project.
8. Many other areas: rural water supply (Biwater Shellabear); Railbus (visited in Kuala Lumpur); optical fibre communications (GEC/STC).

/Invisibles



- 2 -

Invisibles

9. Keen to help Malaysia over invisibles deficit. Have provided adviser for Investment Development Authority. Invisibles trade mutually advantageous; Malaysia benefits from our investment, transfer technology and training packages.

Students

10. Students at heart of our relations. Vital our young people meet. More than 1,000 Malaysian students here on UK Government grants. I announced extra £1.75 million grant in Kuala Lumpur.

Visits

11. Dr Mahathir and I keen for more Ministerial exchanges. Malaysian Ministers of Education, Agriculture and Defence here recently. Paul Channon visiting Malaysia. Michael Jopling, going in November.

British/Malaysian Society - Malaysian/British Society Meeting

12. Societies have vital role to play in boosting relations. Cannot just be left to governments. Proposals discussed at your meeting?



FACT SHEET

MALAYSIA (FEDERATION)

DEMOGRAPHY

Population:	14.8 million (mid-1983 estimate)
Population Increase:	2.2% (1980)
Religion:	Islam
Language (official):	Bahasa (Malay)

GEOGRAPHY

Area:	329,749 sq kms
Capital:	Kuala Lumpur

GOVERNMENT

Government:	Federal (with bicameral legislature)
Ruling Party:	UMNO (The United Malays National Organisation)
Head of State:	The Yang di-Pertuan Agong
Prime Minister:	Dr Mahathir Mohamed

ECONOMY

Basis:	Commodities: Agriculture and semi-manufactures
Gross Domestic Product:	US \$29,070 million (1983)
Per capita income:	US \$1,964 (1983)
Inflation:	3.7% (1983)

TRADE

Total exports:	US \$14,135 million (1983)
Total imports:	US \$13,368 million (1983)

TRADE WITH BRITAIN

Exports to Britain:	£320.3 million (1984)
Imports from Britain:	£283.3 million (1984)

BRITISH AID

Capital Aid:	Nil
Technical Cooperation:	£1.3 million (1983)
CDC loans:	£0.9 million (1983)
ATP:	£0.8 million (1983)

March 1985



Malaysia: Oil and Gas Profile

1. Not a member of OPEC. Attended the December 1984 and January 1985 OPEC meetings as an observer. After the December meeting, Malaysia announced a cutback of 40,000 bd from their projected 1985 production of 440,000 bd.

2.

Oil

Production:	1983	365,000 bd
	1984	400,000 bd
Exports:	1984	350,000 bd (compare UK 1.6 mbd (1 mbd net of imports).
Reserves:		3 billion barrels: about 20 years at current production: (compare UK 13 billion barrels, about 15 years at current production).
Refining Capacity:		207,000 (compare UK 2.0 mbd)
Companies:		State oil company is Petronas. Shell (Sarawak Shell and Sabah Shell) have a production- sharing contract with Petronas (about 170,000 bd). Esso produce about 130,000 bd.

Natural Gas

Production	1984	86 billion cubic feet.
Reserves		4.9 trillion cubic feet: over 100 years at current production (compare UK 25 trillion cubic feet): about 21 years at current production

3. The gas export scheme is owned by Petronas 65%; Shell 17.5% and Mitsubishi 17.5%. Sales are on a 20 year contract to Japanese utility companies.



Background

1 No major projects have been awarded to the UK since the Prime Minister's visit. However, British firms are working very hard to win new business. The Prime Minister may wish to be reminded of the major projects which British firms are pursuing:

- i) Upgrading of Malaysia's rail system (Davy, BRE, Taylor Woodrow, Wimpey and Balfour Beatty).
- ii) Rural water supply (Biwater Shellabear).
- iii) Optical fibre communications network (GEC/STC).
- iv) Railbus (BREL/BL).
- v) Cross braced bogies (BREL).
- vi) Locomotives (Brush).
- vii) Foundry machine shop complex for Malaysia's car project (Ingersoll Engineering).
- viii) Synthetic protein plant (ICI and John Brown).

Visits

2 Dr Mahathir, who suggested to the Prime Minister that there should be more contact between British and Malaysian Ministers, has accepted the Prime Minister's invitation for an official visit to the UK. The Malaysians have put forward September 1986 as a possible date. Mr Channon is visiting Malaysia from 3-6 July. Plans are being made for Mr Jopling to visit Malaysia in November and Mr Heseltine also hopes to go there in November (accompanying a group of war veterans and

/widows



widows to South East Asia which would also incorporate a working programme in Malaysia) but we have yet to obtain Malaysian Government's agreement.

FOREIGN AND COMMONWEALTH OFFICE

JUNE 1985

NOTE ON ASPECTS OF THE VISIT TO LONDON OF THE DELEGATION OF
THE MALAYSIAN-BRITISH SOCIETY, 25-27 JUNE

Introduction

- 1 The Malaysian-British Society (MBS), in visiting London with a 50-man delegation and 23 wives, will be returning the visit made last year by a British-Malaysian Society (BMS) delegation led by Lord Richardson, which went to Kuala Lumpur in mid-September.

Both Societies are of recent formation. The MBS will be a year old this July and its British counterpart is a little older, having been set up in November 1983. The common objective of the two Societies is, in summary, to promote close and harmonious cultural, educational, economic and trade relations between Britain and Malaysia.

- 2 Programme of Activities

With this objective in mind, the Societies decided at the Kuala Lumpur meeting to set up in KL and London three joint Committees covering the main aspects of these relations:

- (i) Trade and Investment, including invisible trade.*
British Chairman: Sir Jasper Hollom, Chairman of the Commonwealth Development Finance Corporation.

Malaysian Chairman: Tunku Ahmad Yahaya (see below).

- (ii) Education, Training and Technology Transfer.
British Chairman: Sir Arnold Hall, Chairman of Hawker Siddeley.

Malaysian Chairman: Tan Sri Haji Basir bin Ismail (see below).

* The large Malaysian deficit in invisible trade is perhaps their principal current economic problem. Hence the appointment of Sir Jasper Hollom, formerly Deputy Governor of the Bank of England, as British Chairman with long experience in this sector.



- (iii) Cultural and Social Affairs and Tourism:
British Chairman: Sir Eric Norris, Deputy Chairman
of Inchcape.
Malaysian Chairman: Tan Sri Nasruddin bin Mohamed,
Chairman of the Malaysian Tourist Development Corporation.

Each Chairman is supported by six or more members selected for their expertise in their respective fields.

In the London programme (attached) these Committees will meet and discuss current problems and their future activities, reporting to the Councils of the two Societies. They will also provide a standing forum in which a dialogue on problems will be sustained and the scope for positive cooperation investigated.

A Plenary Session of both Societies will include presentations by their respective Presidents, analysis of the reports by the Committees, and an open debate for members.

3 Personalities in the Malaysian Delegation

The delegation of the Malaysian-British Society is led by the Society's President, Tun Ismail bin Mohamed Ali (curriculum vitae attached).

Other officers of the Society and also members of its 12-man Council, who will be with us in London, are:

Tan Sri Haji Basir bin Ismail
Chairman of Bank Bumiputra

Vice President



- 3 -

Mr Din Merican
Group Treasurer, Sime Darby
Berhad

Secretary

Mr Chuah Teong Hooi
Senior Partner, Price
Waterhouse & Co

Treasurer

According to our most recent information, all the MBS
Council members will be attending the London meeting.

The Delegation is strong, very representative of Malay ^{"Bumiputra"} ~~stan~~
business and industry and of the membership of MBS, numbering
150 (last year's figures) and by now probably more. Indeed,
the MBS may now be in sight of Tun Ismail's target of 100
companies and 100 individual members.

Among leading personalities listed in the Malaysian delegation
are: Tan Sri Ghazali bin Shafie, who served with the Allied
forces during the second World War and was an active member of
the resistance movement in Malaysia. He has had a long and
distinguished career in politics and government, in the Malaysian
Foreign Ministry and in representing his country abroad.
After serving as Minister of Home Affairs from 1974 onwards,
he was appointed Foreign Minister by Dr Mahathir in 1981
(being replaced last year by Tunku Rithaudeen). Is 63 years
old and well-known in London; is currently an active promoter
of more UK investment in Malaysia. Survived a very serious
air crash last year.

Prominent businessmen in the delegation are: Dato' Jaffar bin
Hussein, Chairman of Malayan Banking, the second largest
Malaysian Bank. Tan Sri Haji Basir bin Ismail was recently
appointed Chairman of Bank Bumiputra, the largest bank, and is
also Chairman of the Rubber Growers' Association in Malaysia.



Tunken Ahmad Yahaya is Group Chief Executive of Sime Darby, originally a UK-based company with head office in London, but now fully Malaysianized. It is Malaysia's largest conglomerate with important and diversified activities, e.g. in plantations, insurance, food manufacturing, commodities and heavy equipment.

One should also mention Tunku Imran, a prince of the Negri Sembilan royal household, who sits on the board of a number of British companies including Commercial Union Assurance, runs his own conglomerate (Antah Holdings) and was recently elected to the Executive Committee of the British-Malaysian Industry and Trade Association, being the first Malaysian so to be elected. Is also Malaysia's leading cricketer!

G. H. Campbell

GHC/KRS
CBI Far East and South-east Asia
Department
2 May 1985

ARRANGEMENTS FOR THE JOINT MEETING OF
THE BRITISH-MALAYSIAN AND MALAYSIAN-BRITISH SOCIETIES

IN JUNE

Tuesday, 25th June

6.00 p.m.

- His Excellency The Malaysian High Commissioner's Reception for the delegation from the Malaysian-British Society and members of the British-Malaysian Society. Details will be announced later.

Wednesday, 26th June

09.45 a.m.

- Coffee for those participating in the Specialist Committee Meetings will be served in Committee Rooms 2a, 2b and The President's Committee Room, at CBI Centre Point, (first floor).

10.00 a.m.

- Meetings of the following joint committees, at CBI Centre Point:-

Committee on Trade and Investment -
Committee Room 2a

(Chairmen: Sir Jasper Hollom and
Tunku Ahmad Yahaya)

Committee on Education, Training and
Technology Transfer -
The President's Committee Room

(Chairmen: Sir Arnold Hall and
Tan Sri Haji Basir bin Ismail)

Committee on Cultural and Social Affairs
and Tourism -
Committee Room 2b

(Chairmen: Sir Eric Norris and
Tan Sri Nasruddin bin Mohamed)

11.30 a.m.

Break for refreshments in The Concourse

continued/ ...2.

12.00 noon

The 3 Committees report to their respective national Councils:-

The Malaysian-British Society in the President's Committee Room

The British-Malaysian Society in Committee Rooms 2a and 2b, which will be made into a single room

12.45 for
1.00 p.m.

- Lunch for members of the 2 Councils, together with members of the Specialist Committees, in The Concourse.

2.30 p.m.

- Joint meeting of the Councils of the British-Malaysian Society and the Malaysian-British Society in the President's Committee Room.

7.00 p.m. for
7.30 p.m.

- Dinner for members of both Societies at the Mansion House by courtesy of the Rt. Hon. The Lord Mayor of London. The foreign Secretary, Sir Geoffrey Howe, and Tun Ismail bin Mohamed Ali, The President of the Malaysian-British Society, will be the principal speakers.

Dress: Black Tie

(A separate notice is being issued in connection with this.)

Thursday, 27th June

10.00 a.m. to
10.30 a.m.

- Coffee at the Balmoral Room, Connaught Rooms, Great Queens Street, London WC2, for all members of both Societies.

10.30 a.m. to
12.00 noon

- Plenary Session of both Societies, at which the respective Presidents will make presentations, including findings of the Specialist Committees reports, followed by open debate.

12.00 noon

- Drinks and light food.

Afternoon

- Free for individual arrangements.

6.30 p.m. to
8.30 p.m.

- Reception by the Prime Minister, The Right Hon. Margaret Thatcher, at 10 Downing Street, for the British-Malaysian Society and their Malaysian guests.

(Numbers will be limited, but those invited will receive invitations from No. 10.)

N.B. 1. There will be small charges payable by those attending the lunch and drinks at Centre Point and at the Connaught Rooms.

2. Corporate Members and Affiliated Members may, of course, send up to 5 representatives to the Plenary Session.



TUN DATUK ISMAIL BIN MOHAMED ALI, SSM PMN PMB PNBS SPMS SPMJ

Chairman of Permodalan Nasional Berhad since July 1980.
President of the Malaysian/British Society.

Born 1918. Educated Malaya and Britain (Trinity, Cambridge and Middle Temple). MCS 1946. Minister, Malayan Embassy in Washington 1957-60. Executive Director of International Bank for Reconstruction and Development, Washington, 1958-60; Deputy Governor of Bank Negara 1960-62; Governor 1962-80; Member of National Development Planning Committee; Council of University of Malaya; Chairman, Malaysian Industrial Development Finance; Chairman, Capital Issues Committee; Member of Foreign Investment Committee; Adviser to PERNAS; Fellow, Malaysian Institute of Management.

Plays a most important role in Malaysian economic and financial affairs and is one of the main architects of Malaysia's sound economy. A strong nationalist, his patriotic feelings and banking principles sometimes seem in conflict. He is generally regarded by expatriates as a difficult member of the Foreign Investment Committee and a hard chairman of the Capital Issues Committee. But he can be most charming, friendly and helpful when he chooses, and is said to have mellowed with age. As the doyen of the Commonwealth National bankers he is well known and respected by senior members of the Bank of England and other National Banks throughout the world.

Mahathir's brother-in-law. A difficult customer, he is very able but harbours grudges and can be irrational. He has a reputation for being aggressive and short tempered but also totally uncorrupt. He has been a strong critic of Britain in the past, but he played a helpful and important role in recent difficulties in Anglo-Malaysian relations and more recently agreed to lead the Malaysia/British Society, whose inaugural dinner he hosted, with attendance by the Counterpart British/Malaysia Society, in September 1984.

Plays keen but not very good golf.

Married, Toh Puan Maimunah. 2 children.

CONFIDENTIAL

TAN SRI MUHAMMED GHAZALI BIN SHAFIE, PMN SSAP SIMP SPDK SAAP SODK

Former Minister of Foreign Affairs. MP for Kuala Lipis (Pahang) (UMNO).

Born in 1922 in Kuala Lipis, Pahang. Educated Malaya, Singapore (Raffles College) and Britain (University College of Wales, LSE and Lincoln's Inn). Briefly in resistance movement during Japanese occupation. Attached to UK High Commission, New Delhi 1955-56. Commissioner for Malaya in India 1957. Deputy Permanent Secretary Ministry of Foreign Affairs 1957. Permanent Secretary 1959-70. Member of the National Operations Council (NOC) 1969. Was made a Senator and Minister with Special Functions and subsequently Minister of Information by Tun Razak in 1970. Resigned in 1972 to contest the Kuala Lipis by-election. Reappointed Minister with Special Functions and of Information 1972. Appointed Minister of Home Affairs following Tun (Dr) Ismail's death in 1973, a post he retained until becoming Minister of Foreign Affairs in 1981. He resigned from the Government in 1984.

Ghazali's energy, inventiveness and political ambitions were given scope in the early days of the NOC. He is believed to have been a principal architect of the late Tun Razak's long-term strategy to solve Malaysia's racial problems. As Minister of Home Affairs he played the central role in directing the government response to the communist threat and supervised the police. He also had close working links with the armed forces. His energy and ability brought him important support in these areas.

During his time, first as an official then as Minister at the MFA, he played an important part in the formulation and execution of Malaysia's foreign policy, and will be particularly remembered for his role in the negotiations to end Indonesia's "confrontation" with Malaysia, and in the formulation of Malaysia's role in ASEAN.

Given their rivalry over top party posts in the mid-70s, Ghazali and Dr Mahathir never saw eye to eye, and when Mahathir became Prime Minister in 1981, it was thought to be only a matter of time before he removed Ghazali. In the event, he was retained until 1984, when his failure to retain his Supreme Council seat at the party elections finally pushed him to resign.

Quick-minded and impulsive, he is frequently a difficult man to talk to and he is only willing to talk totally frankly to those he has known well for a long time. He was highly respected by his own subordinates but made many enemies with his sharp tongue. His failure to cultivate popular support in Pahang or within UMNO undoubtedly cost him the chance of rising higher.

In January 1982 he incredibly survived a controversial light airplane crash in which his co-pilot and another man died. The subsequent inquest, delayed until 1983, found him responsible, but no charges were brought against him.

Generally well-disposed towards Britain and the Commonwealth although in recent years he was either unwilling or unable to influence the attitude of the Prime Minister towards us. Sensitive and conceited, he can be excessively rude – not always on purpose – and can rub some people up the wrong way. On occasion he can be extremely charming. His family is of Sumatran origin. Recreations are golf, flying, photography.

Received an honorary degree from University of Wales, Aberystwyth, in 1983.

Married to Khatijah. 2 sons, both educated at Harrow.



10 DOWNING STREET

From the Private Secretary

25 June 1985

I am just writing to acknowledge your letter of 21 June and I have passed Lord King's letter on to the Prime Minister.

(Mrs Caroline Ryder)

J.S.K. Oram, Esq.

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CONFIDENTIAL

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Matthew Cocks Esq
Private Secretary to
The Rt Hon Paul Channon MP
Minister of Trade
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

NBRN
COO
25/6.

25 June 1985

Dear Matthew,

Mr Channon wrote to my Secretary of State on 13/June about the anxiety of several British businessmen concerning the veiled threats being made to them by the Malaysians because of the continuing discussions about the Malaysian Airline System's fifth frequency to London.

I understand that Mr Ridley talked to Mr Channon before he left for the Far East, and explained that policy was not yet settled. Mr Channon has already received an air services brief for Malaysia which we will, of course, up-date before he arrives in Kuala Lumpur at the beginning of July. This up-dating will reflect any new policy, and must reach him before he arrives in Kuala Lumpur. You will know that my Secretary of State minuted the Prime Minister on this subject on 20 June (further copy attached for ease of reference); the Prime Minister is to chair a meeting of Ministers on 4 July.

I am sending copies of this letter to the Private Secretaries to the members of EX.

Yours sincerely,
Richard Allan.

R A ALLAN
Private Secretary

CONFIDENTIAL

MALAYSIA: Relations Aug 79.



Lord KING

4/7

CF Your PPS

Malaysia Airways



FILE

RW X

→ GR

10 DOWNING STREET Ack

From the Private Secretary

24 June, 1985

I enclose a copy of a letter the Prime Minister has received from Lord King, Chairman of British Airways.

I should be grateful if you could let me have a draft reply for the Prime Minister's signature by Thursday, 4 July.

(Andrew Turnbull)

R. Allan, Esq.,
Department of Transport.



GR
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X ref

10 DOWNING STREET

Anne Minister ②

Sir Arnold Hall wrote to you recently about the negotiations on air flights with Malaysia. Lord King has now written to put his side of the case. I am seeking advice on a reply from D/Tsp.

C.H. I have dealt with as regular correspondence HT

BRITISH AIRWAYS

British Airways Plc
Enserch House
8 St. James's Square
London SW1Y 4JU

Telephone: 01 930 1564

Chairman
Lord King of Wartnaby

Mrs C M Ryder
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

21 June 1985

Dear Mrs Ryder,

In Lord King's absence he asks if you would be kind enough to see that the Prime Minister has a sight of this letter. He also asks that you tell the Prime Minister that he apologises for giving her even a small problem, and sends his best wishes.

Yours sincerely,
Ben Oram.

J S K Oram



British Airways Plc,
Registered office:
Speedbird House,
Heathrow Airport (London)
Hounslow TW6 2JA.
Registered in England No. 1777777.

21 June 1985

The Right Hon. Margaret Thatcher, MP
Prime Minister
10 Downing Street
London SW1

PO Box 10
Heathrow Airport (London)
Hounslow
TW6 2JA

Telephone: 01-759 5511
Cables: Britishair
Telex: 8813983 Bawysc G

Chairman:
Lord King of Wartnaby

Dear Prime Minister

MALAYSIA

We in British Airways have been concerned for some time by the requirements of several Far East airlines for extra capacity on their scheduled services to the UK. These requirements far exceed anything that can reasonably be justified by the actual traffic demand between their own countries and the UK.

I can well appreciate the pressures which resulted in your agreement in principle for the Malaysian Airline (MAS) to operate a fifth service to London to start within the next one to two years after the details have been worked out between the aviation authorities. At the request of your own Transport officials we have since been endeavouring to reach a conclusion with MAS, since agreement between the airlines would obviously make it easier for the two Governments to finalise the arrangements.

I am afraid that little progress has been made at our meetings with MAS. This is because they are not only pressing for the early introduction of their 5th frequency and the removal of other constraints under the present arrangements, but they are also seeking to link a 6th and 7th frequency into the discussions. For our part, we have been trying to secure some additional benefits to try to counter in some small measure the imbalance which we see in the present agreement. In doing so we believe we are behaving consistently with the recent White Paper on Airports Policy when it said (paragraph 6.6) that in negotiating traffic rights with other countries, increased access by foreign airlines to UK airports should be balanced by parallel improvements in access, of equivalent value, for UK airlines to that country.

*See para 7 of
the note attached
to Sir Arnold Hall's
letter.*



British Airways Plc,
Registered office:
Speedbird House,
Heathrow Airport (London)
Hounslow TW6 2JA,
Registered in England No. 1777777.

- 2 -

Formal negotiations at Government level have now been fixed for the end of July and we very much hope that the matter will then be resolved. My concern, however, is that the Malaysians will once again mount an extensive public relations campaign - indeed, the High Commission has reported that it has already started - and will continue to threaten other British trade interests in the expectation that this will result in capitulation by the British. It is significant to note that the Malaysians have made no move so far to relax or remove their tax provision which discriminates against foreign airlines to the benefit of MAS.

Our experience with the Malaysians is that they will continue to use tactics of this kind as well as their influence with the press to achieve whatever aim is immediately of most concern to them. We also know from experience that giving way to such pressure will encourage them to come back for more. In this view we feel we have the full support of the Department of Transport and the High Commission in Kuala Lumpur.

I do hope that you will feel able to give your own support to the line we are adopting. The grant of traffic rights beyond the normal bilateral principles has an extremely serious impact on the whole of our South East Asia/Australasia network.

Yours sincerely
BH



10 DOWNING STREET

From the Private Secretary

21 June, 1985

UK-MALAYSIAN AIR SERVICES

The Prime Minister has considered Mr. Ridley's minute of 20 June about the continuing dispute between British Airways and Malaysian Air Services (MAS) over a fifth weekly frequency for MAS between Kuala Lumpur and London. The Prime Minister is concerned to hear of the continuing difficulties and wishes to hold a short meeting to discuss them. Caroline Ryder will be in touch to set a time.

I am sending a copy of this letter to Peter Ricketts (Foreign and Commonwealth Office), Rachel Lomax (HM Treasury), John Mogg (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

(C.D. Powell)

Richard Allan, Esq.,
Department of Transport

CEBI cc PC ①

I think it would
be advisable to
hold a short meeting.
not

Prime Minister

Prime Minister

Are you content with
Mr. Ridley's preferred course?
or prefer to hold a
meeting?
One possibility might be a
message to Dr. Mahathir.

UK-MALAYSIAN AIR SERVICES

You asked for a report on why the dispute between British Airways and Malaysian Air Services (MAS) over a fifth weekly frequency for MAS between Kuala Lumpur and London has still not been resolved.

CDP 29/6

You agreed in principle with Dr Mahathir in Kuala Lumpur on 5 April that MAS should be allowed to operate a fifth frequency to London and that a similar right would be granted to BA if requested. The joint press release said:

"Details of the fifth frequency will be discussed between the two sides. It is expected that it will be between one and two years before the additional service is operational."

As a first step in settling the detail, BA met MAS in Kuala Lumpur on 20-21 May. MAS said that it wanted to operate its fifth frequency from June 1986 and to agree with BA arrangements for introducing further frequencies at a future date (quite beyond your agreement with Dr Mahathir). BA tabled a package fully consistent with the terms of your agreement with Dr Mahathir under which:

- (i) MAS would start its fifth frequency in November 1986;
- (ii) All capacity limitations on MAS services would be removed;
- (iii) BA would enjoy additional rights to carry traffic from Kuala Lumpur to other points on route;

June 86
No capacity
restrictions.

No revenue
share.

Rehir for BA

No 6th or 7th January



- (iv) There would be a commercial agreement between the two airlines under which MAS would pay BA a royalty of 5% of the difference between the earnings of the two airlines on London-Kuala Lumpur traffic in recognition of the fact that it would be uneconomic for BA to mount a fifth frequency for the time being.

BA estimate that this deal could be worth over £10m a year to MAS and that it would cost them about £2m a year. This is an extremely generous offer for MAS and one which should have formed the basis of early agreement. But MAS would not accept what BA had offered or discuss it further with BA. The Malaysian Government has asked for urgent official consultations. We have agreed to talks in Kuala Lumpur towards the end of July, the earliest date that the Malaysians could manage; we offered dates in London in early July. Indications from the Malaysians are that they interpret your agreement in principle with Dr Mahathir as meaning that MAS can start its fifth frequency when they wish and give nothing in return. They are likely to insist that all capacity limits should be removed; that any extra rights for BA should be separately negotiated in return for other concessions; that there should be no commercial agreement with BA; and that arrangements should be agreed for sixth and seventh frequencies.

I find this quite intolerable particularly as we have seen no movement from the Malaysians on the related issue of the discriminatory tax which is still biting very heavily on the revenues of many foreign carriers in Malaysia and in particular on BA and Cathay Pacific. The April joint press release stated:

"It was noted that the Board of Airline Representatives had made representations to the Government of Malaysia about concessions for a tax relief on air travel by Malaysian Airline System and that this matter, which calls for a formal reply, is being considered by the Malaysian Government."



There has been no substantive reply. As you instructed, we have been encouraging further multilateral representations at the airline level backed up by joint diplomatic representations. The Board of Airline Representatives has not been able to progress the matter any further although it is maintaining pressure on the Malaysian Government. Diplomatic representations have proved difficult to organise effectively because of the number of countries involved and the fact that each country's position is slightly different depending on the terms of its bilateral arrangements with Malaysia. But we now have a text which we hope will attract sufficient support to demonstrate to the Malaysians that their action is widely resented among the governments on which MAS depends for its landing rights.

The difficulty we now face is that the Malaysians are once again starting to use their familiar tactics of linking their demands on air service matters with the prospects of British companies obtaining major export contracts in Malaysia. I believe that no major contracts have been awarded to UK firms since your visit. There is some concern among businessmen that they may be shut out. Paul Channon will be in Malaysia on 3 July, and may well be pressed by the Malaysians on our position.

I think that we have two options. The first is to concede to all Malaysian demands on air services. This may remove one of the alleged impediments to our exporters for the time being; whether it will produce orders is another matter and I am quite sure that the Malaysians will be back again soon for further frequencies at which time they will employ exactly the same tactics. The second option is to take a tougher line with the Malaysians on air services and make it clear that we are prepared to negotiate an arrangement on the fifth frequency but only within the terms of your agreement with Dr Mahathir. We would expect the negotiations to have some regard for BA's interests. At the



same time, we could perhaps also convey the message to the Malaysians that we are looking for some positive sign of goodwill on their part, particularly as regards removal of the discriminatory tax and the placing of export contracts.

I strongly prefer the latter course. Seen from here, it looks as if we are giving valuable concessions to the Malaysians without any concessions on their side. But as the issues are important and concern your discussions with Dr Mahathir, you may feel differently, or prefer to hold a meeting about our tactics.

Copies of this minute go to Geoffrey Howe, Nigel Lawson, Norman Tebbit, and to Sir Robert Armstrong.

A handwritten signature in dark ink, consisting of stylized initials 'N.R.' followed by a long, sweeping flourish.

NICHOLAS RIDLEY

20 June 1985

Malaysia: Relations





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

C D Powell Esq
Private Secretary
10 Downing Street
LONDON SW1

20 June 1985

*D.F.F. Agree to use
this?
2) if so. ER please
reply.*

*CDP
25/6.*

Dear Charles,

UK-MALAYSIA AIR SERVICES

My Secretary of State wrote to the Prime Minister earlier today about our problems with the Malaysians on the terms on which MAS would operate a fifth weekly frequency from Kuala Lumpur to London.

At the same time, I have received your letter of 7 June enclosing one which the Prime Minister had received from Sir Arnold Hall of Hawker Siddeley, and a letter of 6 June from Tim Flesher enclosing one from Teddy Taylor MP, both about our air services problem with Malaysia. Depending on the view that the Prime Minister takes on the minute from my Secretary of State, we suggest that she might reply to Sir Arnold Hall and Teddy Taylor along the lines of the attached drafts.

I am sending copies of this letter and of the draft replies to Peter Ricketts in the Foreign and Commonwealth Office and to John Mogg in the Department of Trade and Industry.

*Yours,
Richard.*

R A ALLAN
Private Secretary

DRAFT LETTER

Sir Arnold Hall FRS F.Eng
Chairman
Hawker Siddeley Group Plc
18 St James's Square
LONDON
SW1Y 2LJ

Thank you for your letter of 6 June expressing anxiety about developments since Dr Mahathir and I agreed in principle that MAS should be allowed to operate a fifth frequency to London.

As you will remember, the joint press release issued at the time of my meeting with Dr Mahathir pointed out that details of the fifth frequency would be discussed between the two sides and it was expected that it would be between one and two years before the additional service was operational.

As a first step in the detailed discussions, BA met MAS as you know in Kuala Lumpur last month. BA put some detailed proposals to MAS within the framework of my agreement with Dr Mahathir. I hope that these will provide a basis for an agreement during the discussions between governments which I understand the Malaysians are proposing and which I hope will take place in July.

em.

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RESTRICTED



10 DOWNING STREET

From the Private Secretary

14 June 1985

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The Prime Minister has noted that the dispute between British Airways and Malaysian Air Systems over a fifth frequency has still not been resolved, despite the agreement in principle reached between Dr. Mahathir and her in April. She would like a very early report on why this is so.

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

Charles Powell

Richard Allan, Esq.,
Department of Transport.

RESTRICTED

BIT



From the Minister for Trade

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

Telephone (Direct dialling) 01-215

GTN 215 5144

(Switchboard) 215 7877

Rt Hon Nicholas Ridley MP
Secretary of State for
Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

Prime Minister
COP

13/6

13 June 1985

Please let me know
why this has not
been resolved yet

Dear Mr. [unclear]

As you know, during the Prime Minister's visit to Malaysia in April, her discussions with Dr Mahathir seemed to have cleared the way for a settlement of the air services dispute which was threatening our wider trading interests there. It is somewhat disappointing to learn that the recent talks between British Airways and Malaysian Air Systems have not resolved the problem. Several businessmen, including representatives of British Aerospace, Biwater Shellabear, BREL and Hawker Siddeley, have reported veiled threats against British suppliers until the dispute has been satisfactorily resolved.

Given the Prime Minister's lead I very much hope that the matter will soon be amicably settled and that we shall thus avoid a repetition of the difficult trading relations which preceded the Prime Minister's visit.

I will be visiting Malaysia in the early part of July for trade discussions and to promote British firms' interests, in particular project business. If agreement has not been reached by then I would be happy to help in any way possible.

I am copying this letter to members of EX.

PAUL CHANNON

manuscript

PA/BF Hwy

Sir A. HALL
14/6

SRW

14/6

18/6

7 June 1985

I enclose a copy of a letter to the Prime Minister from Sir Arnold Hall of Hawker Siddeley about continuing problems over the fifth frequency into London for Malaysian Airlines.

I should be grateful for a draft reply. I am copying this letter to John Mogg in the Department of Trade and Industry and Peter Ricketts in the Foreign and Commonwealth Office.

(C. D. POWELL)

Henry Derwent, Esq.

Department of Transport

dg

CF?

Sir Arnold Hall F.R.S., F.Eng.

Chairman

*Hawker Siddeley Group PLC
18 St. James's Square,
London, SW1Y 4LJ
Tel: 01-930 6177*

6th June, 1985.

The Rt. Hon. Margaret Thatcher, F.R.S.,
Prime Minister,
10, Downing Street,
London, S.W.1.

ack 7/6

Dear Prime Minister.

Though I am concerned about troubling you again on the Malaysian issue, (which was referred to in your letter to me dated the 7th May), I think perhaps I should do so, in view of events since your visit to Kuala Lumpur, and because it seems that a decision on the locomotive contract is imminent, but our position is again threatened by difficulties on the issue of the 5th frequency into London for Malaysian Airlines.

But first, may I thank you for what it has now been possible to arrange on our behalf for this contract. We have, I believe, the best commercial bid in the competition, and this is backed by a highly competitive Government finance offer.

The issue of the 5th frequency into London for Malaysian Airlines clouds the scene, despite what you arranged during your visit. I am enclosing copies of two statements on this issue, one being a joint statement between British Airways and Malaysian Airlines, and the other a statement by British Airways. If you will ask one of your staff to look them over, I think he will find that the situation that has developed can be summarised as follows.

In your meeting with the Malaysian Prime Minister, you arranged that Malaysian Airlines should, in due time, have an additional London flight. However, the view apparently being taken on this is, "Yes, - an additional flight - but no more seats to be sold, in a week, than are sold with the existing number of flights.". The relevant parts of the statement are sidelined in the copies.

This produces a situation in which Malaysian Airlines buy another aeroplane, operate another service with it, but have the same earning capacity as before, so that they are using 20% more capital - to say nothing of the additional

overhead - to stay where they are. I cannot believe this was the intention of the arrangement you made with the Malaysian Prime Minister, or that it is likely to have been his understanding of it.

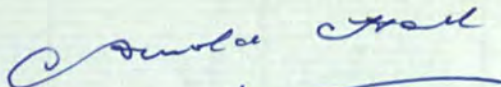
It is the case that the statement goes on to say that the seat limitation might be removed under a package proposal, which includes a number of other issues, suggested by British Airways. However, no arrangements seem to have been made to progress this.

The Malaysians, for their part, seem to have complicated the issue further by bringing in a new proposal - perhaps as a counter - to the effect that they should be allowed an immediate increase in the seats they can sell on their existing services. I doubt if this can have been the intention. The sensible thing would be that they are allowed more seats to offer when the additional landing frequency is started, so that their new capital equipment can be revenue earning.

To me it does not make business sense to seek to separate the issue of an additional frequency, and the issue of how many seats can be offered for sale. I do not think it unreasonable that the Malaysians should see it this way, and can understand why at least some of them regard the position taken as being directed to frustrating the agreement you made with their Prime Minister. As for their side raising new issues on the existing services, that does not help either.

I cannot see any reason why it should not be possible to bring these discussions to a quick and clear conclusion, a course very desirable to those of us who have in play important commercial business issues, the resolution of which have been so long threatened politically by this otherwise unrelated situation. Might it be possible to suggest to both sides that they sit down together, and do not get up until the matter is settled in conformity with what must have been the underlying intention of your arrangement with Dr. Mahathir?

Yours sincerely,


A.A. HALL.

Encs.

155

181/1

JOINT PRESS STATEMENT

23 MAY 1985

MALAYSIAN AIRLINE SYSTEM/BRITISH AIRWAYS MEETING20 - 21 MAY 1985

1. MAS and British Airways held a meeting in Kuala Lumpur on 20 - 21 May 1985 to establish the date of commencement of MAS 5th frequency based on the agreement, in principle, by the Prime Ministers of Malaysia and the United Kingdom that this should start between one and two years and the details to be discussed by the two parties.
2. MAS advised British Airways that it plans to operate the 5th frequency to London in June 1986 in order to cater for the peak traffic demand in summer with the expected delivery of an additional B747 aircraft by that time. British Airways responded that it could agree to MAS operating the 5th frequency in April 1987.
3. MAS stated that the 5th frequency was to be operated without any capacity limitation but British Airways pointed out that the current agreement between the Governments states that a 5th frequency by either airline would be subject to the weekly seat limitation of 1240 seats currently applicable to the four frequencies. MAS clarified that this was not its understanding of the two Prime Minister's agreement and besides this would mean that the operation of the 5th frequency would be meaningless as there would be no effective increase in MAS capacity compared with the existing capacity.

4. British Airways stated that if MAS operated earlier than April 1987 this would result in economic disadvantage to British Airways and therefore, British Airways made the following package proposal:

- i) MAS 5th frequency to commence on 01 November 1986.
- ii) British Airways to enjoy additional 5th freedom traffic rights between Kuala Lumpur - Bangkok and Kuala Lumpur - Abu Dhabi.
- iii) A commercial agreement between British Airways and MAS.

5. As regards to the current seat limitation on the existing four frequencies by both airlines MAS sought British Airways' agreement that the seat limitation be removed for both airlines.

British Airways responded that the seat limitation would be removed for both airlines under the package proposed by British Airways.

6. MAS stated that it could not agree to any financial compensation to be made to British Airways as the date proposed for implementation of its 5th frequency in June 1986 falls within the time frame of between one and two years as agreed upon by the two Prime Ministers. British Airways responded by pointing out that April 1987 also fell within the same time frame and felt that the mutual interest of the two airlines should be taken

into account in deciding on the commencement date. MAS further stated that the question of additional 5th freedom traffic rights should be dealt with separately as such an exchange of traffic rights should be based on reciprocity.

7. MAS reiterated its position that its 5th frequency be operated in June 1986 as planned without any commercial arrangement. MAS further indicated that it would only be prepared to consider a ~~new~~ commercial arrangement between the two airlines if such a commercial arrangement provides for the implementation of increases in frequencies beyond the 5th frequency by either party. In response, British Airways stated that it was agreeable for both airlines to evaluate the concept in more detail, and discuss it at a further meeting at an early date.

8. MAS replied that it would need to advise its Government on the outcome of this meeting before it could respond to British Airways' suggestion for another meeting.

C. Poocherry

.....
for MALAYSIAN AIRLINE
SYSTEM BERHAD

21-5-85

J. Stalder
.....
for BRITISH AIRWAYS

5 JUN 1985

181/1
163
P

BRITISH AIRWAYS PRESS STATEMENT

24 MAY 1985

A British Airways spokesman today stated that the company felt it necessary to clarify accounts of the meeting held this week with MAS in Kuala Lumpur.

The objective was to agree the implementation date of the fifth flight, which Prime Minister Datuk Seri Dr Mahathir and Prime Minister Mrs Margaret Thatcher had agreed, in principle, would be in one to two years and that the details of this additional frequency would be discussed between the two sides.

MAS made additional demands, one of which was that the agreement of 1240 seat capacity per week for each airline should be removed on the existing four services. British Airways pointed out that the Confidential Memorandum of Understanding, signed by both the British and Malaysian Governments in 1982, stated that when a fifth flight was introduced, the 1240 seats would continue to apply. This was not a suggestion or demand but a simple statement of a fact.

"Whilst we accept that a fifth flight would be introduced, clearly, in our negotiations, we would need to take into account this Memorandum so that whatever the final outcome of our talks, recommendations would need to be made to our Governments, should any changes need to be made," said the spokesman.

"We also believe that in the development of the route, including tourism to Malaysia, the interests of both airlines should be taken into account," he added.

In response to MAS request to remove the capacity of 1240 on the existing four services, British Airways made a proposal that:

- 1) the fifth service could start on 1 November 1986, instead of its earlier desired date of 1 April 1987;
- 2) the 1240 seat capacity would be removed on all services;
- 3) British Airways have traffic rights between Kuala Lumpur and Bangkok, and Kuala Lumpur and Abu Dhabi;
- 4) the airlines enter a commercial agreement on the introduction of the fifth service.

The effect of removing the capacity agreement and introducing a fifth flight would be to give MAS capacity equivalent to six services a week, or an increase approaching 50% over the existing capacity. "We do not see this proposal as being unco-operative," said the spokesman.

The purpose of the suggestion of a Commercial Agreement would be to better balance the opportunities for both airlines. The benefits for MAS are, of course, for them to evaluate.

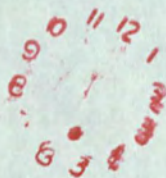
British Airways never demanded that this must be entered into.

see 4 above

At the meeting, MAS did not discuss details of the British Airways proposal and made no counter proposal. Their

interpretation of the Prime Ministers' agreement was that they were free to start, unconditionally, the fifth service at any time that suited MAS without British Airways interests being taken into account.

-6 JUN 1966



DW F 003/22

LKN 609/22

NRK 334/22

DD FCO (220900Z)

GRS 85

CONFIDENTIAL

DESKBY 220900Z

FM KUALA LUMPUR 220745Z MAR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 166 OF 22 MARCH

IMMEDIATE
ADVANCE COPY

(X6)

SEAD
Rebecca (11)
New D
P.S. (2)
PS/Michelle
S. a. m. e. o. n. e
Dr Wilson

nr

MIPT: PROPOSED VISIT OF DR MAHATHIR

1. FOLLOWING IS TEXT OF REPLY FROM DR MAHATHIR'S PRIVATE SECRETARY DATED 21 MARCH:

QUOTE

MAY I REFER TO YOUR LETTER OF 11TH MARCH, 1985 REGARDING THE INVITATION FOR LUNCH BY THE BRITISH PRIME MINISTER, MRS. MARGARET THATCHER TO Y.A.B. DATO SERI DR. MAHATHIR BIN MOHAMAD AT CHEQUERS ON APRIL 20TH. THANKS TO MRS. THATCHER FOR THE INVITATION BUT HE REGRETS FOR NOT BEING ABLE TO ACCEPT THE INVITATION IN VIEW OF THE FACT THAT HE HAS A VERY SHORT STAY IN LONDON.

UNQUOTE

GILLMORE

NNNN

NT

HERE A COUPLE OF DESK BYS

DWF F 002/21

LKN 608/22

NRK 333/22

DD FCO (220900Z)

GRS 120

CONFIDENTIAL

DESKBY 220900Z

FM KUALA LUMPUR 220735Z MAR 85

TO IMMEDIATE DESKBY FCO

TELEGRAM NUMBER 165 OF 22 MARCH

YOUR TELNO 145: PROPOSED VISIT OF DR MAHATHIR

1. I WAS INFORMED TODAY BY DR MAHATHIR'S PRIVATE SECRETARY THAT DR MAHATHIR MUCH REGRETS THAT HE WILL NOT (NOT) BE ABLE TO ACCEPT THE INVITATION TO LUNCH AT CHEQUERS ON 20 APRIL (TEXT OF REPLY IN MIFT).

2. I AM NOT SURE WHETHER TO READ ANYTHING SIGNIFICANT INTO DR MAHATHIR'S REFUSAL, AND IF SO WHAT. ON THE FACE OF IT, THE EXCUSE IS LAKE; MAHATHIR WILL BE IN THE UK FROM 18 TO 22 APRIL, A LONGER PERIOD THAN THE PRIME MINISTER'S VISIT TO MALAYSIA. PERHAPS IT IS SIMPLY A QUESTION OF HIS NOT WISHING TO COMMIT HIMSELF TO AN EARLY FOLLOW-UP MEETING WITH THE PM PENDING THE OUTCOME OF HER VISIT HERE. I AM STILL AWAITING A REPLY TO MY REQUEST FOR A CALL ON HIM AND MAY HAVE A CLEARER IMPRESSION IF AND WHEN I SEE HIM.

GILLMORE

NNNN

ADVANCE COPY
IMMEDIATE

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P 56
ps/mh
Sivath
Dr Wilson

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

1 March 1985

Malaysia: Proposed Visits by Dr. Mahathir to the UK

Thank you for your letter of 27 February about Dr. Mahathir's proposed visits to the UK.

cancel
The Prime Minister agrees to give lunch for Dr. Mahathir on 20 April at Chequers. I should be grateful if the invitation could be conveyed to him and a guest list (maximum 22) submitted.

As regards Dr. Mahathir's suggestion that he might visit the UK in the second half of September, it is possible that the Prime Minister herself will be out of the country for at least part of that period. Our High Commissioner should therefore be cautious in discussion of the possibility with the Malaysians: indeed it could be that the Prime Minister will still not be in a position to offer dates when she visits Kuala Lumpur in April. This is something we shall have to look at nearer the time.

(C.D. Powell)

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL

CST

PRIME MINISTERDR MAHATHIR

The attached letter records:

(a) that Dr Mahathir will be on a private visit to the UK on 18-21 April and in London on Saturday 20 April. The Foreign Secretary recommends that you give him lunch that day. You will be at Chequers on 20 April and will have Elizabeth Dixon. You will in any case have seen Dr Mahathir in Kuala Lumpur less than a fortnight earlier. Agree to suggest that the Foreign Secretary himself - who won't have seen him - should give Dr Mahathir lunch on 20 April?

*1 Will entertain him to lunch
my*

(b) that Dr Mahathir has expressed an interest in paying an official visit to the UK in the second half of September. You may be away yourself during part of this period. Agree to invite Dr Mahathir subject to mutually convenient dates being found, with the possible difficulties explained?

Yes

*CDP.
1 (20/1/85) pm.
will do.
C*

CDP.

C D POWELL

27 February 1985

CONFIDENTIAL

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CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

27 February, 1985

Dear Charles,

Malaysia: Proposed Visits by Dr Mahathir to the UK

We are faced with the prospect of two visits to this country by Dr Mahathir in the period after the Prime Minister's return from her Asia visit.

We understand that he intends to pay a private visit to the UK from 18-21 April. He has also expressed interest in paying an official visit in the second half of September linked to visits already planned to Germany and Spain.

We have considered carefully how we should respond. Sir Geoffrey Howe realises that the Prime Minister may well feel that following a visit to Malaysia there would be no strong case for giving hospitality to Dr Mahathir shortly afterwards. Equally, it would not be in our interests to put at risk the improvement in our relations with Malaysia, on which the Prime Minister's visit will set the seal, by failing to receive Dr Mahathir here in the way he would expect.

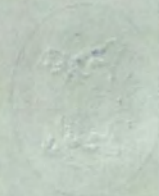
Sir Geoffrey therefore recommends that, despite the inconvenience, the Prime Minister should consider offering a lunch to Dr Mahathir during his visit in April if her diary permits, and also agree to an official visit in the second half of September if mutually convenient dates can be found. If she agrees, the Prime Minister might like to extend the invitation to Dr Mahathir to visit in September during her own visit to Kuala Lumpur.

There is one further problem connected with the April visit. We understand that the only day on which Dr Mahathir is at present planning to be in London is Saturday 20 April. That would of course make an offer of hospitality doubly inconvenient for the Prime Minister. Nevertheless Sir Geoffrey still considers that it would be worthwhile for the Prime Minister to offer a lunch on this day if possible.

C D Powell Esq
10 Downing Street

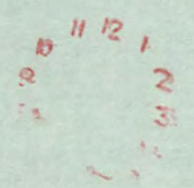
Yours ever,
Peter Ricketts
(P F Ricketts)
Private Secretary

CONFIDENTIAL



UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
WASHINGTON, D.C. 20250

27 FEB 1985



SUBJECT:

cc Ops
Master.



**PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T.193.B/84.**

**PRIME MINISTER
MALAYSIA**

14th November, 1984

H.E. Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister of United Kingdom
and Northern Ireland.

NBM

QD 7/n.

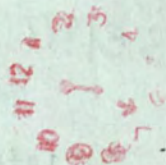
Dear Prime Minister,

Thank you very much for the kind message on the
occasion of the installation of His Majesty the Yang
Di-Pertuan Agong the VIII of Malaysia.

Yours sincerely,

(DR. MAHATHIR BIN MOHAMAD)

1-7 DEC 1984



Subject

56

PRIME MINISTER'S
PERSONAL MESSAGE

TOP COPY

cc Hagler
OBS

SERIAL No. T1828684

RESTRICTED

13797 - 2

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RESTRICTED

PM PCO 311414Z OCT 84

TO ROUTINE KUALA LUMPUR

TELEGRAM NUMBER 359 OF 31 OCTOBER

INSTALLATION OF THE AGONG OF MALAYSIA

1. PLEASE CONVEY THE FOLLOWING MESSAGE FROM THE PRIME MINISTER
TO DR MAHATHIR ON 15 NOVEMBER.

BEGINS: ON THE OCCASION OF THE INSTALLATION OF HIS MAESTY THE
YANG DI-PERTUANAGONG, I SEND TO YOU AND TO THE PEOPLE OF
MALAYSIA SINCERE BEST WISHES FROM THE GOVERNMENT AND PEOPLE OF
THE UNITED KINGDOM. MARGARET THATCHER. ENDS.

HOWE

NNNN

DISTRIBUTION

LIMITED

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RECEIVED IN REGISTRY		
- 1 NOV 1984		
FOR OFFICER		
PA	Action taken	

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10 DOWNING STREET

From the Private Secretary

31 October 1984

Installation of the Agong of Malaysia:
Message from the Prime Minister

Thank you for your letter of 30 October enclosing a draft message from the Prime Minister to Dr. Mahathir on the occasion of the Agong's installation.

BI-11
The Prime Minister has approved the message which may now issue.

(C.D. Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office

289



Foreign and Commonwealth Office

London SW1A 2AH

30 October 1984

Prime Minister
Agree message?

CDD
30x

Yes

Dear Charles,

Installation of the Agong of Malaysia: Message from
the Prime Minister

In April the Prime Minister sent a message to Dr Mahathir on the occasion of the assumption of office of the new Agong of Malaysia.

It is customary also to send a similar message on the formal installation of the Agong.

I enclose a draft message which you may wish to put to the Prime Minister.

Yours ever,

Cotrin Budd

AMC
pub

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

OUT TELEGRAM

		Classification and Caveats RESTRICTED	Precedence/Deskby ROUTINE
		↓	
ZCZC	1	ZCZC	
GRS	2	GRS	
CLASS	3	RESTRICTED	
CAVEATS	4		
DESKBY	5		
FM FCO	6	FM FCO	
PRE/ADD	7	TO ROUTINE KUALA LUMPUR	
TEL NO	8	TELEGRAM NUMBER	
	9	INSTALLATION OF THE AGONG OF MALAYSIA	
	10	1. Please convey the following message from the Prime Minister	
	11	to Dr Mahathir on 15 November.	
	12	BEGINS: On the occasion of the installation of His Majesty the	
	13	Yang di-Pertuan Agong, I send to you and to the people of	
	14	Malaysia sincere best wishes from the Government and people of	
	15	the United Kingdom. Margaret Thatcher. ENDS.	
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	17	HOWE	
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NNNN ends telegram	BLANK	Catchword
File number	Dept P/Office	Distribution
Drafted by (Block capitals) C R Budd		
Telephone number 233 4831		
Authorised for despatch		
Comcen reference	Time of despatch	

Malaysia Aug. 79

Belatray



MALAYSIAN HIGH COMMISSION · LONDON

THE HIGH COMMISSIONER

Mrs. Koewardani Kassim.

Prime Minister

8th October 1984.

CDP
2/2.

Mrs. Margaret Thatcher,
Prime Minister,
10. Downing Street,
London. S.W. 1.

keep set
on

ms

Dear Mrs. Thatcher,

It was a great delight for me and my husband to be able to have you and Mr. Thatcher to dinner in our home. What a lovely surprise it was to receive the beautiful flower that came with your letter to me the following day. Thank you so much, your bouquet gave much pleasure for a long time in the drawing room.

Please excuse my delay in answering, I was waiting for the photographs which were taken by my daughter

and which I am now enclosing herewith.
For me they are precious souvenirs to
remind us of the evening we entertained
the Prime Minister of Great Britain.

I hope you will forgive me for
enclosing a programme for the forth-
coming Commonwealth Countries League's
Fair with which I am involved.
It is a very fascinating and rewarding
experience.

My husband joins me in sending
you and Mr. Thatcher our warm regards
and good wishes.

yours sincerely

Karen K.



PREM 19/1566



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FM KUALA LUMPUR 000215Z SEP 84

TO PRIORITY FCO

TELEGRAM NUMBER 329 OF 20 SEPTEMBER

INFO ROUTINE DTI

mt

BRITISH MALAYSIA SOCIETY

1. THE VISIT BY LORD RICHARDSON AND HIS DISTINGUISHED TEAM HAS GONE OFFWELL. HE AND TUN ISMAIL HAVE AGREED ON A PROGRAMME OF JOINT ACTIVITY AIMED AT MAINTAINING THE IMPROVEMENT IN BRITISH-MALAYSIAN RELATIONS.
2. MUCH DEPENDED UPON THE TONE OF DR MAHATHIR'S SPEECH AT THE JOINT BANQUET LAST NIGHT. IN THE EVENT HE DELIVERED A GENERALLY CONSTRUCTIVE ADDRESS WHICH MADE NOTE OF BRITAIN'S GROWING INTEREST IN MALAYSIA AND OUR PRIME MINISTER'S DESIRE FOR BETTER BILATERAL RELATIONS. MRS THATCHER'S ABSENCE WAS NOTED WITH UNDERSTANDING BY BOTH DR MAHATHIR AND TUN ISMAIL.
3. DR MAHATHIR MADE NO MENTION OF THE AIR SERVICES ISSUE BUT DID EMPHASISE HIS CONCERN ABOUT THE IMBALANCE OF TRADE BETWEEN THE TWO COUNTRIES WHICH QUOTE IF IT CONTINUES, WILL ONLY NEGATE ALL THE EFFORTS WE HAVE PUT IN TOGETHER TO CONSOLIDATE AND STRENGTHEN OUR RELATIONS. UNQUOTE. PRESS REPORTS HAVE TENDED TO AMPLIFY THIS SECTION OF HIS SPEECH.
4. FURTHER REPORT BY BAG.

GILLMORE

LIMITED

SEAD

MAED

PS

PS/PUS

SIR W. HARDING

MR BOYD

COPIES TO
MR POWELL NO 10 DOWNING ST
DTI / VICTORIA ST

RESTRICTED

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

13 September 1984

Prime Minister.

1. Agree to send
attached message?

2. Lord Richardson has been in touch and
is very keen to read it on your behalf.

Dear Charles, Agree that we ask Mr. Gillmore to
let him do so? CDP 13/9.

Malaysian/British Society Banquet, Kuala Lumpur

18 September

Shed

Our High Commissioner at Kuala Lumpur suggests that the Prime Minister might send a personal message to mark the inaugural meeting and banquet of the Malaysian/British Society in Kuala Lumpur on 18 September. The banquet was in the Prime Minister's programme for her planned visit to Malaysia. The Society subsequently decided that it should still go ahead.

Mr Gillmore has pointed to the importance of maintaining the momentum in Anglo/Malaysian relations following the postponement of the visit. The banquet is a useful element. We expect a number of senior Malaysian figures to attend. As regards British participation, Lord Richardson has told us that he expects no falling off in quality and the latest list of participants which we have seen confirms this.

On presentation, Mr Gillmore recommends that he should read out the message himself at the banquet. However, Lord Richardson has indicated that he would himself like to take this on in his capacity as President of the British counterpart organisation, the British/Malaysian Association. He proposes to get in touch with you himself about this. If the Prime Minister agrees, this point might be left for Mr Gillmore and Lord Richardson to settle between them when Lord Richardson gets out to Kuala Lumpur.

I enclose a draft telegram containing a draft message.

Yr ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

C D Powell Esq
10 Downing Street

CONFIDENTIAL

OUT TELEGRAM

Classification and Caveats
CONFIDENTIAL

Precedence/Deskby
PRIORITY

TCZC	1	ZCZC
GRS	2	GRS
CLASS	3	CONFIDENTIAL
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO
PRE/ADD	7	TO PRIORITY KUALA LUMPUR
TEL NO	8	TELEGRAM NUMBER
	9	YOUR TELNO 303, PARA 8: MESSAGE FROM THE PRIME MINISTER TO THE
	10	MALAYSIA/BRITISH SOCIETY
	11	MIPT
	12	1. Message from the Prime Minister to be delivered at the
	13	Malaysia/British Society banquet on 18 September.
	14	BEGINS: (Mr Premier, Tun Ismail, Lord Richardson, High
	15	Commissioner) distinguished members. 18 September marks the
	16	start of an important new venture. The Malaysian/British
	17	Society is born tonight. I send your new and important society
	18	my very best wishes.
	19	I am confident that the Society will make a major
	20	contribution to the strengthening of ties between Britain and
	21	Malaysia. Indeed, the quality of your membership ensures that
///	22	this will be so.
//	23	I am myself keenly disappointed not to be with you tonight.
/	24	I had hoped very much to attend this banquet. I assure you that
	25	I shall follow your affairs with interest. And, as you know,

NNNN ends telegram		BLANK	Catchword I
File number	Dept Private Office	Distribution LIMITED SEAD NEWS DEPT PROTOCOL DEPT PS PS/MR LUCE PS/PUS SIR W HARDING MR BOYD	
Drafted by (Block capitals) P F RICKETTS			
Telephone number 233-4641			
Authorised for despatch			
Comcen reference	Time of despatch		
			cc: Mr Powell, No 10

OUT TELEGRAM (CONT)

Classification and Caveats
CONFIDENTIAL

Page
2

<<<<

1	<<<<
2	I look forward to undertaking my planned visit to Malaysia
3	before too long. I shall hope to meet many of the distinguished
4	Malaysian members of the Society then. ENDS.
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CC: FCO

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10 DOWNING STREET

THE PRIME MINISTER

13 September, 1984

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T159/84

Dear Prime Minister,

Thank you for giving me notice of your Government's decision to abolish the practice of referring to the Privy Council appeals originating in Malaysia in respect of civil cases.

I have noted the procedures your Government is taking to bring this measure into effect in Malaysia and that you are taking the necessary steps to finalise details through an exchange of notes with the British High Commission. I shall ensure that this matter is considered promptly at this end.

Yours sincerely
Rajiv Gandhi

Dr Mahathir Bin Mohamad

84



Foreign and Commonwealth Office

London SW1A 2AH

12 September 1984

Dear Charles,

Letter from Dr Mahathir: Privy Council Appeals

We sent you yesterday the top copy of a letter from the Prime Minister of Malaysia to the Prime Minister informing her that the Malaysian Government have decided to abolish the practice of referring to the Privy Council appeals originating in Malaysia in respect of civil cases, with the exception of cases still pending which will continue to be heard.

A number of former colonies have taken similar action in the past. We therefore see no reason to object and, if the Prime Minister agrees, will take appropriate action, in consultation with the Privy Council Office, to terminate the arrangement.

/ I enclose a draft interim reply from the Prime Minister to Dr Mahathir.

Yr ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

Prime Minister

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

Dr Mahathir
Prime Minister
MALAYSIA

Secret

Copies to:

Confidential

Restricted

Unclassified

PRIVACY MARKING

SUBJECT:

.....In Confidence

CAVEAT.....

Thank you for giving me notice of your Government's decision to abolish the practice of referring to the Privy Council appeals originating in Malaysia in respect of civil cases.

I have noted the procedures your Government is taking to bring this measure into effect in Malaysia and that you are taking the necessary steps to finalise details through an exchange of notes with the British High Commission. I shall ensure that this matter is considered promptly at this end.

CJP
/

Please type
for PZ's
Signature
oh-

Enclosures—flag(s).....



10 DOWNING STREET

From the Private Secretary

11 September, 1984

Malaysia: Referrals to Judicial Committee
of Privy Council

I enclose a copy of a letter to the Prime Minister from the Prime Minister of Malaysia informing her of his government's decision to terminate referrals to the Judicial Committee of the Privy Council with effect from 1 January, 1985.

RS 1
I should be grateful for advice and a draft reply.

I am sending copies of this letter to Henry Steel in the Law Officers' Department.

C. D. POWELL

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

67



10 DOWNING STREET

From the Private Secretary

31 August 1984

You wrote to Robin Butler on 30 August enclosing a letter from a Malaysian friend about landing rights for Malaysian airline systems. As you can imagine, it is all a good deal more complicated than Mr. Arumugam suggests, but I dare say you will be grateful to be spared the details. Suffice it to say that the Malaysians are bringing heavy pressure to bear on HMG in every possible way. But then negotiations about landing rights always were among the least attractive forms of international discussion!

It was a pity that the Prime Minister had to postpone her visit - please note postpone not cancel - but it was clearly the right decision in the circumstances.

I do hope your house is now satisfactorily sorted out.

Charles Powell

The Rt. Hon. Lord Carrington, C.H., K.C.M.G., M.C.

NR



10 DOWNING STREET

From the Private Secretary

31 August 1984

I enclose a letter from Lord Carrington, which in turn encloses a letter from the Managing Director of GEC in Malaysia about the air services agreement. This is obviously part of the general lobbying campaign. I am replying to Lord Carrington to the effect that we are well aware of the Malaysian point of view, but there are some arguments on the other side with which I will not tire him.

Charles Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.



32A, OVINGTON SQUARE,
LONDON, SW3 1LR

01-584 1476.

30th August, 1984.

Dear Robin,

I enclose a self-explanatory letter from a Malaysian who heads GEC out there. He is a fairly reliable figure, and quite well in with the Government. Other than that, I know nothing whatever of the subject.

Yours sincerely,

fo LORD CARRINGTON
Joyce A. Smith (Mrs)

(Dictated by Lord Carrington and signed in his absence).

F. E. R. Butler Esq.,
Principal Private Secretary to The Prime Minister,
10 Downing Street,
Whitehall,
LONDON S.W.1.



32A, OVINGTON SQUARE,
LONDON, SW3 1LR

01-584 1476.

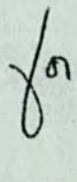
30th August, 1984.

Dear Datuk Arumugam,

Many thanks for your letter. How very good of you to write. I am most grateful to you too for letting me know about the feeling in Malaysia over the question of landing rights.

I have only just received your letter as I have been away, and this morning I hear that the Prime Minister has had to cancel her trip. This is a great pity, but I will still get in touch with her office and let her know the contents of your letter.

Yours sincerely,

 LORD CARRINGTON
J. A. Smith (Mrs.)

(Dictated by Lord Carrington and
signed in his absence).

Datuk A. P. Arumugam,
The General Electric Co. of Malaysia SDN.BHD.,
PO Box 225, Jalan Sultan,
Petaling Jaya,
MALAYSIA.



Subject cc master
eps

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T146 C/84
PRIME MINISTER
MALAYSIA

20th August 1984

The Right Hon'ble Margaret Thatcher, M.P.,
Prime Minister of United Kingdom
and Northern Ireland,
LONDON

Dear Prime Minister,

I have the honour to inform that the Government of Malaysia has decided to terminate referrals to the Judicial Committee of Her Majesty's Privy Council of appeals from the Federal Court of Malaysia with effect from 1st January 1985.

2. However, this does not preclude the Privy Council from continuing to hear cases that are pending before the Council. In order to formalise the latter it would be necessary to amend the Federation of Malaya (Appeals to Privy Council) Order in Council 1985 of the United Kingdom (S.I. 1958 No. 426) of 4 March 1958.

3. In so far as my Government is concerned, necessary steps will be taken to amend Part IV of the Courts of Judicature Act 1964 to provide for transitional provisions in respect of cases still pending with the Privy Council.

4. It will also be necessary to revoke the Agreement of 4 March 1958 between our Governments so that no new cases will be referred to the Judicial Committee of Her Majesty's Privy Council after 31 December 1984.



5. The relevant provisions of the Constitution of Malaysia authorising appeals to the Privy Council have been repealed but will not be brought into effect until after all the pending cases have been reviewed by the Judicial Committee.

6. I am instructing my Ministry of Foreign Affairs to take the necessary steps to finalize the above details through an exchange of Notes with the British High Commission in Kuala Lumpur.

7. I would like to express the hope that the exchange of Notes can take place as speedily as possible.

Yours sincerely,

A stylized signature in dark ink, consisting of several sweeping strokes.

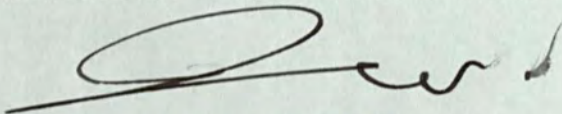
(DR. MAHATHIR BIN MOHAMAD)

Have sent the original to 32 Ovington Square
and this is just a copy.

With the Compliments

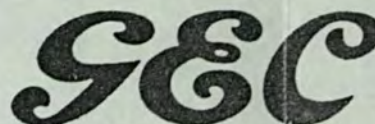
of

THE GENERAL ELECTRIC COMPANY OF MALAYSIA SENDIRIAN BERHAD

A handwritten signature in dark ink, appearing to read 'Datuk A P Arumugam', with a long horizontal stroke extending to the left.

DATUK A P ARUMUGAM

Joint Managing Director



The General Electric Company of Malaysia Sdn. Bhd.,

Wisma GEC Jalan 215-Templer
PO Box 225-Jalan Sultan
Petaling Jaya MALAYSIA
Telephone 03-571188 Telex MA 37617
Cables GECLUMPUR Kuala Lumpur.

Our Ref APA/jL/CONF/026

Your Ref PRIVATE & CONFIDENTIAL

17th August 1984

Lord Carrington
32 Ovington Square
London SW3 1LR

Dear

LORD CARRINGTON,

My heartiest congratulations (belated) on your new appointment. I sincerely do feel that GEC benefitted greatly during your short term as the Chairman and my only regret is that just about when greater things are about to happen when you have to leave to take up this new appointment.

Your name does crop up during my encounters with senior Cabinet Ministers in Malaysia, and in fact, a couple of weeks ago, the Prime Minister, Datuk Seri Dr. Mahathir b Mohamed did ask me where you are based.

The purpose of my writing this note to you, Lord Carrington, is that of a very highly confidential nature. During my recent encounters with several Malaysian Cabinet Ministers, the subject of the Malaysian air landing rights cropped up several times. You may be aware that the Malaysian Airline Systems are seeking an additional landing right in London and this has been turned down after several rounds of negotiations with British Authorities. I have been informed this matter is highly sensitive and explosive and, could lead to a situation which I fear will affect British business in Malaysia. I have personally assured the Malaysian Prime Minister that, through GEC and personalities like your goodself, I will do whatever I can to "lobby" with the British Government to obtain this additional landing right, although what we can do will be very minimal. I believe other British Companies with interests in Malaysia are also doing likewise but because of the trust and confidence I have in Datuk Seri Dr Mahathir as our Prime Minister, I wish to seek your personal intervention and involvement in this matter and would appeal to you to use your good offices to convince Mrs Thatcher's Government in getting the Malaysian Airline Systems the additional landing right.

Also at:

28, Bishop Street, Penang — 30, Jalan Bendahara, Malacca — 24, Jalan Tebrau, Johore Bahru — 18 & 18A Lorong Taman Ipoh Satu, Ipoh Garden South, Ipoh,
E-745, Jalan Darat Makber, Kuantan — 6th Floor, Natikar Building, Jalan Padang, Kota Kinabalu — 7, 1st Floor, Jawa Road, Kuching.

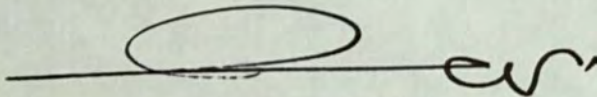
Mrs Thatcher is in fact visiting Malaysia in September and no doubt, the Malaysians would be looking forward to hear from her, news of this additional landing right. My assessment of the situation is that if Mrs T's response is totally negative, there is likely to be more damage to British interests than without her visit. On the other hand, if some sort of positive statement is forthcoming from Mrs T, then the result of her visit would be extremely successful. Please do believe me that although this issue may appear to be minor in the eyes of the British Authorities, the Malaysians are watching Mrs T's response as a test case. Please bring this to Mrs T's attention.

With regard to Mrs T's forthcoming visit, I personally think both Datuk Seri Dr. Mahathir and Mrs T have much in common eg. both are outspoken, firm, committed to increasing efficiency and productivity, strong views on Union movements, privatisation, pragmatic and firm economic policies etc. I, therefore, sincerely believe Mrs T's visit is very promising and hope the landing rights for the Malaysian Airline Systems will not mar her visit.

Finally, please forgive me if I am imposing on you in any way with regard to the above matter but it is simply the confidence and faith I have in your charismatic handling of similar cases.

My best wishes to you and Lady Carrington on your new undertakings and if you ever come this way, do remember you have a friend in Malaysia who values meeting you.

Yours sincerely,

A handwritten signature in dark ink, consisting of a large, stylized 'D' followed by a horizontal line and a cursive 'er'.

DATUK A P ARUMUGAM
Joint Managing Director

Private Office
(Mr Holmes)

Duty Clerk N9710

UNCLASSIFIED

DISTRIBUTION SELECTED
FILE COPY 38499 - 1

ADVANCE COPY

PP KUALA LUMPUR

PRIME MINISTER'S

DISTRIBUTION

GRS 73

PERSONAL MESSAGE

UNCLASSIFIED

SERIAL No. T 144 AA 784

[Private Office]

PM PCO 131650Z AUG 84

cc MATTEL
ops

INT 78

TO PRIORITY KUALA LUMPUR

TELEGRAM NUMBER 227 OF 13 AUGUST

MALAYSIA DAY

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

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

YOUNG

UNCLASSIFIED



10 DOWNING STREET

Mr Poore ^{dr}

For information

Sir

13/8.



Conservative Central Office

32 Smith Square Westminster London SW1P 3HH
Tel. 01-222 9000 Telex 8814563 Fax. 01-222 1135

Stephen Sherbourne, Esq.
10 Downing Street,
London,
S.W.1.

9th August 1984

Dear Stephen,

I understand that the Prime Minister is due to meet the Prime Minister of Malaysia on 17th September. It might be helpful in advance of this if you were to see a copy of a letter which has passed between the Managing Director of the Malaysian Airline System and the Chief Executive of Manchester International Airport.

We talked some time ago about lunching one day and I will call you shortly so we can fix a mutually convenient day.

Yours ever,
James
James M. Goodsman

Enc.

31 July 1934
FD-186

(P) 15.

Gil W. Thompson Esq.
Chief Executive
Manchester International Airport
MANCHESTER M22 5PA
England

Dear Mr. Thompson

I am writing to you, further to our previous discussions, about Malaysian Airline System operating a service between Manchester International Airport and Kuala Lumpur. We were extremely impressed by the facilities and organisation which you showed us, by the significance of your passenger catchment area, and by your future plans. Since then, over the last month, we have been discussing in detail the advantages of Manchester International Airport with Mr. Iain Sproat, and we have now decided that if we are granted by the British authorities a fifth frequency, or more, a week between Malaysia and the United Kingdom, it would be our intention, subject to any restrictions of which we are not currently aware, to consider the possibility of operating that fifth frequency Manchester-London - intermediate stops - Kuala Lumpur. If we are granted two more frequencies, (that is, seven in all per week) which is what we would like and shall be applying for, we would also wish to discuss with you possibility of flying those two further frequencies from Manchester.

Following our discussions with Mr. Iain Sproat, we decided to request from our own Government that the question of a fifth frequency between Malaysia and the United Kingdom, to include Manchester, be raised as a priority subject on the agenda during the talks between the Malaysian and British Prime Ministers in September. You will be pleased to know that our Government has now agreed to do this. Our Prime Minister, Dr. Mahathir, is personally extremely keen. We hope therefore that an agreement may be reached during the Prime Ministerial talks, which would prove beneficial to Manchester International Airport, commerce and industry and tourism in your area (and of course other parts of the United Kingdom) and in Malaysia, and to ourselves as an airline.

In order to ensure that this fifth frequency is given the go-ahead, may we suggest that you contact a range of appropriate persons, groups and media in the Manchester area so that they can make clear to the Prime Minister and her civil servant advisers the benefits to United Kingdom interests of this new proposal. Our two

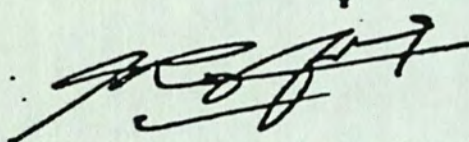
...2

31 July 1984
PB-186
Page 2

interests in this matter coincide: we would very much appreciate any help you can give to do everything possible to see that your Prime Minister reaches agreement in principle with our Prime Minister. As the talks between the two leaders starts on 17th September, there is obviously a great need for speed.

I look forward to hearing your reaction.

Yours sincerely



DATO' ABDUL AZIZ ABDUL RAHMAN

yl

bc: Senior Director Operations
Director of Corporate Planning
Area Manager UK & Eire LON



T
10 DOWNING STREET

From the Private Secretary

9 August 1984

Thank you for your letter of 8 August with which you enclosed a draft message for the Prime Minister to send to the Prime Minister of Malaysia to mark that country's national day. I enclose the version of the message which the Prime Minister has approved.

Tim Flesher

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

NR.

OUT TELEGRAM

		Classification and Caveats	Precedence/Deskby
	↓	UNCLASSIFIED	PRIORITY

ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	UNCLASSIFIED
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO AUGUST 84
PRE/ADD	7	TO PRIORITY KUALA LUMPUR
TEL NO	8	TELEGRAM NUMBER
	9	MALAYSIA DAY
	10	1. Please convey to Dr Mahathir on or shortly before
	11	31 August the following message from the Prime Minister:
	12	BEGINS
	13	On the occasion of Malaysia's National Day I send to you and
	14	to the government and the the people of Malaysia my congratulations
	15	and warmest best wishes on behalf of the British Government and
	16	people. Margaret Thatcher.
	17	ENDS
	18	
	19	HOWE
	20	NNNN
	21	
///	22	
//	23	
/	24	
	25	

NNNN ends telegram	BLANK	Catchword
File number	Dept Private Office	Distribution
Drafted by (Block capitals) PETER RICKETTS		
Telephone number		
Authorised for despatch		
Comcen reference	Time of despatch	



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister (1)

8 August, 1984

Agree attached message?

Dear David,

DWB

Yes not

8/8

Malaysian National Day Message

Malaysia's National Day falls on 31 August. It is marked in Malaysia by public celebrations and the receipt of congratulations from friendly Heads of State or of Government. It has not been our invariable practice in recent years to send a message on this occasion. It was the normal practice up until 1979. There then seems to have been a gap until 1982 when a message was sent marking Malaysia's 25th anniversary (I enclose a copy). We consider that a message from the Prime Minister this year, shortly before she is due to visit Malaysia, would be much welcomed by Dr Mahathir.

I enclose a draft message. You might wish to seek the Prime Minister's agreement before her departure so that the message can be despatched in good time before 31 August.

Yr ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

David Barclay Esq
10 Downing Street



Foreign and Commonwealth Office

London SW1A 2AH

FAF 227/L

25 June 1984

His Excellency
Mr M H Kassim
Malaysian High Commission
45 Belgrave Square
LONDON
SW1X 8QT

RECEIVED
25 JUN 1984
PERSONAL MESSAGE
JAN 11 1984

My dear High Commissioner,

I have been asked to thank you for your notes numbers CT18/84 and CT19/84 which you kindly conveyed messages of congratulations from the Prime Minister of Malaysia, Dato Seri Dr Mahathir Mohamad, and the Foreign Minister, Tan Sri Ghazali Shafie, on the occasion of the Queen's Official Birthday.

The messages were much appreciated.

Yours sincerely,

J D N Hartland-Swann
South East Asian Department



File *SSM*

10 DOWNING STREET

From the Private Secretary

21 June 1984

Malaysia: Queen's Birthday Greetings

Thank you for your letter of 21 June enclosing a note from the Malaysian High Commission conveying greetings on the occasion of The Queen's Birthday to the Prime Minister from the Malaysian Prime Minister.

VBH I should be grateful if you will arrange for an acknowledgement to be sent.

C D Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office



Foreign and Commonwealth Office

London SW1A 2AH

21 June 1984

Dear David,

Malaysia: Queen's Birthday Greetings

/ You might like to have for your records the enclosed copy of a note we have received from the Malaysian High Commission conveying greetings on the occasion of The Queen's birthday to the Prime Minister from the Malaysian Prime Minister.

Sir Geoffrey Howe's opposite number has sent him a similar message. If you agree, we shall acknowledge both from here.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

David Barclay Esq
10 Downing Street



CT 18/84

The High Commission of Malaysia presents its compliments to the Foreign and Commonwealth Office and has the honour to request them to forward the following message from the Minister of Foreign Affairs to H.E. Sir Geoffrey Howe, Secretary of State for Foreign and Commonwealth Affairs:-

"To:

The Rt. Hon. Sir Geoffrey Howe,
Secretary of State for Foreign and
Commonwealth Affairs,
London.

I have great pleasure to extend to Your Excellency my warmest greetings and best wishes on the occasion of the birthday of Her Britannic Majesty Queen Elizabeth II. I am confident that the special ties of friendship and cooperation between our two countries will continue to be further strengthened in the years ahead.

M. GHAZALI SHAFIE
Minister of Foreign Affairs,
Malaysia."

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

LONDON.

13 June, 1984.





10 DOWNING STREET

From the Private Secretary

30 May 1984

MALAYSIA

The Prime Minister read with interest your Minister's minute of 22 May about his recent visit to Malaysia.

A. J. COLES

Neil McMillan, Esq.,
Department of Trade and Industry.



PRIME MINISTER

Prime Minister.

A. J. C. 29. 5

mf

MALAYSIA

I have recently returned from Malaysia where I led a Trade Mission, and as you will be going there in September you may welcome my views.

1. Dr Mahatir is very firmly in control and his personality and strength adds a lot to the stability of the country. During my visit he was being asked by the various groups of Chinese politicians who are in disarray to resolve their problems - a clear indication of his pre-eminence.
2. The bad phase of "Buy British last" is over. Your meeting with him in Downing Street was crucial in healing the breach. However there are still some sensitivities. I hope that the Carcosa issue will be resolved before your visit.
3. Our recovery is also due to a much more professional approach by British companies. The old condescending and indolent period of the Dunlop and Guthrie companies has come to an end. British companies are now fighting on their merits and doing it very professionally. David Gillmore, the High Commissioner, said that over the last year the number of visiting British businessmen has doubled. British investment in Malaysia is increasing and currently is just ahead of the Japanese.
4. I detected a strong anti-Japanese feeling: Malaysians are taking the view that "the Japanese buy our wood, our rubber, our cocoa and sell us their cars - they don't really invest and transfer technology". In the other Asean countries I visited there is also a growing hostility to Japanese economic imperialism. Our trump card is that British companies really do transfer technology and are keen to train Malaysians.
5. The economy is growing at about 4% a year but there are balance of payment problems. The budgets of all Government Departments have been cut and the free and easy days of big projects are over. This is all for the good.
6. There are three projects which may be ready for your visit.



- a) A small dam project in Dr Mahatir's home state. Balfour Beatty are principally involved in this project which will cost about £25M. David Gillmore is very keen on this and sees symbolic importance in you going to the site with Dr Mahatir.
- b) A water project by Biwater Shellabear for the conservation of rain water, the discovering of new land sources and purification. A free costed survey (not a feasibility study) was accepted by the Malaysian Government at a cost of £1M. This could lead to a £250M project. Ministers and members of the Prime Minister's Department all stressed how important this project was - it is a real return to basic development needs. This is by far the biggest project in the offing in Malaysia. Biwater Shellabear are world leaders in this technology. The survey may just be completed by September.
- c) I gave some Acorn computers to Malaysian schools. This may be followed up by establishing a software writing unit at one of their technical colleges. This could write programmes in Malay, a step which is technologically and symbolically important.
7. They are looking forward very much to your visit and you will find our relations improving. You will find British business much more optimistic and professional.

knf.

KENNETH BAKER
22 MAY 1984

M46/M46AAB

SUBJECT

ma

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T64A184

RESTRICTED

15009 - 2

GRS 75
RESTRICTED
DESKBY 260100Z
FM FCO 251330Z APR 84
TO ROUTINE KUALA LUMPUR
TELEGRAM NUMBER 93 OF 25 APRIL

26

YOUR TELNO 116 MESSAGES TO NEW AGONG
1. PLEASE CONVEY THE FOLLOWING MESSAGE TO DR MAHATHIR FROM THE
PRIME MINISTER.

BEGINS ON THE OCCASION OF THE ASSUMPTION OF OFFICE OF HIS
MAJESTY THE YANG DI-PERTUAN AGONG, I SEND TO YOU AND TO THE
PEOPLE OF MALAYSIA THE WARM GOOD WISHES OF THE GOVERNMENT AND
PEOPLE OF THE UNITED KINGDOM. MARGARET THATCHER. ENDS.

HOWE

NNNN
DISTRIBUTION
MINIMAL
PS
SEAD
PROTOCOL DEPT
DR WILSON

FAP 390 /H		
RECEIVED IN REGISTRY		
26 APR 1984		
DESK OFFICER		REGISTRY
INDEX	PA	Action Taken
		ASN

PW + B D

KL
I say (to make sure his (contone)
signal reached on the 2 done. It did

2674

1814
18

RESTRICTED

✓

25 April 1984

Malaysia: Installation of the new
Head of State

BF ||| Thank you for your letter of
24 April. The Prime Minister agrees the
draft message to the new Agong of Malaysia.
I should be grateful if you could arrange
for it to be sent.

DB

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

6

620
RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister (1)

Agree message?

24 April 1984

DWB
24/4

Handwritten signature

Jan Loh.

Malaysia: Installation of the New Head of State

In March 1984 the Malaysian Rulers elected His Royal Highness, the Sultan of Johore to be the next Head of State (Yang Di-Pertuan Agong). He assumes office on 26 April 1984.

On previous occasions, The Queen has sent messages to the new Agong. We are submitting to the Palace separately about this. It has also been the practice for the Prime Minister to offer congratulations. The Malaysians attach importance to these messages.

I attach the draft of a message which, if the Prime Minister agrees, could be transmitted through our High Commission in Kuala Lumpur.

Handwritten signature

(R B Bone)
Private Secretary

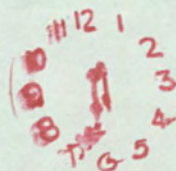
A J Coles Esq
10 Downing Street

RESTRICTED

OUT TELEGRAM

		Classification and Caveats		Precedence/Deskby	
		RESTRICTED		ROUTINE	
ZCZC	1	ZCZC			
GRS	2	GRS			
CLASS	3	RESTRICTED			
CAVEATS	4				
DESKBY	5				
FM FCO	6	FM FCO			
PRE/ADD	7	TO ROUTINE KUALA LUMPUR			
TEL NO	8	TELEGRAM NUMBER			
	9	YOUR TELNO 116: MESSAGES TO NEW AGONG			
	10	1. Please convey the following message to Dr Mahathir from the			
	11	Prime Minister.			
	12	BEGINS: On the occasion of the assumption of office of His			
	13	Majesty the Yang Di-Pertuan Agong, I send to you and to the			
	14	people of Malaysia the warm good wishes of the Government and			
	15	people of the United Kingdom. Margaret Thatcher. ENDS.			
	16				
	17	HOWE			
	18	NNNN			
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NNNN ends telegram		BLANK		Catchword	
File number		Dept Private Office		Distribution	
Drafted by (Block capitals)		R B Bone		Minimal	
Telephone number		233 4831		SEAD	
Authorised for despatch				Protocol Dept	
Comcen reference		Time of despatch		Dr Wilson	

24K 1984



GRS 1070
CONFIDENTIAL
DESKBY 251000Z
FM KUALA LUMPUR 250900Z OCT 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 412 OF 25 OCTOBER

cc: PM Tows.
Possible visit to
Malaysia July '85
ms

? cc No 10.

YOUR TELNO 309: CALL ON DR MAHATHIR.

SUMMARY.

1. I SPENT 40 MINUTES WITH THE PRIME MINISTER THIS MORNING. HE WAS COURTEOUS, EVEN AFFABLE, THROUGHOUT. I GAVE HIM THE PRIME MINISTER'S LETTER ACCEPTING HIS INVITATION TO VISIT MALAYSIA AND INFORMED HIM OF OUR AGREEMENT IN PRINCIPLE TO HAND BACK CARCOSA IN EXCHANGE FOR THE JALAN AMPANG SITE. WE ALSO DISCUSSED THE PROSPECTS FOR BRITISH INVESTMENT IN MALAYSIA AND FOR INCREASED ANGLO-MALAYSIAN TRADE FOLLOWING LORD JELLCOE'S VISIT.

PRIME MINISTER'S VISIT.

2. DR MAHATHIR WAS CLEARLY PLEASED AT THE PRIME MINISTER'S ACCEPTANCE. HE SAID MRS THATCHER WOULD ALWAYS BE WELCOME IN THIS COUNTRY AND HE LOOKED FORWARD TO RECEIVING HER. HE SUGGESTED THAT NO ANNOUNCEMENT SHOULD BE MADE FOR THE TIME BEING BUT HOPED THAT IT WOULD BE POSSIBLE TO COME TO AN AGREEMENT ON APPROXIMATE TIMING FIRST. HE PERSONALLY WOULD WELCOME A VISIT IN THE FIRST QUARTER OF 1984. I SAID THAT THE PRIME MINISTER'S PROGRAMME WAS UNDOUBTEDLY VERY FULL, AS WAS HIS OWN. I UNDERTOOK TO CONTINUE DISCUSSIONS ON TIMING WITH THE MFA. (COMMENT: GRATEFUL FOR EARLY GUIDANCE ON THIS).

CARCOSA.

3. I SPOKE TO THE PRIME MINISTER ON THE LINES OF YOUR TELNO 311 BUT DID NOT REPEAT NOT LEAVE AN ANDE MEMOIRE. I EXPLAINED THAT THERE WAS A GOOD DEAL OF DETAIL YET TO BE SORTED OUT. THIS INCLUDED SITE SURVEY, APPROPRIATE PLANNING CONSENT FOR THE JALAN RITCHIE SITE, THE HOUSING OF STAFF FROM JALAN RITCHIE, PLANNING CONSENT FOR COMMERCIAL DEVELOPMENT OF THE CONSULAR SITE AND THE ADAPTATION OF THE DHC'S HOUSE AS A NEW RESIDENCE.

4. DR MAHATHIR WARMLY WELCOMED OUR DECISION IN PRINCIPLE TO RETURN CARCOSA AND WAS EQUALLY ENTHUSIASTIC ABOUT OUR PLANS TO BUILD A NEW HIGH COMMISSION ON THE JALAN AMPANG SITE. INDEED HE SAID THAT THESE DECISIONS WOULD BE WELCOMED BY ALL MALAYSIANS. AS REGARDS TIMING, HE SAID IT WAS THE DECISION THAT WAS IMPORTANT NOT ITS IMPLEMENTATION. THE MALAYSIAN GOVERNMENT WOULD BE AS HELPFUL AS POSSIBLE IN ALLOWING US TIME TO CARRY THROUGH THE RE-ORGANISATION OF OUR ESTATE. HE AGREED READILY THAT I SHOULD CONTINUE DISCUSSIONS ON THE DETAIL WITH TAN SRI HASHIM, SECRETARY GENERAL TO THE GOVERNMENT WHO, HE SAID, HAD KEPT HIM INFORMED OF DEVELOPMENTS IN THE PAST. I SAID THAT I WOULD OF COURSE AS A MATTER OF COURTESY WISH TO SPEAK TO TUNKU ABDUL RAHMAN BEFORE ANY ANNOUNCEMENT WAS MADE. DR MAHATHIR SAID THAT THIS WAS QUITE RIGHT AND PROPER. BUT MUSA HITAM HAD IN FACT ALREADY MENTIONED THE MATTER TO THE TUNKU AND THE LATTER HAD EXPRESSED HIS UNDERSTANDING.

CONFIDENTIAL

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5. COMMENT: THE NEXT STEP THEREFORE IS FOR ME TO GO OVER THE DETAILS WITH HASHIM. IT IS VITALLY IMPORTANT THAT WE SHOULD HAVE A CLEAR UNDERSTANDING WITH THE MALAYSIANS ABOUT THE CONDITIONS UNDER WHICH THE RETURN OF CARCOSA WILL TAKE PLACE. IN ADDITION TO THE QUESTION OF PLANNING PERMISSION FOR THE JALAN RITCHIE AND CONSULAR SITES WE NEED, AS I UNDERSTAND IT, A TECHNICAL SURVEY OF THE PROPOSED HIGH COMMISSION SITE. IN THE IMMEDIATE VICINITY THE AMERICANS FOR EXAMPLE HAVE RUN INTO CONSIDERABLE, AND EXPENSIVE, DIFFICULTIES DUE TO THE EXISTENCE OF DISUSED TIN MINES BENEATH THE SURFACE. THE PROPER RE-HOUSING OF STAFF PRESENTLY LOCATED ON THE JALAN RITCHIE SITE IS OF COURSE ALSO ESSENTIAL.

ECONOMIC/COMMERCIAL RELATIONS.

6. I TOLD DR MAHATHIR THAT WE HAD BEEN PLEASED BY THE RECEPTION GIVEN TO LORD JELLICOE AND HIS COLLEAGUES. THIS HAD BEEN THE MOST HIGH POWERED MISSION OF ITS KIND THAT I HAD SEEN AND IT HAD BEEN FOCUSED SPECIFICALLY AND SOLELY ON MALAYSIA. BRITISH INDUSTRY NOW HAD A FAR BETTER UNDERSTANDING OF THE OBJECTIVES OF THE NEW ECONOMIC POLICY AND WERE KEEN TO WORK WITH THE MALAYSIANS TO CONTRIBUTE TOWARDS THEIR ACHIEVEMENT. I HAD BEEN IMPRESSED BY THE ENTHUSIASM AND INTEREST SHOWN, NOT ONLY DURING THE JELLICOE VISIT, BUT ALSO IN THE COURSE OF MY CALLS ON BRITISH INDUSTRY AND IN THE CITY BEFORE I LEFT LONDON. MAHATHIR SAID HE WAS ENCOURAGED TO HEAR THIS. HE THOUGHT THE WAY WAS NOW OPEN FOR MORE CONSTRUCTIVE AND BENEFICIAL RELATIONS. TWO-WAY TRADE WAS IMPORTANT IN MALAYSIA. THE COUNTRY HAD TO SELL ABROAD AS WELL AS BUY ABROAD. HE SAID THAT JAPANESE AND KOREAN COMPANIES HAD BEEN TOLD THAT THIS WAS NOW A SINE QUA NON FOR INCREASED ECONOMIC ACTIVITIES HERE. HE THOUGHT IN PARTICULAR THAT THERE WAS GREATER ROOM FOR THE INVOLVEMENT OF SMALL AND MEDIUM SIZE COMPANIES IN THE MALAYSIAN MARKET. SOME OF THE JAPANESE CORPORATIONS WERE TOO BIG AND FOUND IT HARD TO THINK OR OPERATE AT THE MALAYSIAN LEVEL. I TOLD DR MAHATHIR THAT A LARGE NUMBER OF BRITISH TRADE MISSIONS WOULD BE HERE IN THE NEXT SIX MONTHS. IN MANY CASES, EG WITH CHAMBER OF COMMERCE MISSIONS, SMALL AND MEDIUM SIZE COMPANIES WERE INCLUDED. WE WERE ALSO EXPECTING A VISIT BY THE BRITISH AGRICULTURAL EXPORT COUNCIL: MANY OF THE FIRMS INVOLVED HERE WERE OF A SCALE WHICH SEEMED TO ME IDEALLY SUITED TO THE MALAYSIAN MARKET. ROYAL NAVAL VISIT.

7. I TOLD DR MAHATHIR OF THE VISIT OF HMS INVINCIBLE YESTERDAY AND SAID THAT I THOUGHT OUR MALAYSIAN GUESTS, INCLUDING THE DEPUTY DEFENCE MINISTER, HAD FOUND THEIR DAY ON BOARD BOTH ENJOYABLE AND REWARDING. DR MAHATHIR SAID HE WAS SORRY NOT TO HAVE BEEN ABLE TO JOIN US. I SAID THAT THE FLOTILLA WOULD BE BACK IN THE SECOND WEEK IN MARCH AND WE HOPED VERY MUCH THAT DR MAHATHIR WOULD AGREE TO VISIT THE SHIPS, PARTICULARLY AS THEY WOULD BE AT THAT TIME CONDUCTING EXERCISES WITH THE MALAYSIAN ARMED FORCES. DR MAHATHIR TOOK NOTE BUT DID NOT AGREE ON THE SPOT. I SAID THAT WE WOULD CONTINUE TO BADGER HIM ABOUT THIS AS THE PROGRAMME FOR THE VISIT MATERIALISED.

-2-
CONFIDENTIAL

/ MISCELLANEOUS

CONFIDENTIAL

MISCELLANEA.

8. IT WAS INTERESTING THAT THE PRIME MINISTER DID NOT RAISE ANY OF THE MORE CONTENTIOUS ISSUES. THERE WAS NO MENTION OF THE BANK BUMIPUTRA AFFAIR, (MY TELNOS 408, 409 AND 411) ALTHOUGH THIS IS CLEARLY MUCH ON HIS MIND. NOR DID HE REFER TO THE ISSUE OF STUDENT FEES, THE MALAYSIAN PROPOSAL FOR A CONFERENCE ON PALESTINE OR THEIR INITIATIVE ON FAVTARCTICA AT THE UN. I TOLD DR MAHATHIR THAT I HOPED VERY MUCH THAT HE WOULD NOT HESITATE TO LET US KNOW IF THERE WERE PROBLEMS AHEAD IN OUR RELATIONSHIP. THIS HE PROMISED TO DO AND SAID HE WOULD GET IN TOUCH WITH ME PERSONALLY IF NECESSARY. FOR THE PRESENT HE THOUGHT THAT DIFFICULTIES WERE BEHIND US. WE BOTH AGREED THAT WE NEEDED NOW TO LOOK TO THE FUTURE AND TO THE ESTABLISHMENT OF A MORE HEALTHY AND CONSTRUCTIVE RELATIONSHIP.

COMMENT.

9. SO FAR SO GOOD. IT WAS USEFUL TO HAVE THIS OCCASION TO ESTABLISH A PERSONAL CONTACT WITH DR MAHATHIR. BUT, HOWEVER WARM AND FRIENDLY HE IS ON SUCH OCCASIONS, WE CAN NEVER EXCLUDE THE POSSIBILITY THAT, SOMEWHAT BELEAGUERED AS HE IS WITH THE BANK BUMIPUTRA AFFAIR AND THE ISSUE OF THE CONSTITUTIONAL AMENDMENTS (MY LETTER OF 19 OCTOBER TO DONALD), HE WILL LASH OUT IN OUR DIRECTION WHEN HIS BACK IS TO THE WALL. HIS COMMENTS LAST WEEK ABOUT OUR CONDUCT OF THE NEGOTIATIONS WITH CHINA OVER HONG KONG ARE BOTH AN EXAMPLE AND A CAUTION.

GILLMORE

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MR GIFFARD
MR DONALD

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OO KUALA LUMPUR

GRS 145

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FM FCO 191600Z SEP 83

TO IMMEDIATE KUALA LUMPUR

TELEGRAM NUMBER 282 OF 19 SEPTEMBER

YOUR TELNO 353: DR MAHATHIR'S VISIT TO THE UK

A. PLEASE PASS FOLLOWING MESSAGE FROM THE PRIME MINISTER TO
DR MAHATHIR'S OFFICE:-
BEGINS:

I HAVE HEARD THAT YOU MAY BE SPENDING SEVERAL DAYS ON
HOLIDAY WITH YOUR FAMILY IN LONDON AT THE END OF SEPTEMBER.

I DO HOPE THAT YOU WILL ENJOY YOUR STAY. I WOULD HAVE
LIKED VERY MUCH TO CONTINUE THE INTERESTING DISCUSSIONS WHICH
WE HAD LAST MARCH. UNFORTUNATELY, I SHALL BE IN THE UNITED
STATES ON AN OFFICIAL VISIT WHEN YOU ARE HERE, AS WILL
GEOFFREY HOWE. BUT IF THERE IS ANY ASSISTANCE I CAN ARRANGE I
WOULD BE VERY GLAD TO HELP. I KNOW THAT WILLIE WHITELAW
WOULD VERY MUCH LIKE TO ENTERTAIN YOU AND YOUR WIFE
AT THE THEATRE ONE EVENING IF THAT SUITED YOUR PLANS. B

HOWE

NNNN

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PS/PUS

MR GIFFARD

MR DONALD

COPIES TO

MOD

DTI OT2/2

cc PS/ Viscount Whitelaw
Lord President's Office

cc Miss Lottian

(Malaysian High Commission)

Cord - before this tel was

sent - that Dr M. would

1 CONFIDENTIAL not want anything done for

him. let us hope he does not
change his mind at the last
moment !)

Born 20/9

The following message was sent by Mrs Thatcher to Kuala Lumpur for Dr Mahathir on 19 September:

I have heard that you may be spending several days on holiday with your family in London at the end of September.

I do hope that you will enjoy your stay. I would have liked very much to continue the interesting discussions which we had last March. Unfortunately, I shall be in the United States on an official visit when you are here, as will Geoffrey Howe. But if there is any assistance I can arrange I would be very glad to help. I know that Willie Whitelaw would very much like to entertain you and your wife at the theatre one evening if that suited your plans.

*Malaysian
ux relations*



FILE

RM

10 DOWNING STREET

From the Private Secretary

19 September, 1983

VISIT BY DR. MAHATHIR

*B/P
for*

Thank you for your letter to John Coles of 15 September:
I understand that Lord Whitelaw is happy to invite Dr. Mahathir
to the theatre during his visit. The Prime Minister has
therefore revised the draft telegram attached to your letter
and I enclose a copy of the new version. I should be grateful
if you could arrange for its despatch.

I am sending a copy of this letter and its enclosure to
Janet Lewis-Jones (Lord President's Office).

W. F. S. RICKETT

J.E. Holmes, Esq.,
Foreign and Commonwealth Office

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RM

MESSAGE FROM THE PRIME MINISTER TO DR MAHATHIR

I have heard that you may be spending several days on holiday with your family in London at the end of September.

I do hope that you will enjoy your stay. I would have liked very much to continue the interesting discussions which we had last March. Unfortunately, I shall be in the United States on an official visit when you are here, as will Geoffrey Howe. But if there is any assistance I can arrange I would be very glad to help. I know that Willie Whitelaw would very much like to entertain you and your wife at the theatre one evening if that suited your plans.

RESTRICTED

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

Apes message?

A.J.C. 11/9

15 September, 1983

Dear John,

Visit by Dr Mahathir

We have heard that Dr Mahathir is expected to visit London with his family from 26-30 September as part of a European holiday.

Dr Mahathir has not asked for any official calls but he may well take offence if no attention is paid to his visit. However the Prime Minister will be in North America during the period of Dr Mahathir's visit and would not therefore be able to see him. The Foreign Secretary will also be in New York that week. However, Dr Mahathir is a keen theatre-goer and may accept an invitation to the theatre from a senior Cabinet Minister. The Foreign Secretary wonders whether Lord Whitelaw might be willing to take this on, following the very successful lunch he gave for the Deputy Prime Minister of Malaysia last year. I understand he may be free on one of the evenings, during Dr Mahathir's stay.

The Prime Minister may think it appropriate to send a message to Dr Mahathir expressing her regrets that she will not be in London during his stay, but offering him and his family a warm welcome and inviting him to the theatre. I enclose a draft telegram, the last sentence of which will of course depend on Lord Whitelaw's views.

I am copying this to Miss Janet Lewis-Jones (Lord President's Office).

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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OUT TELEGRAM

Classification and Caveats		Precedence/Deskby	
CONFIDENTIAL		IMMEDIATE	

ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	CONFIDENTIAL
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO SEPTEMBER 83
PRE/ADD	7	TO IMMEDIATE KUALA LUMPUR
TEL NO	8	TELEGRAM NUMBER
	9	YOUR TELNO 353: DR MAHATHIR'S VISIT TO THE UK
	10	1. Please pass following message from the Prime Minister to
	11	Dr Mahathir's office:-
	12	BEGINS:
	13	I have heard that you may be spending several days on
	14	holiday with your family in London at the end of September.
	15	I do hope that you will enjoy your stay. I would have
	16	liked very much to continue the interesting discussions which
	17	we had last March. Unfortunately, I shall be in the United
	18	States on an official visit when you are here, as will
	19	Geoffrey Howe. But if there is any assistance I can arrange I
	20	would be very glad to help. <i>Open square brackets</i> I know that
	21	Willie Whitelaw <i>very much like to entertain</i> would be glad to offer you and your wife an
///	22	<i>evening</i> at the theatre <i>if that suited your plans</i> , <i>close square</i>
//	23	<i>brackets.</i> <i>one evening</i>
/	24	
	25	HOWE

NNNN ends telegram		BLANK		Catchword	
File number		Dept Private Office		Distribution	
Drafted by (Block capitals)		JOHN HOLMES		Limited	
Telephone number				SEAD	
Authorised for despatch				PUSD	
Comcen reference		Time of despatch		PS	
				PS/Mr Luce	
				PS/PUS	
				Mr Giffard	
				Mr Donald	
				Copies to: MOD J Mole, OT2/2 DOT	

mb
Telegram Number 150 of 4 April 1983

From Kuala Lumpur

Anglo/Malaysian Relations

During a press conference following the UMNO Supreme Council meeting on Saturday, the Prime Minister was asked about the withdrawal of the Buy British last directive. In characteristic style, Dr. Mahathir said that the withdrawal of the directive was "because British goods are cheaper now". The fall in the value of sterling has made British goods very competitive and it would be "stupid" if Malaysia did not buy British goods. Dr. Mahathir claimed that he had never said "buy British last - what I said was where possible do not buy British goods, but if the price is cheap it will be stupid not to do so". He added that during the course of the directive the Government had continued to buy British goods.

Press comment yesterday and today links Dr. Mahathir's remarks to those made in Parliament reported in our telno 1364 and in some cases have indicated that the announcement of the withdrawal follows a decision taken at last Wednesday's Cabinet meeting. The recently announced decision by the British Government to increase aid to foreign students is cited as one of the main reasons for the withdrawal of the directive. Bentley.



FILE

Malaysia (L)

10 DOWNING STREET

From the Private Secretary

10 March, 1983

Dear John,

VISIT OF THE PRIME MINISTER OF MALAYSIA

Dr. Mahathir called on the Prime Minister last night for talks, prior to dinner. I enclose a record of the discussion.

I am copying this letter and enclosure to John Rhodes (Department of Trade), Jonathan Spencer (Department of Industry) and Richard Mottram (Ministry of Defence). I should be grateful if you and they would circulate the record only to those who have an operational need to know its contents.

Yours ever

John Holmes

John Holmes, Esq.,

Foreign and Commonwealth Office

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SUBJECT cc **MAHATHIR** **CONFIDENTIAL**

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE PRIME
MINISTER OF MALAYSIA AT 1900 HRS ON WEDNESDAY, 9 MARCH AT 10 DOWNING
STREET

Present:-

Prime Minister

Dr Mahathir

Sir Antony Acland

Malaysian High Commissioner

Mr John Coles

The Prime Minister said that she was glad that Dr. Mahathir's private visit to the United Kingdom offered them an opportunity to meet. She hoped that the Prime Minister would enjoy his son's graduation ceremony on 11 March. Dr Mahathir said that he had been sorry that he was not able to take up the Prime Minister's invitation to meet him on an earlier occasion.

The Prime Minister said that she would be interested to hear Dr. Mahathir's reflections on the Non-Aligned Summit meeting in Delhi. Dr. Mahathir said that this was the first time he had attended a NAM summit. There was little Malaysia could do at such meetings but to express its viewpoint and try to muster support for further activity in other fora. The membership of the Non-Aligned was increasing. If one could secure the support of 50% of its members, it would be possible to achieve things elsewhere.

The Prime Minister said that we always regarded Non-Aligned conferences as influential. Mrs. Gandhi had said that she was determined to make this summit genuinely non-aligned, in contrast

/to the

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to the last one in Havana. She knew that Mrs. Gandhi had little liking for the Communists who caused difficulties for her in five of her states. She had considerable admiration for Mrs. Gandhi whom she saw frequently. India was one of the most difficult countries in the world to govern, as recent events in Assam demonstrated. Dr. Mahathir said that it was essential for Mrs. Gandhi to maintain law and order. Without this, as a recent article in a British magazine had stated, democracy was not possible. You could only have freedom if the people knew how to handle it.

The Prime Minister referred to the current OPEC meeting in London. We were not involved but the decisions of the meeting would be important. Sir Antony Acland said that he felt that the convening by OPEC of a formal meeting suggested that it was moving towards a consensus. It was the suddenness of changes in the price of oil which was disturbing for the world economy. The Prime Minister agreed. We wanted to see a fall in oil prices but it was essential that this should be gradual. What effects had the world recession had on Malaysia?

Dr. Mahathir said that Malaysia had indigenous oil supplies so was less worried on that score. But the price of other commodities, in particular rubber, had also fallen. Malaysia was affected by the current trend, particularly in the United States, towards the building of small cars which used considerably less rubber. But the economy in general was beginning to recover. The Prime Minister asked whether Dr. Mahathir judged that a world recovery was on the way. There was now more optimism about the American economy but the question was whether the recovery now under way there would be long lasting.

/Dr. Mahathir

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Dr. Mahathir said that he had no doubt that the bottom of the recession had been reached. Any movement now should be upward. Sir Antony Acland observed that the ASEAN countries enjoyed considerable economic growth. Dr. Mahathir said that the growth rate had fallen to 4% in Malaysia last year. The Prime Minister said that we would gladly settle for such a growth rate.

Dr. Mahathir stated that the ASEAN countries had learnt a good deal from each other. Indonesia had earlier followed foolish economic policies but the need for the control of expenditure and for the opening up of the country to foreign trade were now recognised. Most ASEAN countries had similar economies and all welcomed foreign investment. This had enabled the group to grow together. But Indonesia was still facing problems, particularly because 70% of its exports were petroleum-related. A lower price and lower production level for oil, if agreed, would affect Indonesia substantially.

Invited by the Prime Minister to comment on Cambodia, Dr. Mahathir said that a political solution was still elusive. But ASEAN would continue its campaign. At the Non-Aligned Summit ASEAN had wanted the Khmer Rouge to retain its seat. Others had argued for an empty seat. The formula which had been agreed lent some hope that in three years time the Khmer Rouge representative would be seated. It was important that these matters were settled according to proper procedures and were decided by the whole movement, not just by Cuba as at the Havana Summit. More than half the Non-Aligned membership had supported ASEAN. He believed that their cause had gained ground. Nepal had its arm twisted by India though King Birendra had publicly congratulated him on his speech. A number of countries did not wish to offend the Soviet Union and Fidel Castro. The latter enjoyed considerable popularity in the Non-Aligned

CONFIDENTIAL

/Movement

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Movement. Even Argentina had said that it appreciated the Cuban attitude towards the Falkland Islands.

The Prime Minister said that we had been impressed by Dr. Mahathir's references to Afghanistan, as reported in The Times. She recalled the former President Tito's attacks on Castro at Havana and the steps taken by non-aligned countries to prevent Cuba securing a seat on the Security Council. It was strange that Castro was not judged by his policies. Dr. Mahathir said that he had particularly noticed the standing ovation given to Castro in Delhi. He himself had had to stand up and "join the club". The Prime Minister said that Castro was a powerful speaker - dictators often were. Dr. Mahathir commented that in the eyes of some non-aligned countries, Castro's achievements had been considerable. Sir Antony Acland asked whether many of the non-aligned had not disapproved of Castro's extremely partial chairmanship in Havana. Agreeing, Dr. Mahathir said that there was relief in Delhi that Castro was no longer president of the movement.

In response to a question from the Prime Minister, Dr. Mahathir stated that little new had been said about the Iran/Iraq war in Delhi. The truth was that there was nothing new to say. But he believed that Iraq was beginning to realise that it could not insist on all its earlier conditions for ending the war. He also felt that, as oil prices fell, the Arabs would tend to reduce their support for Saddam Hussein. The Prime Minister commented that if the war came to an end, Iran and Iraq would start producing oil again and that could add to current problems. The current high level of oil stocks produced

/continuing

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continuing uncertainty about oil prices, and consequently continuing uncertainty in the foreign exchange markets. Dr. Mahathir said that he did not believe that oil consumption would go back to its old levels. The Prime Minister agreed. We had learned conservation habits. Dr. Mahathir said that he found it interesting that new industrial techniques, such as the use of robots, tended to employ less electricity than the human labour which they had replaced. The Prime Minister recalled with interest her visits to factories employing robots in Japan. Dr. Mahathir said that he had been equally interested; he had been especially impressed by the use of robots in Japanese motor car factories.

Following further discussion of industrial techniques in Japan, Dr. Mahathir observed that so far robots had not caused much unemployment but there were recent signs that the Japanese unions were beginning to get worried about the employment implications.

The Prime Minister said that the progress made by the newly industrialised countries meant that the world had to accept new patterns of trade. Skills would have to go up market. Dr. Mahathir agreed that there was a constant need for upgrading.

The Prime Minister said that one result of the influx of Japanese new technology into the United Kingdom was that we were rethinking the value of technical schools. In earlier years we had placed considerable emphasis on them. There had then been a decline of interest. These schools were now resuming their earlier importance.

/She was

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She was constantly pointing out that the Communist countries placed great emphasis on the value of technical education. She had noted that Japan trained three times as many engineers as Britain did. Japan's record of fundamental research was nothing like as strong as ours. But the Japanese were better at application and had a genius for developing the right product for the market. The spread of Japanese videos and other products in Britain showed that the British people quickly adapted to the latest techniques when they became available. But it had taken Japanese imports to demonstrate this - the trade unions tended to stop indigenous products coming on to the market quickly. Things were changing in the private sector in this respect but not so far in the public sector.

Dr. Mahathir said that Malaysia had followed the British educational system and had made some mistakes. The Prime Minister said that Lee Kuan Yew had often complained to her that Singapore and other countries of Asia had built up their economies on bases which Britain had now abandoned. He could not understand why we were giving up our grammar/^{schools.} She hoped that Dr. Mahathir would come and see her as frequently as Lee Kuan Yew did.

Dr. Mahathir said that Malaysia was also placing great emphasis on technical training. The basis of his "Look East" policy was the sending of people to Japan to acquire Japanese skills and, especially, the Japanese attitude to work. The Prime Minister agreed that the work ethic was a key factor in Japan.

/Commenting

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Commenting on Japanese investment in the United Kingdom the Prime Minister referred to the achievement of Sony in obtaining a Queen's Award for Exports. Sony was very pleased by its productivity in the United Kingdom.

Dr. Mahathir said that Malaysia had recently awarded broadly similar contracts to a Japanese and United States firm. The Japanese had finished their work three months ahead of the contract date. The American firm was now four months behind schedule and was complaining of labour problems (though the Japanese firm had had to use the same labour). The performance of Japanese management was excellent.

The Prime Minister suggested that Dr. Mahathir should not underestimate the effect he had had on our policy. Our recent decision to make available new funds for overseas students was in large measure due to his representations. Dr. Mahathir said that he was very grateful for this change of attitude and policy. Traditionally, Malaysia sent many of its students to Britain. There could be 16,000 here at any one time. It was particularly important to Malaysia that Malaysian students of Chinese origin came here. If they did not pressures built up in Malaysia and tension was created. The United Kingdom was a very useful safety-valve.

The discussion ended at 1945 hrs.

A.J.C.

10 March, 1983

CONFIDENTIAL

file Bop
PRIME MINISTER

I promised to let you have 'The Times' extract describing Dr. Mahathir's speech at the NAM Summit yesterday on Afghanistan. The extract is reproduced below. I would not advise that you refer to this in your speech - my guess is that this would leave Dr. Mahathir to make some balancing reference to underline his non-aligned credentials.

Extract from 'The Times'

Malaysian onslaught: In a surprisingly strong attack on the Soviet Union, Malaysia yesterday called on the summit to condemn the "dishonourable invasion of puny Afghanistan". If it shrank from doing so "fear would stalk the little nations with predatory neighbours".

The criticism by Dr. Mahathir Mohamad, Prime Minister of Malaysia, was unusual in its bluntness. An attack on the Soviet Union by name is rare.

Malaysia is a country that believes words should not be minced, and that the non-aligned movement's credibility suffers by resorting to watered-down declarations. A number of countries are impatient at the movements' failure to name the Russians in the past.

A. J. COLES

9 March 1983

DEPARTMENT/SERIES <i>PREM 19</i>	Date and sign
PIECE/ITEM <i>1566</i> (one piece/item number)	
Extract/Item details: <i>Minute from Coles to PM dated 8 March 1983</i>	
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10 DOWNING STREET

From the Principal Private Secretary

8 March 1983

PRIVATE AND CONFIDENTIAL

Many thanks for your letter of 8 March containing details of the Malaysian C3 Project.

I passed on your earlier message to the Prime Minister, who was very grateful for it, and I will make sure that she sees the details in your letter. By the time that she sees Dr Mahathir, you can be sure that she will know them better than he does!

E. E. R. BUTLER

The Right Honourable Lord Carrington
KCMG MC

AA



Foreign and Commonwealth Office

London SW1A 2AH

8 March 1983

Dear John,

Dinner for Dr Mahathir

/ I enclose a few further thoughts for the suggested toast as we discussed.

Yours ever
John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

There is one feature common to British and Malaysian life to which I attach particular importance and to which I would like to draw attention this evening. We share a firm belief in the value of Parliamentary democracy. In both our countries this belief has been tested and reaffirmed through successive elections. We are both Prime Ministers who owe our position to the outcome of democratic processes. No-one claims that democracy is a perfect form of government, but no-one is more convinced than I that it is the best guarantee of long-term stability and development. In the dangerous world of today, I attach particular importance to stability. The dangers of communism and totalitarianism in all its forms are present in every region of the world. You and your colleagues in ASEAN know this only too well. We greatly admire and support the steadfast stand you have taken in the face of these dangers in your own region. Your ^{own} solidly-based democracy puts you in a particularly strong position to continue to stand out against the dangers.

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Foreign and Commonwealth Office

London SW1A 2AH

7 March 1983

Dear John,

Meeting with the Malaysia Prime Minister

9 March

Dr Mahathir's meeting with the Prime Minister will be his first with a British Minister since Lord Carrington saw him in Kuala Lumpur in February 1982. The projected meeting between the two Prime Ministers when Dr Mahathir passed through London last October foundered because their diary commitments were incompatible. This letter is by way of a steering brief to accompany the briefs which are attached.

Dr Mahathir's visit is a private one. Its object is to attend the graduation of his son at Brighton Polytechnic on 11 March. Thereafter he is going to Switzerland for a short holiday. His Private Secretary has emphasised that he is tired and badly needs a break. He has a history of working himself into a state of near-exhaustion. Apart from his meeting and meal with the Prime Minister, his only 'working' engagement is likely to be an informal lunch with a group of senior businessmen, hosted by Lord Jellicoe, on 10 March. (Mr Pym may call on him separately but his office have not so far responded to our request.) His programme, so far as we know it, is attached, together with biographical notes on Dr Mahathir and the new Malaysia High Commissioner and their wives.

UK Objectives

In view of the nature of the occasion, no attempt has been made to agree on an agenda for the discussion. The meeting is important for UK/Malaysia relations, and could be in the short term decisive. The atmosphere needs to be right, and in particular Dr Mahathir will want to feel that he is being treated as an equal. A successful meeting could lead (not necessarily instantly) to the effective ending of Dr Mahathir's policy of 'buying British last', already eroding as a result of the falling value of sterling. It would crown the dogged efforts of both Government and the private sector to disabuse Dr Mahathir of his belief that 'the British' know little and care less about contemporary Malaysia. What will count is

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the perception in Malaysia of Dr Mahathir's own attitude towards us, because this will be more or less faithfully reflected by the bureaucrats responsible for awarding government contracts. A clear, public signal from Dr Mahathir on his return that good relations have been re-established on a basis of realism and equality ought to be enough to do the trick. He has in a sense already prepared the way over the past months, by a succession of suggestions both to the press and through third parties that the climate of relations was thawing. The latest, and most striking example (attached) looks very much like Dr Mahathir's authorised version of a scene-setter for his meeting with the Prime Minister - the New Straits Times is known to take its cue from the Government.

Talks: International Issues

To help generate the right atmosphere * ~~~~~ * it might be worth directing the discussion in the first instance to international issues. Dr Mahathir comes to London immediately after attending the first half of the Summit in New Delhi of the Non-Aligned Movement (7-11 March). Although he wishes to cut a figure on the world stage as a third-world radical, he is profoundly anti-Communist. He would no doubt welcome in particular some indication of the Prime Minister's thinking on East/West relations. He himself will probably be keen to give his impressions of the NAM Summit: exchanges on Afghanistan (where his views are close to those of the Prime Minister) and Cambodia (the issue of most importance to Malaysia at the Summit) could be particularly worth while. It might not be possible to avoid in the process topics on which there is disagreement and no prospect of any meeting of minds, notably Antarctica. But this is a risk in any case; defensive briefing has been prepared accordingly (Brief No 5). Defence briefing has also been prepared on Brunei (Brief No 4) and Hong Kong (Brief No 7).

It would be natural to discuss prospects for recovery of the world economy from recession (a topic of crucial importance to Malaysia with its heavy dependence on commodity exports), and the Prime Minister might wish to say something about progress of the British economy. (Dr Mahathir still thinks of Europe in general and Britain in particular as plagued by strikes and generally inefficient.) The Prime Minister might then enquire about the success of Dr Mahathir's own policies, in particular his 'look East' policy, which takes Japan and Korea as models of the work ethic in which Malays are so deficient.

/Bilateral

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under FOI Exemption.
Wayland
17 April 2014
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Bilateral Relations

The main point of the talks for both sides will be the future of Anglo-Malaysian relations. Dr Mahathir has a reputation for being at heart anti-British. He believes the most difficult problem with which all Malaysian Prime Ministers have to cope is that of maintaining equilibrium between the 'native' Malays and the industrious Chinese, imported by the British in the colonial period, as he sees it, to maximise their profits from the extraction of the country's wealth. In short, his main problem was bequeathed to him by Britain, and to compound this historical fault, the British have over the past decade or so turned their backs on Malaysia (in favour of the EC), kept their old-fashioned attitudes, and failed to co-operate with Malaysia's 'New Economic Policy'.

The Prime Minister will wish to assure Dr Mahathir that, whatever the past, we sympathise with his aspirations for his country and have taken to heart his view that the British had come to take Malaysia for granted. It would be worth mentioning our recent gesture on student fees (which has had a favourable impact). Mrs Thatcher might add that we want a good relationship between equals on a realistic and unsentimental basis. As for trade, we want no more than an opportunity to compete on equal terms with others. Rather than complain to Dr Mahathir about his Directive, she might wish to press him to buy British not last, or for that matter first, but whenever it makes economic sense, reminding him at the same time that we are eager investors as well as keen exporters. These issues are covered in greater detail in Brief No 1. It would also be very useful to sound him privately on the question of the Residence in Kuala Lumpur - Carcosa (Brief No 6).

For his part, Dr Mahathir may raise one or more of the specific grievances of which he and the Malaysian press have made much in the past (commodity prices, the workings of the London Metal Exchange, the change in the Stock Exchange take-over rules, etc); defensive briefing is provided on the most important of these (Brief No 2).

Tactics

Dr Mahathir takes pride in his own reputation for plain speaking and respects interlocutors who put their own points politely but firmly. He is acutely sensitive to certain words and phrases, which to him betray the old-fashioned British attitudes which he most resents and

/wants



wants to see changed. Phrases such as 'traditional ties/friendship' do not cut any ice. References to 'Malaya' rather than 'Malaysia' are the worst. While he would not dispute the special closeness of the two countries in the post-independence period (the fight against Communist terrorism and Indonesian confrontation), he has shown prickliness when references are made to common struggles of this kind because he wants Britain to show interest and sympathy for the Malaysia of the 1980s. (He responds particularly well to informed questioning and discussion on the New Economic Policy).

Modes of Address

Dr Mahathir may be addressed either by his title of Prime Minister, or as 'Datuk' (pronounced Dahto); his wife as 'Datin'.

Yours ever
J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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BRIEF NO 1

CALL BY DR MAHATHIR ON THE PRIME MINISTER 9 MARCH

UK/MALAYSIA RELATIONS

POINTS TO MAKE

1. We entirely accept that the relationship needed repair and updating. We agree that it must be based on mutual respect and equality; no risk now of Malaysia being taken for granted by us - or anyone else.

Investment

2. British businessmen know about the New Economic Policy, understand reasons for it, keen to cooperate. New British investment running at a record level - currently second only to Australia. Clearest possible sign of our confidence in Malaysia's future.

3. Particularly encouraging the continuing flow of joint ventures, new partnerships like that between Harrisons and Crosfield and PNB.

Trade

4. British industry now much more competitive. All we need is opportunity to compete on equal terms with other exporters to Malaysia. Hope philosophy will be to buy British neither last nor first but when it makes economic sense to do so.

5. Interested in and support proposals to set up new private sector trade and friendship Associations (MABEFTA/BAMEFTA). Believe they have useful role to play in fostering genuine understanding both ways.

Student Fees

6. Much regret we were unable to consult you - or anyone else - before
/introducing



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introducing the change in 1979. Problem of out-of-control public expenditure required urgent and drastic action.

7. Realise that withdrawal of the subsidy hit Malaysia particularly hard and caused a lot of difficulties for your government-sponsored students. Have tried to mitigate efforts through special provision for Malaysia in package of measures announced recently.

8. Would like your views on how money should be used (in touch with your Education people). Had wondered whether MARA students might be suitable beneficiaries.

Lords Ruling on Residence Status (If raised)

9. Government are still studying implications of this.

School of Oriental and African Studies (SOAS) - Islamic Chair

10. Understand there is a proposal that some British businessmen might finance Chair of Islamic Studies at SOAS and Malaysia provide the Professor. Just the sort of initiative to promote real mutual understanding.

Aid

11. We are supporting plans for management training by local British companies of middle ranking Malaysian civil servants. We plan to provide lecturer on management.

Foreign and Commonwealth Office

7 March 1983

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BRIEF NO 1

CALL BY DR MAHATHIR ON THE PRIME MINISTER 9 MARCH

UK/MALAYSIA RELATIONS

BACKGROUND

1. There have been increasingly frequent signs of an improvement in the climate of relations in recent months. There have been almost none of the biting attacks on the British which marked Dr Mahathir's remarks to the press during his first year in office. He has spoken of a much more positive attitude towards Malaysia by the British Government and business community in recent press interviews.

Buying British Last - The Directive

2. The Directive was introduced in October 1981. It requires British bids for public sector contracts to be referred to the Prime Minister's Office with details of an alternative bid from another country. Although natural in form, its effect has been discriminatory because it only applies to bids from Britain. Its pressure can be easily tightened or loosened. It is still in force, though it seems to be being applied now rather less rigourously. Marconi, GEC's Italian subsidiary, has recently won a contract for £200 million. But British consultants are still suffering from the Directive's side effects. We estimate, very roughly, that it has so far cost British exporters not less than £20 million in lost orders.

3. Dr Mahathir has in the past publicly justified the Directive as a way of educating Malaysians to look beyond traditional links with Britain and consider other sources of supply. Essentially, it was a way of giving a jolt to the relationship and of signalling the view of Dr Mahathir (and of a good many of his countrymen) that the United Kingdom had not adjusted fully to the independence of Malaysia and still took her for granted. The Directive seems to have been triggered by the change in the Stock Exchange take-over rules to allow

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a 'cooling off period' shortly after the successful dawn raid by Malaysian interests on Guthrie, a British Company with extensive Malaysian interests, but there had been such an accumulation of pent-up frustration in Malaysia within the lop-sidedness (as they perceived it) of the relationship that an explosion of some kind was inevitable.

4. At the heart of Dr Mahathir's thinking and planning is the fear that the latent tension between the Malay and Chinese communities will break out in communal violence, as it did in 1969. He thinks that we have a special responsibility to help him solve the problem; the chosen vehicle for this is the New Economic Policy.

5. The New Economic Policy was first adopted in 1971. It is not embodied in legislation. It simply establishes the overall goal that the 'Bumiputras' (Malays and other 'indigenous' groups like those of Sabah and Sarawak) should acquire a minimum 30% stake in the national economy by 1990 (they now own about 20%, of which two-thirds is held on their behalf by Government Trust Agencies). It is not entirely clear whether the goal applies to the economy as a whole or to individual industries. British firms in the past have sometimes found it difficult to discover what was expected of them and may have used this as an excuse for going slow on complying with the NEP. There is now a much greater awareness on the part of British firms of the need to comply with the spirit of the NEP. Dr Mahathir's government has made significant progress in extending Malaysian ownership of foreign assets. There are, now for example, no major plantations in Malaysia which are still British owned.

MABEFTA/BAMEFTA

6. Dr Mahathir has welcomed a proposal, originally sponsored by the Manager of the Standard Chartered Bank in Kuala Lumpur, that a friendship and trade Association, composed of representatives of the Malaysian and British private sectors, should be set up in Kuala Lumpur
/(MABEFTA)

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(MABEFTA), with a counter-part in London (BAMEFTA). MABEFTA stands for Malaysian and British Economic, Friendship and Trade Association. Preparatory discussions on BAMEFTA have already made considerable progress and Lord Jellicoe is hosting a top businessmen's lunch for Dr Mahathir on 10 March at which a number of probable subscribers to BAMEFTA will be present, including Lord Carrington and Lord Richardson, both of whom (not for use) are front runners for the Chairmanship. We whole-heartedly support the new Association. But believe that it must be up to the private sector to take the lead in making it work.

British Investment in Malaysia

7. The stock of British investment may still be around £1.5 billion. British invisible earnings are probably about the value of direct exports (£220 million in 1980). In addition to what are now normally minority stakes in plantations, British investment covers a wide range of industrial sectors. Malaysia is interested in attracting high technology British investment. Estimates for the first half of 1982 (latest available) suggested that the overall British investment in manufacturing industry was second only to that of Australia.

8. Harrisons and Crosfields (H and C) recently announced its decision to invest £6m of new money in the acquisition from the Malaysian Government's PNB of Barlow Plantations (in which Harrisons and Crosfield own 30%), a move which Harrisons and Crosfield said demonstrates their confidence in Malaysia. There are other examples also of British joint ventures in Malaysia.

Student Fees

9. Malaysia has the largest number of overseas students studying in the United Kingdom. In 1979/80 there were around 17,000. There are now about 12,000 (a drop of 30%). This still represents some 17% of the total. The practice of Malaysians studying in the United Kingdom is long established. Many senior Malaysians have been educated here

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(though not Dr Mahathir).

10. Dr Tan, a Malaysian Deputy Minister of Education, told Lord Belstead and Mr Waldegrave during an official visit to London last autumn that Malaysia was anxious to continue to send government sponsored students to the United Kingdom but were finding this difficult because their allocations were now quite inadequate. He hinted strongly that aid for MARA would be well received. MARA is an Institute of Technology catering for Malays and is said to be close to Dr Mahathir's heart. There are at present about 800 MARA students studying in the UK.

11. We have told the Malaysian Government that we would be prepared to use the funds directly allocated to Malaysia (£1m in 1983/84 and £2m in each of the two succeeding years) for MARA students if that is what they wanted. The money available would just about cover for MARA students the difference between home fee and overseas student rates.

12. Malaysia will also have access to additional funds being made available under the existing Commonwealth Scholarship and Fellowship Plan Council Scheme and the new scheme of discretionary awards.

Lords Ruling on Residence Status for Overseas Students

13. In a judgement on 16 December the House of Lords held that an overseas student who came to this country and was habitually and normally resident here was 'ordinarily resident' under the Education Act 1962.

14. The ruling would appear to make those Malaysian students who have been lawfully settled here on educational courses for more than three years eligible for mandatory awards from local authorities, if accepted for first degree or comparable courses of further education
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in the UK. The number of Malaysians studying here who would qualify could be quite substantial. Our High Commission in Kuala Lumpur has already received many enquiries about the ruling.

Islamic Chair on School of Oriental and African Studies (SOAS)

15. A number of British businessmen with interests in Malaysia are studying the possibility of financing a Chair at SOAS in Islamic Studies. They intend that the holder should be a Malaysian. The Chair would not only have academic value but would serve to moderate the influence of the more fundamentalist of the Malaysian students here. The latter aspect would be of keen importance to Dr Mahathir and his colleagues.

Aid

16. The TC programme is expected to cost about £0.9m in 1983/84 and be maintained at that level in real terms. Our aim is to respond to Malaysia's needs in the ways which they wish. We are devoting some two-thirds of the programme to the training of Malaysians in the United Kingdom.

17. Will shortly appoint an Investment Promotion Adviser to work in the Malaysia Industrial Development Authority. Proposal first made by Lord Carrington.

18. We intend supporting, by providing a training course, a management training scheme promoted by local British companies, whereby about 20 Malaysian public servants will undergo training attachments in the Malaysian offices of British firms. Senior Malaysians are keen to see this proposal go ahead.

Foreign and Commonwealth Office
7 March 1983

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BRIEF NO 2

CALL BY DR MAHATHIR ON THE PRIME MINISTER 9 MARCH

DEFENSIVE BRIEFING ON BILATERAL MATTERS THAT DR MAHATHIR MAY
RAISE

POINTS TO MAKE

Air Services

1. Happy to agree to Malaysian Airline System introducing a fifth weekly service to Britain if the total number of passengers carried has reached the agreed level.

Change in Stock Exchange Rules

2. 1981 changes in take-over rules not aimed at Malaysia. Had been under discussion for some time. Aim was to provide a 'cooling off' period; not to prevent take-overs such as PNB's of Guthrie. Rules still leave ample scope for take-over of British firms by overseas interests.

Hangings in Malaysia

3. Know how you feel about interference in matters which are for your Parliament and courts. Appreciate the continued threat of communist subversion you face.

4. Aware, of course, of appeals for clemency made in recent months by the representative in Kuala Lumpur of the EC Presidency; could not oppose, but certainly did not stimulate these.

UK/Malaysian Credit Agreement

5. We continue to offer aid/credit on an individual basis to British firms seeking business in Malaysia.

London Metal Exchange

6. The LME is an entirely independent body, whose function is to run a free and orderly international market in tin and other metals to the benefit of both buyers and sellers.

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BRIEF NO 2

CALL BY DR MAHATHIR ON THE PRIME MINISTER 9 MARCH

DEFENSIVE BRIEFING ON BILATERAL MATTERS

BACKGROUND

Air Services

1. For some time Malaysian Airline System (MAS) have wished to match the daily Boeing 747 service operated by Singapore Airlines (SIA) to and from London. We have restricted the frequency of MAS services because of lack of demand for travel between Britain and Malaysia, and because we suspected that MAS would take advantage of excessive capacity to pick up UK/Australia traffic. MAS already earns three times as much from its London/Kuala Lumpur service as British Airways (BA serves Kuala Lumpur on its London/Australia service).

2. In March 1982 the two governments agreed that BA and MAS might each operate four Jumbo services a week in each direction between London and Kuala Lumpur. BA believe MAS have reached the capacity trigger entitling them to a fifth frequency, but we think MAS do not at present intend to mount this additional frequency.

3. This ought not therefore to be a current Malaysian grievance. But Dr Mahathir is particularly sensitive about air service matters and has a long memory, going back to the acrimonious negotiations about plans for Concorde to overfly Malaysia in which he was involved in a previous Malaysian administration.

Change in Stock Exchange Rules

4. The Stock Exchange modified its rules on take-overs in September 1981 so as to allow minority shareholders and the target company 7 days to consider their position. The change came only a week after the successful 'dawn-raids' on the Guthrie Corporation (a British company
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with large Malaysian interests) by PNB, a Malaysian Government interest. The timing was largely coincidental. But the move was seen by Dr Mahathir as a deliberate British move designed to frustrate any further Malaysian attempt to acquire major shareholdings in companies with assets in Malaysia. In fact, the new rules leave ample scope for foreign take-overs of British firms. They place fewer obstacles in the way of the prospective buyer than do the rules in the United States where British companies have made a number of successful bids in recent years.

Hangings in Malaysia

5. Executions under Malaysia's Internal Security Act (ISA), which was introduced in 1960 to assist the Government's fight against communist subversion, and associated legislation were resumed in 1980, and 35 have since been hanged, a third of these over the past 12 months. A number of appeals for clemency have been made in Kuala Lumpur to the Malaysian Government by the EC Presidency both in 1982 and this year. There were received politely but coolly and may even have hardened the determination of the Malaysian Government that the law should be applied in its full rigour. Malaysia's human rights record is better than that of many developing countries. Dr Mahathir has granted amnesty to a number of detainees. He believes that foreign critics fail to appreciate the gravity of the threat that still remains from subversion.

6. Although the hangings have aroused considerable Parliamentary and Press interest in the United Kingdom, and two British lawyers participated in an international lawyers' mission that produced last November a report critical both of the law and its application, we have made no bilateral appeals to the Malaysians because we considered these would be both counter-productive and liable to place a further strain on Anglo/Malaysian relations. We have however, acquiesced in the collective appeals made by the Ten.

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7. FUEMSSO, an organisation representing Malaysia and Singapore students in the UK and Ireland, may seek to mount demonstrations against ISA executions during Dr Mahathir's visit. UMNO (Dr Mahathir's own party) students may counter-demonstrate.

UK/Malaysia Credit Agreement

8. A UK Malaysia Credit Agreement was signed in January 1981. A total of £20m from the Aid Trade Provision (ATP) for the three years 1981/2 and 1983/4 was allocated to the Agreement. Contracts had to be signed before 31 December 1982; disbursements on such contracts could continue until 31 March 1984.

9. The aim was to help establish British industry in key sectors from which they would be well-placed to win contracts on a commercial basis in an expanding market. Although the Malaysian Government welcomed the agreement when it was signed and offers to finance 13 projects were made, they did not use any of the aid in the time available.

10. British companies may still apply for support from the global ATP funds (on matching terms only) for suitable projects in Malaysia.

11. The fact that the Agreement has lapsed has caused no comment of any kind from official quarters in Malaysia. However, there have been complaints from some British companies seeking business in Malaysia that the requirement to match foreign competitors' aid terms before ATP funds can be released is losing them valuable business.

London Metal Exchange

12. In 1981/82 a speculator forced up tin prices on the London Metal Exchange to their highest levels ever. [Not for use] Press reports at the time suggested the speculator had Malaysian connections. Some dealers were in danger of being unable to meet their obligations. To avoid serious damage to the market, existing rules were invoked

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governing arrangements for lending tin to dealers who were unable to fulfil contracts. The measures were designed to promote orderly trading conditions. Dr Mahathir saw them as a deliberate manipulation of the rules in favour of London Metal Exchange (LME) traders and against producers. He has criticised the LME many times, most recently on 10 February in Kuala Lumpur.

Foreign and Commonwealth Office
7 March 1983

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BRIEF NO 3

DR MAHATHIR'S CALL ON THE PRIME MINISTER; 9 MARCH

DEFENSIVE BRIEF ON ECONOMIC MATTERS

POINTS TO MAKE

Commodities

1. Appreciate importance of commodities to Malaysia, in spite of progress in industrialisation. Present difficulties caused by world economic recession. Note that commodity prices generally have recently begun to recover. Malaysia well placed once international recovery sets in.

Integrated Programme

2. United Kingdom supports Integrated Programme for Commodities. Will work to ensure that existing International Commodity Agreements operate as effectively as possible. Producer-consumer cooperation essential.

Common Fund

3. United Kingdom has ratified the Common Fund. Hope other countries will do so to bring it into early operation.

Access to Community

4. The European Community's average external tariff is very low. Both the United Kingdom and the Community are fully committed to the open trading system. We live by trade, and would suffer more than most from a general slide into protectionism.

5. But everybody (ie not only the industrialised countries) has a part to play in maintaining the system. We cannot accept unfair trade. And it is politically impossible for us to stand by, in a recession and watch the haemorrhage of jobs from particularly hard-

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pressed industries without lifting a finger to help them. We try to do this in ways which take the fullest possible account of the interests of our trading partners. [For textiles, see below].

Generalised Scheme of Preferences

6. Malaysia benefits from substantial tariff preferences under the Generalised Scheme of Preferences (GSP), giving her access to a much larger market than the United Kingdom alone. The Community's GSP stands comparison with that of any major industrialised country.

Textiles

7. (If pressed) Community's textile and clothing industry is an extremely sensitive sector in political and public opinion terms. Over 180,000 jobs lost in the United Kingdom alone in last three years; more than 700 closures; output down 25%.

8. Negotiations with Malaysia and ASEAN partners were difficult. But conducted in a constructive spirit, and we welcomed the arrangements agreed, which provide for orderly trade in this sensitive sector for next four years.

9. (If further pressed) 'Anti-surge' clause was a compromise. Much tougher solution was considered. (If UK accused of its genesis) As Presidency, it was our job to find practical compromise solutions based on Commission proposals, such as anti-surge.

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BRIEF NO 3

DR MAHATHIR'S CALL ON THE PRIME MINISTER: 9 MARCH

DEFENSIVE BRIEF ON ECONOMIC MATTERS

BACKGROUND

Commodities

1. In 1981 non-oil commodities accounted for 51% of Malaysian exports. The main products are rubber, timber, palm oil and tin. Tin and rubber have particular significance for Dr Mahathir domestically since they feature large numbers of small producers. Malaysia is a member of the International Tin and Rubber Agreements (as in the United Kingdom).

Prices

2. Commodity prices fell sharply in the period 1980-82, but have recovered well in recent weeks. Tin, rubber, coffee and cocoa now stand, on average, 27% higher than they did a year ago. International Commodity Agreements aim to defend a minimum price. Dr Mahathir attaches political and economic importance to maintaining or raising the minimum prices. Consumers, including the United Kingdom, argued, in 1982, that they should be reduced to match lower market trends. Tin and rubber, the two more sensitive products, now have market prices above their respective Agreements' minimum levels due partly to buffer stock purchases by the Agreements. The price of palm oil remains depressed.

The Common Fund

3. The UK has signed and ratified the Common Fund. Malaysia and many other developing countries have signed but failed to ratify. Malaysia has recently said it is unlikely to ratify, believing funding is inadequate and the Fund unable to stabilise prices in the current economic climate.

/Protectionism

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Protectionism

4. Dr Mahathir has complained about the rising wave of protectionism in industrialised countries. The Malaysians also grouse regularly about the negative effects on their trade of Britain's entry into the Community. Dr Mahathir may raise the Multi-Fibre arrangement.

Trade Access

5. Although the United Kingdom entry into the Community meant the end of the Commonwealth preference arrangements, Malaysia now benefits from the Community's Generalised Scheme of Preferences (GSP) under which they are able to obtain better access to the large EC than would be available under the GATT. This is reflected in the fact that Malaysian exports to the Community as a whole have increased more rapidly over the last ten years than her exports to the United Kingdom.

6. Many of the specific Malaysian allegations of poor treatment by the community are ill-founded. For example, Dr Mahathir recently claimed that, while Malaysia at one time sold rubber to the United Kingdom without having to pay any tax, they now had to pay a tax of up to 12%. In fact, all raw rubber is imported into the Community duty free and, under the GSP, Malaysia has duty free access for all processed rubber goods except the most sensitive items such as rubber tyres, which are subject to (generous) ceilings.

Multi-Fibre Arrangement

7. The GATT Multi-Fibre Arrangement (MFA), first negotiated in 1973 and renewed in 1977, has been extended again to July 1986. During negotiations of the EC's new bilateral agreements with supplier countries under MFA III last year, Malaysia and her ASEAN partners negotiated collectively on texts and individually on quantities. Main obstacle was the 'anti-surge mechanism' developed during consideration of the Community's negotiating position at end of 1981 to deal

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with the threat of disruption through a sudden expansion of trade within quotas in categories where quotas were previously so under-utilised.

8. Industries in some Member States, including the United Kingdom, wanted 1983 quotas in these categories based on the depressed import levels of 1980 rather than on quota entitlements in 1982. When this failed to run in the Council, it fell to the United Kingdom as the Presidency to seek alternative (compromise) solutions resulting in the anti-surge mechanism. On a United Kingdom proposal in late 1982, the mechanism was modified so that it did not apply to the smallest quotas. This, together with a proposal for limited transferability of quotas between the ASEAN countries (also actively promoted by the United Kingdom) proved decisive in enabling bilateral agreements to be reached with these countries in November 1982.

Foreign and Commonwealth Office

7 March 1983

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DR MAHATHIR'S CALL ON THE PRIME MINISTER: 9 MARCH

SOUTH EAST ASIAN MATTERS

POINTS TO MAKE

CAMBODIA

1. Admire your persistent efforts to secure free Cambodian representation at the Delhi Summit. Important to sustain momentum and morale of anti-Vietnamese coalition.
2. Nothing new in declaration of Indochinese communist summit? But did it help Vietnam at Delhi, as - presumably - intended?
3. Any danger of Vietnamese offensive after Summit? We are working on extra medical assistance to the non-communist Cambodians.

EC/ASEAN FOREIGN MINISTERS MEETING

4. Good to see degree of political and economic cooperation which has grown up between EC and ASEAN, and extent of common ground.
5. Joint meetings of Foreign Ministers very important. Mr Pym will be going to Bangkok.

BRUNEI (Defensive)

6. Confident Brunei can look to Malaysia for advice and support as she emerges on international stage, particularly in seeking membership of bodies such as ASEAN, the Commonwealth and the UN.
7. Our formal treaty relationship with Brunei ends on 31 December 1983 when Brunei resumes responsibility for foreign affairs. But hope to retain close ties of friendship.
8. Sultan wants Gurkha Battalion to remain in Brunei. We shall agree if terms are right. Foresee no major problems.

9. *Passage deleted and closed under FOI Exemption
Mayland, 17 April 2014*

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But we have no influence over Brunei's domestic constitutional arrangements.

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DR MAHATHIR'S CALL ON THE PRIME MINISTER: 9 MARCH

SOUTH EAST ASIAN MATTERS

BACKGROUND

CAMBODIA

1. Malaysia, Singapore and Indonesia have been working to persuade the Non-Aligned Summit to move away from the 1979 Havana empty-chair formula on Cambodia in favour of the anti-Communist coalition of resistance forces (CGDK); though India, who have recognised Heng Samrin (the Vietnamese puppet Government in Cambodia), are unlikely to force the sympathisers with Vietnam to accept a new consensus. But a majority of NAM states support the CGDK at the United Nations and may be encouraged to speak at Delhi, if only to redress the balance of the movement.
2. The Indochinese summit in Vientiane (22-23 February) of Vietnam, Laos and the Heng Samrin regime in Cambodia produced a suggestion of annual troop withdrawals 'if the security situation permits' (an offer made before); and a reference to Vietnamese forces in Cambodia as 'volunteers'. Meanwhile in advance of talks in Moscow, China has publicised her demands for a phased withdrawal of Vietnamese forces as a pre-condition of Sino-Soviet normalisation. Despite Soviet denials, Hanoi may be under some pressure to give the USSR more room for manoeuvre. We continue to support ASEAN's insistence (with Malaysia well to the fore) on full withdrawal of Vietnamese troops in accordance with the results of the 1981 UN Conference on Cambodia.
3. This dry season has seen only one major Vietnamese military sweep so far - the over-running of the refugee camp at Nong Chan a month ago. The KPNLF (a member of the Anti-communist coalition) with Thai help managed an ordered evacuation with few casualties, but fear renewed attacks on civilian and military groups to the north once the NAM summit is over. We have announced a £100,000 direct supply of medical aid to non-communist groups - in practice it will be mainly to the KPNLF whose chief support in ASEAN comes from the Malaysians.

/Delivery



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- 2 -

Delivery has not yet taken place.

EC/ASEAN FOREIGN MINISTERS' MEETING

4. The Association of South East Asian Nations (ASEAN) comprises Malaysia, Singapore, Indonesia, the Philippines and Thailand. It was formed in 1967 to promote economic, cultural and social cooperation among its members.

5. Realisation of the aims for which ASEAN was founded has been slow, particularly on the economic side. But the Vietnamese invasion of Cambodia in 1978 stimulated political cooperation among the members; ASEAN now forms the cornerstone of the individual members' foreign policies. ASEAN has played a leading role in the search for a solution to the Cambodian problems but the members also seek to coordinate their policies on a wide range of other international issues of mutual concern.

6. The first meeting between EC and ASEAN Foreign Ministers was held in Brussels in November 1978; subsequent meetings were in Kuala Lumpur in March 1980 and in London, during the UK's Presidency, in October 1981. The fourth in the series will be in Bangkok on 24/25 March. Mr Pym will attend.

BRUNEI

General

7. Brunei is sandwiched between the East Malaysian states of Sabah and Sarawak. The population numbers about 193,000 of whom 50% are Malays and 25% ethnic Chinese (most of them stateless).

8. The Sultanate of Brunei has been in treaty relationship with Britain since 1847. It has had full internal self-government since 1971. Britain agreed however to continue to conduct Brunei's external affairs. It was agreed in 1979 that from 31 December 1983 Brunei would 'resume full international responsibility as a sovereign and

/independent

CONFIDENTIAL

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- 3 -

independent state''. We expect Brunei to apply to join ASEAN, and have been more than happy at the way relations between Brunei and individual ASEAN countries, especially Malaysia, have been thickening up.

Defence

9. At present we have a consultative role. From 31 December 1983 there will be no commitment.

10 A Battalion of British Gurkhas has been stationed in Brunei since suppression of an uprising in 1962. The agreement covering this expires in September.

*Passages deleted and closed under
FOI Exemption CM Dayland
17 April 2014*

11.

The arrangement suits us too because of the training facilities that Brunei provides. We have had preliminary discussions with the Sultan's advisers about the terms under which the Battalion might remain in Brunei. We foresee no major problems. There is no question of our forcing the Sultan to let the Gurkhas remain.

Political Developments

12. Brunei is an absolute although benevolent monarchy. All major issues are decided by the Sultan personally. But the number of young Bruneis educated abroad who must feel that they should play some part in the Government of Brunei is undoubtedly growing, and there is a risk of rising frustration.



DR MAHATHIR'S CALL ON THE PRIME MINISTER: 9 MARCH

ANTARCTICA

POINTS TO MAKE (DEFENSIVE)

1. We and our Treaty Partners believe Malaysian initiatives on Antarctica could undermine Antarctic Treaty and threaten stability. The Treaty effectively demilitarises the region; surely not to Malaysia's benefit to prejudice this. Concern for future of Antarctica best met by support for Treaty, not by undermining it.
2. Surely better for Malaysia to join Treaty: not an exclusive club. Current mineral negotiations not a share-out of resources on a private basis.

Why should Malaysia support the Treaty system?

3. Treaty best safeguard of international interest in Antarctica. Treaty remarkable political/scientific achievement:

- defuses conflicts over territorial sovereignty;
- de-militarises and de-nuclearises the continent;
- frees Antarctica from great power competition/confrontation;
- prevented Falklands hostilities spilling over into Antarctica;
- basis for unprecedented international scientific co-operation.

Why do Antarctic Treaty States insist on negotiating minerals régime?

4. To maintain Treaty; to prevent free-for-all, leading to political tensions and disruption of unique Antarctica environment. (In any event, no known mineral resources in commercially exploitable quantities; even if discovered, no exploitation likely until next century).

/Malaysia



- 2 -

Malaysia want a share of Antarctic resources

5. Antarctic living resources open to all countries to exploit. Minerals negotiations not yet concluded; we aim for non-discriminatory régime; benefit-sharing not ruled out; but no rights without acceptance of corresponding obligations.



DR MAHATHIR'S CALL ON THE PRIME MINISTER: 9 MARCH

ANTARCTICA

BACKGROUND

1. Current Malaysian initiatives threaten the peace and stability of Antarctica, and implicitly involve a denial of British sovereignty over British Antarctic Territory (BAT). This is unacceptable. In view of our delicate bilateral relations we have not joined our Treaty partners (notably Australia and New Zealand), in lobbying the Malaysians in Kuala Lumpur.
2. Malaysia has no direct involvement in Antarctica. Nevertheless, Dr Mahathir raised Antarctica in the general debate at the UN General Assembly in September 1982. The Malaysian view is that Antarctica and its resources should form part of the common heritage of mankind and the UN should be involved in the management of Antarctica. This theme was reiterated by the Malaysian Foreign Minister Ghazali Shafie at the signing of the UNLOS Convention in Jamaica in December 1982. Dr Mahathir has recently announced that he will use 'every available platform' to raise the Antarctica question. The Malaysians are proposing the insertion of a 'heritage of mankind' paragraph on Antarctica in the final declaration of the Non-Aligned Meeting in New Delhi later this month.
3. The UK cannot accept that Antarctica is part of the common heritage. We exercise sovereignty over part of Antarctica, British Antarctic Territory (though this sovereignty is contested by Argentina and Chile, and is not recognised by many countries).
4. The Antarctic Treaty (signed 1959, entered into force 1961, open to review in 1991) has successfully ensured the stability and de-militarisation of the area. Its cornerstone is a provision putting on one side the sovereignty disputes which were a principal

/cause



- 2 -

cause of tension. This suits us. The Malaysian proposals would simply result in sovereignty again being disputed.

5. A particular current concern is the negotiation of a régime to regulate mineral activities in Antarctica. The 14 principal Parties to the Antarctic Treaty (the Consultative Parties), which include the UK, are engaged in these negotiations. Third World attempts, spearheaded by Malaysia, to attack the Treaty system increase the difficulty of these negotiations. Failure to conclude a satisfactory régime will weaken the Treaty system and may endanger the survival of the Treaty itself.

Foreign and Commonwealth Office

7 March 1983



BRIEF NO. 6

DR MAHATHIR'S CALL ON THE PRIME MINISTER, 9 MARCH

CARCOSA: HIGH COMMISSIONER'S RESIDENCE, KUALA LUMPUR

POINTS TO MAKE (PRIVATELY)

1. Understand there is a view in Malaysia that our continued occupation of Carcosa (given to us as a gift by the newly-independent Government of the Federation of Malaya for use as the High Commissioner's Residence) is no longer appropriate to modern day good Anglo-Malaysian relations.
2. A sensitive question for public and parliamentary opinion in both countries. Last thing we would want is to give the impression we no longer appreciate this gift and the symbol it was intended to be of enduring friendship between the two countries. Nor to appear to insult those who made the gift.
3. Glad therefore to hear Dr Mahathir's own view and, should he feel we should explore the idea of exchanging Carcosa for an alternative residence, what ideas he may have for such an alternative more in keeping with the times and the need for continuing good relations.



DR MAHATHIR'S CALL ON THE PRIME MINISTER, 9 MARCH

CARCOSA: HIGH COMMISSIONER'S RESIDENCE, KUALA LUMPUR

BACKGROUND

1. Carcosa was built in 1896 by Sir Frank Swettenham for himself, when he became Resident-General in the Federated Malay States. It was the residence of the Chief Secretary and other very senior officers of the Government in the years before independence. It is the most prestigious private house in Kuala Lumpur and overlooks the Parliament from a height.
2. It was a gift to HMG on independence. The idea of making the gift came from Tunku Abdul Rahman (who is still alive, though no longer active in politics). His idea was endorsed by the Malaysian Legislative Assembly. As a result, HMG was spared the expense of buying or renting a residence for the High Commissioner. But the upkeep of Carcosa is considerable (a figure quoted by the Inspectors in March 1982 was that the readily identifiable cost of maintaining the house was over £80,000 a year).
3. The March 1982 Diplomatic Service Inspection suggested that the residence was out of scale with our relations with Malaysia and that our objective should be to move within 5 years. In September 1982, the subject was raised in the UMNO Assembly (Dr Mahathir's party conference); Dr Mahathir declined to comment on the suggestion that it was high time that Carcosa was no longer occupied by the British. In the same month the Malaysian Prime Minister's confidant (and property developer) Daim Zainuddin raised the subject with the High Commissioner, who responded that he took the view that we held the house in trust for the Malaysian people but sensibly added that if it was ever wanted back HMG would no doubt agree provided we could be given in exchange something more in keeping with the times. Daim's answer was that it should be discussed 'when the time is ripe'. Subsequently (in early December) Daim told the High Commissioner that the Prime Minister had asked when the High Commissioner would be prepared to 'open negotiations' about Carcosa. There have been two 'reminders' from (or via) Daim since.

/4.



4. Carcosa is inevitably very expensive to run. We must also consider the value of the asset we were given, and that we ought not to give it up without seeking compensation in return to enable us to re-house our High Commissioner appropriately. There are divided views in the UK about Carcosa. There is on the one hand the argument that we should retain Carcosa as part of our 'heritage'. There is the contrary argument that it is outdated and an impediment to the new and realistic relationship we are trying to achieve with Dr Mahathir's Malaysia. Proponents of the latter thesis and some British businessmen would further argue that to vacate Carcosa would be worth a good deal as a contribution to the restoration of good Anglo-Malaysian commercial relations in particular. The subject is thus a very sensitive one both in Malaysia and the UK.

5. We know that the fact that Carcosa is the finest residence in Kuala Lumpur and that the Union Jack continues to fly over it, is resented in at least some quarters in contemporary Malaysia, including elements in Dr Mahathir's own party.

6. We believe that Dr Mahathir himself thinks that our occupation of Carcosa is an anachronism, symbolising the quasi-colonial relationship which he believes persisted into the post-independence period. The messages from Daim Zainuddin are probably authentic, but Daim certainly has commercial interests which could be advanced in discussions about Carcosa, and we cannot embark on serious consideration of what (if anything) to do without a much clearer idea of what Dr Mahathir himself really has in mind than is indicated by the nods and winks and hints we have so far had.

7. Dr Mahathir may himself raise the matter with the Prime Minister. But it is common for Malays to want to avoid broaching such delicate matters directly, for fear of encountering a refusal and losing face. So he may not - which would not necessarily stop him from complaining on his return that the messages he had been sending via Daim had either not got through or been ignored.



3.

8. In these circumstance, while it would still be preferable for Mahathir himself to take the initiative (and the Prime Minister will no doubt wish to allow him plenty of time to), if he does not do so it would be desirable if the Prime Minister were to take him aside privately (he might be reluctant to respond frankly if others were listening) and invite him to say in his own words what he feels in relation to Carcosa.

Foreign and Commonwealth Office

7 March 1983.



BRIEF NO 7

DR MAHATHIR'S CALL ON THE PRIME MINISTER: 9 MARCH

FUTURE OF HONG KONG

POINTS TO MAKE (DEFENSIVE)

1. Since the talks were agreed in September several meetings with Chinese have been held. These are continuing. Common aim of maintaining Hong Kong's stability and prosperity. Content confidential.
2. Differences exist but we believe arrangements can be agreed, which will be acceptable to Parliament and to the people of Hong Kong. Despite Chinese propaganda we are concentrating on the talks. Aim to find a solution which as far as possible will maintain continuity and preserve the people's standard of living and way of life.
3. Meanwhile business confidence in Hong Kong remains generally high. Important that nothing is said or done to damage this.
4. Chinese propaganda has floated the idea of Hong Kong as a Special Administrative Region (SAR) of China. Some Hong Kong people attracted to the idea of Hong Kong people running Hong Kong, but most believe it would not work and fear Chinese interference.
5. Interested to hear your views. What do you think of the Special Administrative Region concept? Would Malaysian investors have faith in such an arrangement? We do not believe it is compatible with the common aim.

DR MAHATHIR'S CALL ON THE PRIME MINISTER: 9 MARCH

FUTURE OF HONG KONG

BACKGROUND

1. The Prime Minister is aware of the background on the Future of Hong Kong.
2. Dr Mahathir passed through Hong Kong in January and discussed the future with the Political Adviser. He said Malaysia were keeping a close eye on developments. He found it hard to believe that the Chinese would not interfere in Hong Kong if it became a Special Administrative Region (SAR).
3. His Foreign Minister, Ghazali, had talks in China with the then Foreign Minister Huang Hua in November 1982. * ~~~~~
~~~~~ \* Huang Hua gave Ghazali a very misleading account of the talks with Mrs Thatcher in Peking. He suggested that a phased take-over had already been agreed with the British and that investors and others would see no difference after 1997. Ghazali may have been reassured by this: Dr Mahathir seems to take a less sanguine view but would probably be unwilling to go far in putting this to the Chinese.
4. Malaysia has considerable investment in Hong Kong. Some Malaysian fingers have been burnt as a result of the sharp fall in property prices there in recent months. Like other ASEAN countries Malaysia can be expected to try to benefit from any investment which might be directed away from Hong Kong.

Foreign and Commonwealth Office  
7 March 1983

SECRET

\* ~ \* Passage deleted and  
retained under Section 3(4)

Wayland  
17 April 2014





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BRIEF NO 8

CALL BY DR MAHATHIR ON THE PRIME MINISTER 9 MARCH

MALAYSIA: BACKGROUND BRIEF

GENERAL

Political

1. Malaysia is a federation of 13 states, occupying two distinct regions. Peninsular Malaysia (131,587 sq kilometres) and Eastern Malaysia (Sabah and Sarawak) (198,847 sq kilometres). Singapore left the Federation of Malaya in 1965.
2. Bahasa Malaysia (Malay) is the national and official language. English is very widely spoken. Islam is the official religion; fundamentalist tendencies are growing. Religious freedom is guaranteed by the Constitution.
3. Malaysia celebrated 25 years of independence in 1982. A democracy with an elective constitutional monarchy. The present Agong (the King) visited London privately in November 1982 and had lunch with The Queen. The population is 14 million (54% Malays, 35% Chinese, with smaller minorities of Indians and the indigenous communities of Sabah and Sarawak).

Economic

4. The world's largest producer of rubber, tin and palm oil, and self-sufficient in oil and natural gas. GNP per capita was about US \$1800 in 1981. Economic growth has been consistently high at around 8% over past few years but in 1982 fell to about 4% due to effects of world recession on commodity exports and lower prices for oil. The long term economic future is bright.





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2

5. Economy is dominated by agriculture (forestry and fisheries accounted for 23% of GNP in 1981). In 1981 Malaysia recorded her first balance of payments deficit for many years (US \$451m). Further deficit expected in the short-run, but in medium term should show significant improvement with extensive gas and oil reserves ready to be developed. Inflation in 1982 was in single figures. The national plan envisages that the manufacturing sector will overtake agriculture as the largest contributor to GDP by 1985.

| <u>Trade</u> | <u>£m</u>   |             |             |             |
|--------------|-------------|-------------|-------------|-------------|
|              | <u>1979</u> | <u>1980</u> | <u>1981</u> | <u>1982</u> |
| UK Exports   | 187         | 224         | 196         | 210         |
| UK Imports   | 222         | 187         | 188         | 185         |

7. In 1981 the United Kingdom supplied 4.6% of Malaysia's imports the largest supplier within the Community, closely followed by West Germany. Japan supplied 24%, the USA 14.6% and Singapore 13%.

8. In the same year the UK took 2.9% of Malaysia's exports. The major markets for Malaysia were Singapore (23.7%, a good deal of which was re-exported), Japan (22.1%) and the United States (10.4%).

Foreign and Commonwealth Office  
7 March 1983

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ANNEX 1

CALL BY DR MAHATHIR ON THE PRIME MINISTER: 9 MARCH

PROGRAMME

Wednesday 9 March

1530 hrs Arrive Heathrow from NAM Summit New Delhi  
(Lord Belstead to meet).

Dinner offered by the Prime Minister.

Thursday 10 March

Lunch with leading British businessmen offered by  
Lord Jellicoe.

Friday 11 March

1400 hrs Attends graduation of his son at Brighton Polytechnic.

Sunday 13 March

0935 hrs Leaves Heathrow for Geneva to begin his holiday.  
(Special Representative of the Secretary of State to see  
him off).

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CALL BY DR MAHATHIR ON THE PRIME MINISTER: 9 MARCH

Annex 2

DATUK SERI DR MAHATHIR BIN MOHAMAD

Prime Minister and Minister of Defence of Malaysia since July 1981.  
President of the National Front (governing coalition). MP (UMNO).

Born 1925 in Alor Star, Kedah. Educated University of Malaya (medicine).  
Medical Officer, Malayan Medical Service. Entered Kedah State Assembly  
1959. Member of Federal Parliament 1964-70, and since 1974. Defeated  
in 1969 elections but returned unopposed in 1974. Minister of  
Education 1974. Deputy Prime Minister 1976. Minister of Trade and  
Industry 1977. Became Prime Minister when Tun Hussein resigned in  
1981 following two heart by-pass operations in London.

Early reputation as an extremist Malay (although himself half-Pakistan).  
Expelled from United Malays National Organisation (UMNO) in 1969 for  
leading an attack on the Tunku's policies and style of government.  
Author of the influential book 'The Malay Dilemma', published in 1970  
and banned in Malaysia until 1981 which, in sometimes unkind terms,  
analysed the reasons for the backwardness of the Malay community.  
Reinstated as a member of the UMNO 1972. Topped the polls in the  
June 1972 elections for the UMNO Supreme Council. In December 1972  
he was appointed a Senator. His appointment as Minister of Education  
in 1974 was regarded by many non-Malays as provocative and disturbing.  
His handling of the student riots of December 1974 was widely criticised  
but he gradually became one of the 'inner Cabinet', becoming Deputy  
Prime Minister on the death of Tun Razak.

Time has not mellowed Dr Mahathir's reputation for 'shooting from the  
hip' and indeed he seems positively proud of his blunt approach,  
believing that this is the only way to stir Malaysians (especially  
Malays) into action. He is determined that the policy of fostering  
Malay interests - principally through the New Economic Policy - should  
continue. Despite this, his popularity has, if anything, increased

/since



since his appointment as Prime Minister. He has successfully convinced other racial groups, especially the Chinese, that their only chance of influencing national affairs is to work with him from inside the Government. The National Front's increased majority at the 1982 elections is seen as evidence of this. Despite his uncompromising exterior, he has shown himself to be an energetic and pragmatic leader and has struck a real chord of national assent with his slogan of 'clean, efficient and trustworthy Government'.

As regards foreign policy, he has signalled that Malaysia should reduce its former dependence on the West; the 'Look East' policy being the outward manifestation of this attempt to strike a balance, whereby Malaysia will take the best from both directions. He has redefined Malaysia's foreign policy priorities as being, in descending order of priority, ASEAN, the Islamic World, the NAM and the Commonwealth (although attended the CHOGRM in Fiji in October 1982).

An excellent public speaker and despite a sometimes aggressive public performance, a relaxed and intelligent conversationalist in private.

His attractive and intelligent wife, Datim Sri Dr Hasmah, is a former GP (they met whilst studying medicine together in Singapore). They have three sons: one studying in Japan, one studying in the United States (who previously studied mechanical engineering in the UK \* ~~~~~

\* and one thought to be working for IBM in Malaysia (who graduated at Brighton Polytechnic in 1982 and who's graduation ceremony Dr Mahathir is attending on 11 March) and two daughters: one in Japan married to a Malaysian studying there; the other is a journalist working on the New Straits Times in Kuala Lumpur.

\* ~ \* Passage deleted and closed under FOI  
Exemption. Wayland

17 April 2014





MR KASSIM BIN MOHD. HUSSAIN, HIGH COMMISSIONER FOR MALAYSIA

Born 1928. A career diplomat who having graduated from the University of Malaya, commenced his service in the Malayan Administration Service in 1955. He achieved Ambassadorial rank in 1974 on his appointment to Burma, where he remained until 1977. From 1977-1980, he held the important post of Director General of the ASEAN (Association of South East Asian Nations) Division in the Foreign Ministry. In 1980 he was appointed Ambassador to Belgium and the European Community. On reaching the age of 55 recently, he was due to retire and is rather surprised at having been appointed to London on a RNR (retired and re-recruited) basis.

Outgoing, pleasant and co-operative. His experience in ASEAN matters in Kuala Lumpur and in Brussels should be particularly useful in London.

His English is excellent and he has an easy manner. Like most senior Malaysians he is a keen golfer.

His wife, Mrs Dani Kassim, is Indonesian and they met during his posting to Jakarta. She is a well-groomed woman of around 50, who has a charming and lively manner. She trained as a nurse in London in the 50s, gaining the SRN and SCM qualifications; she has not used them since her marriage. She was much involved in charitable work during their last stay in Kuala Lumpur. She is also fond of painting porcelain. They have three children: girls of 18 (studying computers and economics at Oxford Polytechnic) and 16 (already here, awaiting results of O-level examinations taken in Malaysia) and a boy of 12 (at boarding school in Malaysia).



Malaysia  
PRIME MINISTER

MS

Lord Carrington telephoned today to say how sorry he was that he could not attend the dinner for Dr. Mahathir next week and to pass on the message to you about how much British business depended on your hitting it off with Dr. Mahathir. As an example, Lord Carrington said that Elliott Automation Ltd. (a GEC subsidiary) were in for a contract worth £185 million in which their only serious rival was the Hughes Corporation. Lord Carrington thought that Elliott Automation would get the contract but said that Dr. Mahathir was quite capricious enough to switch the contract if something offended him during his visit to the United Kingdom.

I said that he could be reassured that you had this point well in mind. We are all doing our utmost to see that Dr. Mahathir's visit here is a great success.

F.E.R.B.

4 March 1983



# GEC Computers Limited

Elstree Way  
Borehamwood  
Hertfordshire  
WD6 1RX England  
Tel. 01-953 2030 Ext. 3667  
Telex 22777  
Cables Elliotauto Borehamwood

reference WAF/bmv

date 3rd March 1983

Mr. A. Thomson,  
Private Secretary to the Prime  
Minister,  
212 Ballards Lane,  
Finchley,  
LONDON, N.3.

Prime Minister

A.J.C. 7/3

Dear Mr. Thomson,

We spoke on the telephone this morning and I shall be grateful if you will pass on this letter as appropriate.

I am writing in order to provide information which I am sure Mrs. Thatcher would wish to have before meeting the Prime Minister of Malaysia next week.

I have just returned from Kuala Lumpur where last Monday we received a contract of major importance from Jabatan Telecom representing the Government of Malaysia.

The contract which was won in the face of keen international competition is for the supply of viewdata systems, both hardware and software over the next five years. The value of the first tranche of this contract is in excess of £2.5M. The contract is of great significance because it would appear to represent a major break-through in the present political situation and because it is for a high-technology project with much potential for growth in Malaysia and possibly elsewhere in Asia.

Datuk Azazin, Dr. Mahathir's Secretary, whom I visited left me in no doubt of his Prime Minister's great personal interest in this project and my understanding is that the subject will be raised by him during his visit next week.

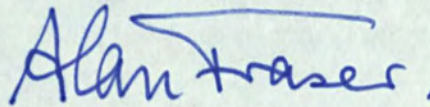
contd...../





From my point of view this order represents the culmination of several years of concentrated and patient endeavour and I am most grateful to Dr. Mahathir for his interest and approval. Would it not be possible for the Prime Minister to convey gratitude for this indication of Malaysia's renewed confidence in British Industry?

Yours sincerely,

A handwritten signature in blue ink that reads "Alan Fraser". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

W.A. Fraser  
CHAIRMAN

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CLASSIFIED  
FM KUALA LUMPUR 030255Z MAR 83  
TO PRIORITY FCO  
TELEGRAM NUMBER 02 OF 3 MARCH

ANGLO-MALAYSIAN RELATIONS.

1. THE FOLLOWING ARTICLE APPEARED IN TODAY'S NEW STRAITS TIMES IN THE PERSONAL COLUMN OF MR NOORDIN SOPIE, EDITOR IN CHIEF OF THE NST GROUP, UNDER THE HEADING QUOTE TWO UNASHAMEDLY PROUD NATIONS UNQUOTE.

BEGINS:

DR M HAS A SON WHO IS STUDYING AT BRIGHTON. HE'S GRADUATING. AND A PROUD FATHER WILL BE MAKING A PRIVATE VISIT TO BRITAIN TO ATTEND THE GRADUATION CEREMONY.

HE HAS BEEN INVITED TO DINNER BY MRS MARGARET THATCHER. HE SAID QUOTE YES UNQUOTE THATS IT. FULL STOP.

IN A RECENT INTERVIEW IN THE BRITISH FINANCIAL TIMES, DR MAHATHIR MOHAMAD WAS REPORTED AS SAYING HE WOULD BE HAPPY TO MEET MRS THATCHER ON HIS PRIVATE VISIT QUOTE IF SHE THOUGHT IT WOULD BE USEFUL UNQUOTE.

DR M REPORTEDLY SAID THAT BOTH THE BRITISH GOVERNMENT AND BUSINESS COMMUNITY HAS ADOPTED A QUOTE VERY POSITIVE ATTITUDE TO ENSURE THAT THE RELATIONSHIP WITH MALAYSIA IS BASED ON A MORE ACCEPTABLE FOOTING UNQUOTE.

QUOTE THERE IS A (NOW) GREATER CONSCIOUSNESS OF THE EXISTENCE OF THE PROBLEM (BETWEEN BRITAIN AND MALAYSIA) AND THE NEED TO ADJUST. THERE HAS BEEN A VERY POSITIVE ATTEMPT TO FIND SOLUTIONS TO THE DIFFICULTIES WHICH MAY HAVE ARISEN AND I THINK ON THE WHOLE THE BRITISH BUSINESS COMMUNITY AND THE GOVERNMENT HAVE PLAYED A VERY POSITIVE ATTITUDE UNQUOTE.

IT IS SIGNIFICANT THAT DR M WILL BE THE FIRST EAGERLY AWAITED MALAYSIAN GUEST AT A DINNER THROWN BY A BRITISH PRIME MINISTER. WHEN DATUK MUSA HITAM WAS ON A PRIVATE VISIT TO BRITAIN IN DECEMBER, HE WAS A WELCOME GUEST OF THE BRITISH HOME SECRETARY, THE MOST SENIOR MINISTER NEXT TO MRS THATCHER, AT A QUICKLY ARRANGED LUNCH. MALAYSIAN MINISTERS SHOULD NO LONGER EXPECT THE RUN-AROUND ON THEIR VISITS TO BRITAIN.

THREE WEEKS AGO, IN A STATEMENT IN THE HOUSE OF COMMONS, BRITISH FOREIGN SECRETARY FRANCIS PYM ANNOUNCED A MALAYSIAN DOLLARS 161 MILLION INCREASE IN SUPPORT FOR OVERSEAS STUDENTS OVER THE NEXT THREE YEARS. THIS MEANS OVERALL, AN ADDITIONAL 5,000 TO 6,000 SCHOLARSHIPS AND AWARDS. A PROMISE WAS OPENLY MADE THAT THERE WOULD BE SPECIAL PROVISIONS FOR MALAYSIAN STUDENTS.

AT THE SAME TIME, 20 BRITISH FIRMS BASED IN MALAYSIA ANNOUNCED A SCHEME TO PROVIDE BUSINESS TRAINING TO SELECTED CIVIL SERVANTS IN THEIR FIRMS FOR ONE YEAR, WITH THE FIRMS PICKING UP THE SALARY TAB.

/ DURING



DURING HIS VISIT HERE IN SEPTEMBER, THE LORD MAYOR OF LONDON APOLOGISED FOR THE CITY'S PAST MISUNDERSTANDING OF MALAYSIA'S INTENTIONS AND ASPIRATIONS.

QUOTE IT IS WIDELY RECOGNISED AND MUCH APPRECIATED IN LONDON, UNQUOTE HE SAID, QUOTE THAT THE MALAYSIAN AUTHORITIES HAVE BEEN SCRUPULOUSLY FAIR IN THEIR DEALINGS WITH THE BRITISH OWNERS OF SUCH ASSETS, THAT THEY HAVE ACTED WHOLLY WITHIN THE RULES GOVERNING SUCH TRANSACTIONS AND THAT THEY HAVE PAID FAIR AND REASONABLE PRICES FOR THE ASSETS THEY HAVE ACQUIRED UNQUOTE.

WHEN DR M DINES WITH MRS T, HE WILL BE THERE AS A RESPECTED LEADER OF A COUNTRY NO LONGER TAKEN FOR GRANTED.

IT CERTAINLY DID TAKE LONDON SOME TIME TO WAKE UP TO THE REALITY OF ANGLO-MALAYSIAN RELATIONS. MANY WILL ARGUE THAT WITHOUT A SHARP JOLT, THE SLUMBER WOULD HAVE CONTINUED.

GIVEN THAT THERE WAS SIGNIFICANT HAWKISH COUNSEL IN WHITEHALL, NOT ALL OF WHICH WERE PURELY TACTICAL, SOME WILL SEE MUCH TO COMMEND IN THE MATURITY OF THE BRITISH RESPONSE TO WHAT AMOUNTED TO A MALAYSIAN DEMAND FOR A RELATIONSHIP QUOTE BASED ON A MORE ACCEPTABLE FOOTING UNQUOTE.

WHILE TOO MUCH SHOULD NOT BE EXPECTED OF THE THATCHER DINNER, IT IS CLEAR THAT THE GROUNDWORK FOR AN UPTURN IN RELATIONS HAS STARTED TO BE LAID.

BECAUSE OF THIS, THE MEETING BETWEEN MRS THATCHER AND DR MAHATHIR WILL NOT BE AN EYEBALL-TO-EYEBALL CONFRONTATION BUT A TETE-A-TETE BETWEEN THE LEADERS OF TWO SOVEREIGN, INDEPENDENT, NATIONALISTIC AND UNASHAMEDLY PROUD NATIONS.

ENDS.

BENTLEY

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TRED

ERD

CCD

NEWS D

INFO D

DEFENCE D

ODA

PS

PS/LORD BELSTEAD

PS/MR RIFKIND

PS/PUS

MR GIFFARD

MR EVANS

MR DONALD

MR THOMAS

CABINET OFFICE

COPIES TO:

DOT/OTD

THIS TELEGRAM  
WAS NOT  
ADVANCED



GRS 570  
UNCLASSIFIED  
FM KUALA LUMPUR 030255Z MAR 83  
TO PRIORITY FCO  
TELEGRAM NUMBER 92 OF 3 MARCH

Prime Minister

Dr. Mahathir will be here  
on 9 March.

A.S.C.  $\frac{3}{3}$

ANGLO-MALAYSIAN RELATIONS.

1. THE FOLLOWING ARTICLE APPEARED IN TODAY'S NEW STRAITS TIMES IN THE PERSONAL COLUMN OF MR MOORDIN SOPIE, EDITOR IN CHIEF OF THE NST GROUP, UNDER THE HEADING QUOTE TWO UNASHAMEDLY PROUD NATIONS UNQUOTE.

BEGINS:

DR M HAS A SON WHO IS STUDYING AT BRIGHTON. HE'S GRADUATING. AND A PROUD FATHER WILL BE MAKING A PRIVATE VISIT TO BRITAIN TO ATTEND THE GRADUATION CEREMONY.

HE HAS BEEN INVITED TO DINNER BY MRS MARGARET THATCHER. HE SAID QUOTE YES UNQUOTE THATS IT. FULL STOP.

IN A RECENT INTERVIEW IN THE BRITISH FINANCIAL TIMES, DR MAHATHIR MOHAMAD WAS REPORTED AS SAYING HE WOULD BE HAPPY TO MEET MRS THATCHER ON HIS PRIVATE VISIT QUOTE IF SHE THOUGHT IT WOULD BE USEFUL UNQUOTE.

DR M REPORTEDLY SAID THAT BOTH THE BRITISH GOVERNMENT AND BUSINESS COMMUNITY HAS ADOPTED A QUOTE VERY POSITIVE ATTITUDE TO ENSURE THAT THE RELATIONSHIP WITH MALAYSIA IS BASED ON A MORE ACCEPTABLE FOOTING UNQUOTE.

QUOTE THERE IS A (NOW) GREATER CONSCIOUSNESS OF THE EXISTENCE OF THE PROBLEM (BETWEEN BRITAIN AND MALAYSIA) AND THE NEED TO ADJUST. THERE HAS BEEN A VERY POSITIVE ATTEMPT TO FIND SOLUTIONS TO THE DIFFICULTIES WHICH MAY HAVE ARISEN AND I THINK ON THE WHOLE THE BRITISH BUSINESS COMMUNITY AND THE GOVERNMENT HAVE PLAYED A VERY POSITIVE ATTITUDE UNQUOTE.

IT IS SIGNIFICANT THAT DR M WILL BE THE FIRST EAGERLY AWAITED MALAYSIAN GUEST AT A DINNER THROWN BY A BRITISH PRIME MINISTER. WHEN DATUK MUSA HITAM WAS ON A PRIVATE VISIT TO BRITAIN IN DECEMBER, HE WAS A WELCOME GUEST OF THE BRITISH HOME SECRETARY, THE MOST SENIOR MINISTER NEXT TO MRS THATCHER, AT A QUICKLY ARRANGED LUNCH. MALAYSIAN MINISTERS SHOULD NO LONGER EXPECT THE RUN-AROUND ON THEIR VISITS TO BRITAIN.

THREE WEEKS AGO, IN A STATEMENT IN THE HOUSE OF COMMONS, BRITISH FOREIGN SECRETARY FRANCIS PYM ANNOUNCED A MALAYSIAN DOLLARS 161 MILLION INCREASE IN SUPPORT FOR OVERSEAS STUDENTS OVER THE NEXT THREE YEARS. THIS MEANS OVERALL, AN ADDITIONAL 5,000 TO 6,000 SCHOLARSHIPS AND AWARDS. A PROMISE WAS OPENLY MADE THAT THERE WOULD BE SPECIAL PROVISIONS FOR MALAYSIAN STUDENTS.

AT THE SAME TIME, 20 BRITISH FIRMS BASED IN MALAYSIA ANNOUNCED A SCHEME TO PROVIDE BUSINESS TRAINING TO SELECTED CIVIL SERVANTS IN THEIR FIRMS FOR ONE YEAR, WITH THE FIRMS PICKING UP THE SALARY TAB.

/ DURING



DURING HIS VISIT HERE IN SEPTEMBER, THE LORD MAYOR OF LONDON APOLOGISED FOR THE CITY'S PAST MISUNDERSTANDING OF MALAYSIA'S INTENTIONS AND ASPIRATIONS.

QUOTE IT IS WIDELY RECOGNISED AND MUCH APPRECIATED IN LONDON, UNQUOTE HE SAID, QUOTE THAT THE MALAYSIAN AUTHORITIES HAVE BEEN SCRUPULOUSLY FAIR IN THEIR DEALINGS WITH THE BRITISH OWNERS OF SUCH ASSETS, THAT THEY HAVE ACTED WHOLLY WITHIN THE RULES GOVERNING SUCH TRANSACTIONS AND THAT THEY HAVE PAID FAIR AND REASONABLE PRICES FOR THE ASSETS THEY HAVE ACQUIRED UNQUOTE.

WHEN DR M DINES WITH MRS T, HE WILL BE THERE AS A RESPECTED LEADER OF A COUNTRY NO LONGER TAKEN FOR GRANTED.

IT CERTAINLY DID TAKE LONDON SOME TIME TO WAKE UP TO THE REALITY OF ANGLO-MALAYSIAN RELATIONS. MANY WILL ARGUE THAT WITHOUT A SHARP JOLT, THE SLUMBER WOULD HAVE CONTINUED.

GIVEN THAT THERE WAS SIGNIFICANT HAWKISH COUNSEL IN WHITEHALL, NOT ALL OF WHICH WERE PURELY TACTICAL, SOME WILL SEE MUCH TO COMMEND IN THE MATURITY OF THE BRITISH RESPONSE TO WHAT AMOUNTED TO A MALAYSIAN DEMAND FOR A RELATIONSHIP QUOTE BASED ON A MORE ACCEPTABLE FOOTING UNQUOTE.

WHILE TOO MUCH SHOULD NOT BE EXPECTED OF THE THATCHER DINNER, IT IS CLEAR THAT THE GROUNDWORK FOR AN UPTURN IN RELATIONS HAS STARTED TO BE LAID.

BECAUSE OF THIS, THE MEETING BETWEEN MRS THATCHER AND DR MAHATHIR WILL NOT BE AN EYEBALL-TO-EYEBALL CONFRONTATION BUT A TETE-A-TETE BETWEEN THE LEADERS OF TWO SOVEREIGN, INDEPENDENT, NATIONALISTIC AND UNASHAMEDLY PROUD NATIONS.

ENDS.

COPIES SENT TO  
No. 10 DOWNING STREET

BENTLEY

LIMITED  
SEAD  
TRED  
ERD  
CCD  
NEWS D  
INFO D  
DEFENCE D  
ODA  
PS  
PS/LORD BELSTEAD  
PS/MR RIFKIND  
PS/PUS  
MR GIFFARD  
MR EVANS  
MR DONALD  
MR THOMAS  
CABINET OFFICE

COPIES TO:

DOT/OTD

THIS TELEGRAM  
WAS NOT  
ADVANCED



B/L

Spoken. They will send to me.

A-J-C- $\frac{3}{13}$ .

JOHN COLES ✓

3.3.83

A call was re-routed from the House of Commons to our Finchley Office in error (they should only refer Constituency matters). However, our Agent says the Chairman of GEC Computers Mr Fraser stated they had signed a contract on 28.2.83 for 5 years with the Malaysian Government for highly technical video technology. They had considerable help from the Malaysian Prime Minister who, they understand, is to see the Prime Minister shortly. Mr Fraser wishes to know if you would like them to supply a brief about the contract - they are grateful to the Malaysian PM for his support..... Their telephone number at GEC is 953 2030 x 3667.

Jay R.





Foreign and Commonwealth Office

London SW1A 2AH

1 March 1983

*Included.*

*ML  $\frac{2}{3}$*

*Dear John,*

Visit of the Prime Minister of Malaysia

*in box*

My letter of 28 February forwarded a suggested guest list for the dinner on 9 March.

The Malaysian High Commission confirmed today that Mr Nordin Bachik (whose name appears on the guest list as subject to confirmation) should be invited, and asked if there would be room for Dr Mahathir's ADC, Mr Mohamed bin Ali. I hope that it may be possible to invite him also. We understand that Dr Mahathir wishes both to accompany him to No 10 for the talks; it would be embarrassing if they were then excluded from the dinner.

*Yours ever*

*John Holmes*

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street

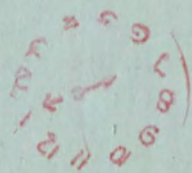


Malaysia : Visit 7 PM

8/79

Foreign and Commonwealth Office

London SW1A 2AA



11/12/79



B.P.

Caroline

F/C.O. are reviewing.

①.

PRIME MINISTER

17  $\frac{22}{2}$

Dinner for Prime Minister of Malaysia: 9 March

You are having talks at 1900 hours followed immediately by dinner at 1945 for 2000 hours. 48 people are being invited.

Would you like this to be a black tie occasion or informal? If informal could you let me know whether you will be wearing long or short as I mis-informed people when President Mubarak came and told everybody you would be in long.

C.S.

F.C.O. sent  
Telex. No. 100  
and paper  
by airmail  
11.24h

Prime Minister

I think it would be better  
not to have a black tie  
dinner for this particular guest.

21 February 1983

I should have thought  
he would expect a formal  
dinner. Can we ask? No

A.F.C.  $\frac{21}{2}$





Foreign and Commonwealth Office

London SW1A 2AH

21 February 1983

A. J. C.  $\frac{21}{2}$

See John,

p-a.

Visit of Malaysian Prime Minister

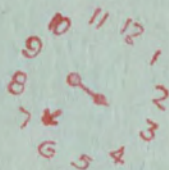
/ For the record, you may like to see the original of Dr Mahathir's reply to the Prime Minister's invitation. The text was given in Kuala Lumpur telegram number 37 of 8 February.

*Yours ever*  
*J E Holmes*  
(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street



21 FFR 1983



POWER SUP. CONTROL UNIT 01/00





For  
be. Caroline Stephens  
Sue Goodchild

10 DOWNING STREET

*From the Private Secretary*

21 February 1983

VISIT OF THE PRIME MINISTER OF MALAYSIA

As you know, the Prime Minister has agreed to give a dinner for the Prime Minister of Malaysia on 9 March. We shall make this a dinner for 48. I should be grateful for a suggested guest list in the next couple of days. The Prime Minister would like to have a 45-minute talk with Dr. Mahathir before the dinner. Precise timings can be agreed between the Diary Secretaries.

A. J. COLES

John Holmes, Esq.,  
Foreign and Commonwealth Office.

88



PRIME MINISTER

Visit of the Prime Minister of Malaysia

You have kindly agreed to give a dinner for him on 9 March. He has accepted with alacrity.

We have considered carefully with the FCO and our High Commission in Kuala Lumpur what kind of dinner might be best. I suggest a dinner for 48 at the usual 6 small tables. Agree?

Yes mr

I also suggest that you have a 45 minute talk with him before dinner. Agree?

A.Y.C.

Yes mr

18 February 1983



6  
Five  
MR THATCHER

The Prime Minister is giving  
a dinner for the Prime Minister  
of Malaya on Wednesday 9 March.

Can you co-host?

CS

17 February 1983

NR



CONFIDENTIAL

*Malaysia*



Foreign and Commonwealth Office

London SW1A 2AH

15 February 1983

*Discussed orally.*

*A-1 C. 15/2*

*p-a.*

*Dear Sir,*

Visit of Prime Minister of Malaysia

/ We spoke, and I attach a draft telegram on  
which I shall be grateful for comments.

*Yours ever,*

(B J P Fall)  
Private Secretary

A J Coles Esq  
10 Downing Street

CONFIDENTIAL



# OUT TELEGRAM

|  |                                                   |                                       |
|--|---------------------------------------------------|---------------------------------------|
|  | Classification and Caveats<br><b>CONFIDENTIAL</b> | Precedence/Deskby<br><b>IMMEDIATE</b> |
|--|---------------------------------------------------|---------------------------------------|

|         |    |                                                             |
|---------|----|-------------------------------------------------------------|
| ZCZC    | 1  | ZCZC                                                        |
| GRS     | 2  | GRS                                                         |
| CLASS   | 3  | CONFIDENTIAL                                                |
| CAVEATS | 4  |                                                             |
| DESKBY  | 5  |                                                             |
| FM FCO  | 6  | FM FCO                                                      |
| PRE/ADD | 7  | TO IMMEDIATE KUALA LUMPUR                                   |
| TEL NO  | 8  | TELEGRAM NO                                                 |
|         | 9  | AND INFORMATION IMMEDIATE TO JAKARTA (For Bentley)          |
|         | 10 | Your telno 49: DR MAHATHIR'S VISIT                          |
|         | 11 | 1. As you know (our telno 36) 10 March could scarcely       |
|         | 12 | be a more unpromising day for a meeting. The Prime          |
|         | 13 | Minister is fully committed from Cabinet on and has to      |
|         | 14 | leave London immediately after questions for a series of    |
|         | 15 | long-standing engagements. Moreover, we have noted          |
|         | 16 | Dr Mahathir's preference not to have an early morning       |
|         | 17 | meeting.                                                    |
|         | 18 | 2. In these very awkward circumstances, the Prime           |
|         | 19 | Minister wonders whether it might not make more sense to    |
|         | 20 | try and set up a meeting after Dr Mahathir's arrival on     |
|         | 21 | 9 March. She has existing commitments on the evening of     |
| ///     | 22 | 9 March but would be willing to rearrange these in order to |
| //      | 23 | fit in either a meeting over tea (if Mahathir's flight      |
| /       | 24 | would permit this) or an evening meal. If neither of        |
|         | 25 | these would be feasible for Dr Mahathir, she would do       |

|                               |                  |                      |
|-------------------------------|------------------|----------------------|
| NNNN ends telegram            | BLANK            | Catchword<br><br>her |
| File number                   | Dept             | Distribution         |
| Drafted by (Block capitals) - |                  |                      |
| Telephone number              |                  |                      |
| Authorised for despatch       |                  |                      |
| Comcen reference              | Time of despatch |                      |



## OUT TELEGRAM (CONT)

|                            |           |      |
|----------------------------|-----------|------|
| Classification and Caveats |           | Page |
| CONFIDENTIAL               | IMMEDIATE | 2    |

1 <<<<  
2 her best to reschedule her pre-Cabinet commitments on  
3 10 March, but this by definition would have to be a very  
4 early meeting.  
5 3. Please go over the problems carefully and tactfully  
6 with Dr Mahathir's Private Secretary and report reactions  
7 as soon as possible.  
8  
9 PYM  
10 NNNN  
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|--------------------|-------|-----------|
| NNNN ends telegram | BLANK | Catchword |
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15 JUN 1964





SUBJECT

cc Mr. Mohd  
Ops



PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No T 10AA/83

PRIME MINISTER  
MALAYSIA

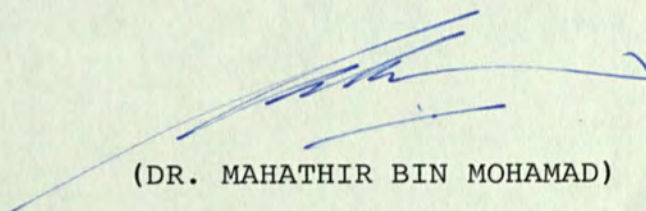
5th February, 1983.

The Rt. Hon. Margaret Thatcher,  
Prime Minister of the United Kingdom,  
No. 10 Downing Street,  
London.

*Dear Prime Minister,*

Thank you very much for your kind invitation. I will indeed be making a visit to the United Kingdom to attend a graduation ceremony in Brighton. I would be most happy to meet you on 10th March, 1983. However, I hope you don't mind if I decline being a guest of the Government as this is really a private visit.

*Yours sincerely,*



(DR. MAHATHIR BIN MOHAMAD)

CLASSIC



SUBJECT

ce Maths +  
One

(9)

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T7A/83

Malaysia

TOP COPY

see (11)

GRS 150

RESTRICTED

RESTRICTED

FM F C O 271838Z JAN 83

TO PRIORITY KUALA LUMPUR

TELEGRAM NUMBER 22 OF 27 JANUARY.

PLEASE PASS FOLLOWING MESSAGE TO DR MAHATHIR FROM THE PRIME MINISTER:

'MY DEAR PRIME MINISTER

IT WAS, I KNOW, AS MUCH OF A DISAPPOINTMENT TO YOU AS IT WAS TO ME THAT WE WERE UNABLE TO MEET WHEN YOU PASSED THROUGH LONDON LAST OCTOBER. I UNDERSTAND THAT YOU MAY BE IN LONDON AGAIN SOON, PERHAPS IN MARCH OR APRIL. I KNOW THAT YOU WILL HAVE PRIVATE MATTERS TO ATTEND TO, BUT I DO HOPE THAT THIS TIME WE WILL BE ABLE TO SEE ONE ANOTHER AND I WOULD LIKE TO EXTEND TO YOU MY INVITATION TO SPEND AT LEAST A DAY OR TWO WITH US AS A GUEST OF THE GOVERNMENT.

PLEASE LET ME KNOW WHAT DATES WOULD BEST SUIT YOU, ONCE YOU HAVE FIRMED UP YOUR PLANS.

'MARGARET THATCHER'

PYM

STANDARD

SEAD

|                      |    |
|----------------------|----|
| FAT 026/1            |    |
| RECEIVED IN REGISTRY |    |
| 31 JAN 1983          |    |
| WORK OFFICER         |    |
| INDEX                | PA |
| ✓ 12/13              |    |

RESTRICTED



He  
Malaysia

26 January 1983

Thank you for your letter of 25 January to John Coles about the forthcoming visit of the Malaysian Prime Minister to London. The Prime Minister has agreed that the proposed message to Dr. Mahathir should be sent and I should be grateful if you could make arrangements for its despatch.

Tim Flesher

John Holmes, Esq.,  
Foreign and Commonwealth Office.

He





Foreign and Commonwealth Office

Prime Minister

London SW1A 2AH

Agree to send the letter  
message to the Malaysian  
Prime Minister?

25 January 1983

A.S.C. <sup>25</sup>/<sub>11</sub>

Yes  
mt

Dear John,

Visit of Malaysian Prime Minister

You will recall our abortive efforts last autumn to set up a lunch for the Malaysian Prime Minister when he was passing through London on his way back from the UN General Assembly. (I enclose copies of Mrs Thatcher's exchange of messages with Dr Mahathir).

We heard from Sir Donald Hawley (formerly High Commissioner in Kuala Lumpur and now Chairman of Ewbank Preece Ltd) who had a long and friendly session with Dr Mahathir in Kuala Lumpur before Christmas, that the latter was thinking of coming to London in March or April for his son's graduation.

We continue to believe that a meeting between the two Prime Ministers could do much to restore UK/Malaysia relations. Without such a meeting, this goal can probably not be achieved. The way has already been paved by the steady, if slow, improvement in the atmosphere over the past six months or so and by the visit to London in early December of the Malaysian Deputy Prime Minister, who was entertained by Mr Whitelaw (and enjoyed it very much).

Mr Pym, therefore, strongly recommends that the Prime Minister should send a further message to Dr Mahathir inviting him to be her guest when he comes to London. We cannot be sure that the dates will be convenient. But the worst that could happen is that Dr Mahathir will, again, politely decline. The absence of an invitation on the other hand would almost inevitably be construed as confirmation that we do not really care about Malaysia. This would be unfortunate at a time when, in Mr Bentley's judgement and our own, there is a real prospect of further progress.

Yours ever

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street



DSR 11 (Revised)

**DRAFT:** minute/letter/teleletter/despatch/note

**TYPE:** Draft/Final 1+

**FROM:**

Reference

PRIME MINISTER

**DEPARTMENT:**

**TEL. NO:**

**SECURITY CLASSIFICATION**

**TO:**

Your Reference

Top Secret

Secret

Confidential

Restricted

Unclassified

Dr Mahathir

**Copies to:**

**PRIVACY MARKING**

**SUBJECT:** MESSAGE FROM THE PRIME MINISTER TO DR MAHATHIR

.....In Confidence

**CAVEAT**.....

It was, I know, as much of a disappointment to you as it was to me that we were unable to meet when you passed through London last October. I understand that you may be in London again soon, perhaps in March or April. I know that you will have private matters to attend to, but I do hope that this time we will be able to see one another and I would like to extend to you my invitation to spend at least a day or two with us as a guest of the Government.

Please let me know what dates would best suit you, once you have firmed up your plans.

Enclosures—flag(s).....



(49)

TOP COPY

C O N F I D E N T I A L

22787 - 1

OO KUALA LUMPUR DESKBY 140200Z

GRS 155

CONFIDENTIAL  
DESKBY 140200Z  
FM FCO 131720Z SEP 82  
TO IMMEDIATE KUALA LUMPUR  
TELEGRAM NUMBER 309 OF 13 SEPTEMBER.

(39)  
YOUR TELNO 358: VISIT OF DR MAHATHIR

1. PLEASE PASS FOLLOWING MESSAGE FROM THE PRIME MINISTER TO  
DR MAHATHIR'S OFFICE.

'I UNDERSTAND THAT YOU WILL BE PAYING A PRIVATE VISIT TO  
LONDON EARLY IN OCTOBER ON YOUR WAY HOME FROM THE  
UNITED NATIONS GENERAL ASSEMBLY.  
I KNOW THAT YOU WILL HAVE MANY THINGS TO DO WHILE YOU  
ARE HERE BUT IF IT WOULD BE CONVENIENT TO YOU I SHOULD  
VERY MUCH WELCOME THE CHANCE TO SEE YOU. I HAVE A  
DIFFICULTY IN THAT, FOLLOWING A LONG VISIT TO THE FAR  
EAST FROM 16 TO 29 SEPTEMBER, I HAVE TO DEVOTE THE  
WEEKEND OF 2/3 OCTOBER TO PREPARATION FOR THE CONSERVATIVE  
PARTY CONFERENCE. WOULD THERE BE ANY CHANCE OF YOUR  
ADVANCING YOUR ARRIVAL IN LONDON IN ORDER TO LUNCH WITH  
ME AT NO. 10 DOWNING STREET ON FRIDAY 1 OCTOBER? I  
SHOULD BE DELIGHTED IF YOU COULD MANAGE THAT.'

PYM

DIST:  
STANDARD  
S E A D

COPIES TO:  
P S/NO.10 DOWNING ST.  
MR DUNNING, OT2/2, D O T.

|             |
|-------------|
| Ref 353/1   |
| 15 SEP 1982 |
| ✓           |

1

C O N F I D E N T I A L



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GRS 100

CONFIDENTIAL

CONFIDENTIAL

FM KUALA LUMPUR 170845Z SEP 82

TO IMMEDIATE FCO

TELNO 375 OF 17 SEPTEMBER

YOUR TELNO 309: VISIT OF MALAYSIAN PRIME MINISTER

1. THE PRIME MINISTER HAS ASKED ME TO PASS THE FOLLOWING MESSAGE  
TO NO 10. BEGINS

DEAR PRIME MINISTER

THANK YOU VERY MUCH FOR YOUR INVITATION TO LUNCH. I DO APPRECIATE  
YOUR DIFFICULTY BUT MUCH AS I WOULD WELCOME THE OPPORTUNITY OF  
MEETING YOU, I AM UNABLE TO REARRANGE MY SCHEDULE IN ORDER TO BE  
IN LONDON EARLIER. I AM SURE THERE WILL BE OTHER OCCASIONS  
WHEN YOU WOULD NOT BE SO PRESSED.

KIND REGARDS

WHITE

STANDARD)  
SEAD

COPIES TO:  
MR DUNNING,  
OT2/2 D.O.T.

CONFIDENTIAL

|             |
|-------------|
| IN- 353/1   |
| RECEIVED    |
| 20 SEP 1982 |





Prime Minister

Malaysia

I am doubtful about this. Foreign and Commonwealth Office  
 You cannot get him down to Chequers and offer less than 1 hour's London SW1A 2AH  
 talks. You want to concentrate on the party  
 conference this weekend.

28 September, 1982

2. You made him a courteous offer of lunch  
 on Friday, which he could not accept. I  
 suggest you do nothing more. Agree?

Now p-a.

Dear John,

A J-C. 30/9

1/10

Invitation to Malaysian Prime Minister

You will have seen by now Kuala Lumpur telno 375 containing Dr Mahathir's reply to the invitation extended to him by the Prime Minister to lunch on 1 October. While it is perhaps not surprising that he should have declined the invitation, the terms of his reply are somewhat lacking in warmth. Given Dr Mahathir's well known sensitivity about dealing only with his equals we do not propose to offer a call on him while he is here by another Minister. We are also paying particular attention to the protocol of his reception in order to minimise any risk of causing offence.

Mr Pym nevertheless wonders whether, given the persisting difficulties in Anglo-Malaysian relations, particularly on the commercial side, and the fact that these spring largely from Dr Mahathir's personal views, the Prime Minister might not be able to find time over the weekend of 2-3 October, despite the pressures of the Party conference, to offer him at least a short call. Dr Mahathir might refuse again but we would at least have succeeded in showing that we take him seriously. If he were to accept this could be of considerable benefit to Anglo/Malaysian relations even if the Prime Minister would not have anything new of substance to say to him on this score.

We do not of course wish to appear to be running after the Malaysians unduly, but the risk of this is perhaps lessened if the Prime Minister's reply to Dr Mahathir is to the effect that she is disappointed that Dr Mahathir cannot come to lunch on Friday, but of course understands the reasons; and that she is sorry again that her weekend programme does not allow her to offer him lunch then but would be delighted if Dr Mahathir could nevertheless find time for a short talk.

I understand that the Prime Minister is likely to be at Chequers over the weekend. The distance from London would obviously lessen the attraction to Dr Mahathir of the offer of a talk, but on balance we still think the offer worth making.

Yours ever

John Holmes

A J Coles Esq  
 10 Downing Street

(J E Holmes)  
Private Secretary





Malaysia.

10 DOWNING STREET

~~Mr. Fletcher.~~

Thank  
you

27/9

The Fco have telephoned

to say that the PM of Malaysia

will not be coming to the UK on

11/10/92. The lunch is therefore

cancelled.

~~S.S. Collins~~

27/9/92



DISTRIBUTION SELECTION  
FILE COPY

Actual  
Letter  
T'd - dated  
15/9

GRS 100  
CONFIDENTIAL  
FM KUALA LUMPUR 170845Z SEP 82  
TO IMMEDIATE FCO  
TELNO 375 OF 17 SEPTEMBER

CONFIDENTIAL

YOUR TELNO 309: VISIT OF MALAYSIAN PRIME MINISTER

1. THE PRIME MINISTER HAS ASKED ME TO PASS THE FOLLOWING MESSAGE  
TO NO 10. BEGINS  
DEAR PRIME MINISTER  
THANK YOU VERY MUCH FOR YOUR INVITATION TO LUNCH. I DO APPRECIATE  
YOUR DIFFICULTY BUT MUCH AS I WOULD WELCOME THE OPPORTUNITY OF  
MEETING YOU, I AM UNABLE TO REARRANGE MY SCHEDULE IN ORDER TO BE  
IN LONDON EARLIER. I AM SURE THERE WILL BE OTHER OCCASIONS  
WHEN YOU WOULD NOT BE SO PRESSED.  
KIND REGARDS

WHITE  
STANDARD  
SEAD

COPIES TO:  
MR DUNNING,  
OT2/2 D.O.T.

CONFIDENTIAL



SUBJECT



PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No. T180/82

T 180/82

PRIME MINISTER  
MALAYSIA

15th September, 1982.

The Rt. Hon. Margaret Thatcher,  
Prime Minister of United Kingdom,  
No. 10 Downing Street,  
London.

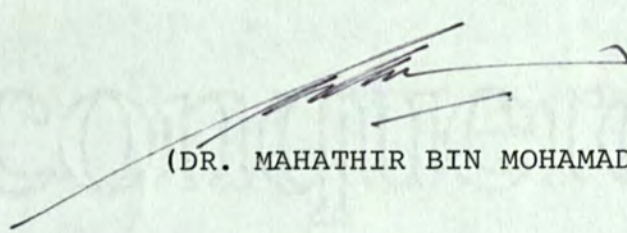
*cc to master  
aps*

Dear Prime Minister,

Thank you very much for your invitation to lunch. I do appreciate your difficulty but much as I would welcome the opportunity of meeting you, I am unable to rearrange my schedule in order to be in London earlier. I am sure there will be other occasions when you would not be so pressed.

Kind regards.

Yours Sincerely,

  
(DR. MAHATHIR BIN MOHAMAD)



SUBJECT

(44)

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 177<sup>c</sup>/82

TOP COPY

C O N F I D E N T I A L

22787 - 1

OO KUALA LUMPUR DESKBY 140200Z

u Muste  
Op

GRS 155

CONFIDENTIAL  
DESKBY 140200Z  
FM FCO 131720Z SEP 82  
TO IMMEDIATE KUALA LUMPUR  
TELEGRAM NUMBER 309 OF 13 SEPTEMBER.

YOUR TELNO 358: <sup>(39)</sup> VISIT OF DR MAHATHIR

1. PLEASE PASS FOLLOWING MESSAGE FROM THE PRIME MINISTER TO  
DR MAHATHIR'S OFFICE.

'I UNDERSTAND THAT YOU WILL BE PAYING A PRIVATE VISIT TO  
LONDON EARLY IN OCTOBER ON YOUR WAY HOME FROM THE  
UNITED NATIONS GENERAL ASSEMBLY.

I KNOW THAT YOU WILL HAVE MANY THINGS TO DO WHILE YOU  
ARE HERE BUT IF IT WOULD BE CONVENIENT TO YOU I SHOULD  
VERY MUCH WELCOME THE CHANCE TO SEE YOU. I HAVE A  
DIFFICULTY IN THAT, FOLLOWING A LONG VISIT TO THE FAR  
EAST FROM 16 TO 29 SEPTEMBER, I HAVE TO DEVOTE THE  
WEEKEND OF 2/3 OCTOBER TO PREPARATION FOR THE CONSERVATIVE  
PARTY CONFERENCE. WOULD THERE BE ANY CHANCE OF YOUR  
ADVANCING YOUR ARRIVAL IN LONDON IN ORDER TO LUNCH WITH  
ME AT NO. 10 DOWNING STREET ON FRIDAY 1 OCTOBER? I  
SHOULD BE DELIGHTED IF YOU COULD MANAGE THAT.'

PYM

DIST:  
STANDARD  
S E A D

COPIES TO:  
P S/NO.10 DOWNING ST.  
MR DUNNING, OT2/2, D O T.

|             |
|-------------|
| Ref 353/1   |
| 15 SEP 1982 |
| ✓           |

1

C O N F I D E N T I A L



CONFIDENTIAL

Malaysia



10 DOWNING STREET

*From the Private Secretary*

13 September 1982

VISIT TO LONDON BY PRIME MINISTER OF MALAYSIA

Thank you for your letter of 8 September. I explained to you on Friday that the Prime Minister has to devote the weekend of 2/3 October to preparation for the Conservative Party Conference. Mrs. Thatcher would, however, be glad to give Dr. Mahathir lunch on Friday, 1 October, if he can advance his arrival sufficiently.

I enclose a message to Dr. Mahathir which has been approved by the Prime Minister. I should be grateful if you would arrange for its despatch.

A. J. COLES

John Holmes, Esq.,  
Foreign and Commonwealth Office.





10 DOWNING STREET

PRIME MINISTER

You agreed to send a  
message to the Malaysian Prime  
Minister. Are you content  
with the attached draft? *If so, we  
will telegraph the message.*

*A. J. C.*

*Yes  
no*

10 September 1982



DRAFT MESSAGE FROM THE PRIME MINISTER TO DR. MAHATHIR

I understand that you will be paying a private visit to London early in October on your way home from the United Nations General Assembly.

I know that you will have many things to do while you are here but if it would be convenient to you I should very much welcome the chance to see you. I have a difficulty in that, following a long visit to the Far East from 16 to 29 September, I have to devote the weekend of 2/3 October to preparation for the Conservative Party Conference. Would there be any chance of your advancing your arrival in London in order to lunch with me at No. 10 Downing Street on Friday 1 October? I should be delighted if you could manage that.



PRIME MINISTER

Visit by Malaysian Prime Minister

He is in London from 1-3 October.

You cannot see him on Saturday, 2 October which you wish to devote to the Party speech (at Chequers).

The only possibility is to offer a meeting or a lunch on Friday, 1 October. You may well be tired after your visit to the Far East and could have had a difficult day on Thursday. Your mind will be on the Party Conference. On the other hand, it is perfectly true, as the attached letter suggests, that the failure to pay normal courtesies to Malaysian Ministers in the past is one of the grudges they hold against us. You are aware of the difficulties confronting British firms.

The way out of this might be to send a message to Dr. Mahathir explaining your diary difficulties and asking him whether he could advance his arrival in order to have lunch with you on Friday, 1 October. If he cannot do so, so much the better. Would you like to try this?

*Must not*

A. J. C.

9 September 1982



CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

8 September 1982

*Dear John,*

Visit by Malaysian Prime Minister

The Malaysian High Commission have told us informally that Dr Mahathir is to make a stopover in London from 1 - 3 October on his return to Malaysia from the United Nations General Assembly in New York. He is expected to arrive on 1 October at 2140 and to leave on 3 October at 1830.

The High Commission believe that their Prime Minister will wish to inspect properties in London recently bought by the Malaysian Government and will not ask for any official appointments to be made. However, we would not wish Dr Mahathir to leave the UK with the impression that we do not consider a visit by him, even on a private basis, worthy of notice. Dr Mahathir has on several occasions severely criticised past British Governments for not giving Malaysian Ministers the high level of attention British Ministers enjoy when visiting Malaysia.

/ Mr Pym strongly recommends therefore that the Prime Minister should send Dr Mahathir a personal message of welcome and, if her diary permits, invite Dr Mahathir to meet her while he is in London. He believes that this is an opportunity we cannot afford to miss. Saturday 2 October would seem to be the only feasible date for such a meeting. The draft has been couched in terms of an invitation to lunch. But if that is not convenient (and Mr Pym is aware of the likely difficulty, with the Party Conference in the following week), the offer of a meeting on its own would be perfectly acceptable. I enclose a draft message, which might be delivered to the Malaysian Government by our High Commissioner in Kuala Lumpur.

/We believe

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We believe that the offer of a meeting is likely to be well received by Dr Mahathir even if he declines on the grounds of wishing to keep his visit wholly private. If he accepts, the meeting may offer the best chance of giving an early boost to the process of reconciliation, which is otherwise unlikely to progress very fast in the near future. The Directive discriminating against the purchase of British goods by the Malaysian public sector remains in force.

*Yours ever*

A handwritten signature in dark ink, appearing to read 'J E Holmes'.

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street

CONFIDENTIAL



## DRAFT MESSAGE FROM THE PRIME MINISTER TO DR MAHATHIR

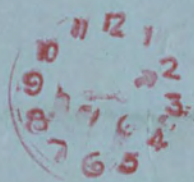
I understand that you will be paying a private visit to London early in October on your way home from the United Nations General Assembly.

I know that you will have many things to do while you are here but if it would be convenient to you I should very much welcome the chance to see you. ~~I shall quite understand, of course, if you have to devote all your attention to the commitments you already have, but if by any chance you were free for an informal lunch on Saturday 2 October, I should be happy to welcome you to 10 Downing Street.~~

I have a  
 By difficulty is  
 that. following  
 a long visit to the  
 Far East from 16 to  
 29 September; I  
 have to leave the  
 weekend of 2/3  
 October to prepare  
 for our next conference  
 the Conservative  
 Party Conference.  
 Would there be any  
 chance of your  
 arriving, you  
 in order to lunch  
 with me at No.  
 10 Downing Street  
 on Friday 10 October. I  
 should be delighted if  
 you could manage that.



58 SEP 1982



1. The first part of the report is a summary of the work done during the period covered by the report.

2. The second part of the report is a detailed account of the work done during the period covered by the report.

3. The third part of the report is a summary of the work done during the period covered by the report.

4. The fourth part of the report is a detailed account of the work done during the period covered by the report.

5. The fifth part of the report is a summary of the work done during the period covered by the report.

6. The sixth part of the report is a detailed account of the work done during the period covered by the report.

7. The seventh part of the report is a summary of the work done during the period covered by the report.

8. The eighth part of the report is a detailed account of the work done during the period covered by the report.

9. The ninth part of the report is a summary of the work done during the period covered by the report.

10. The tenth part of the report is a detailed account of the work done during the period covered by the report.

11. The eleventh part of the report is a summary of the work done during the period covered by the report.

12. The twelfth part of the report is a detailed account of the work done during the period covered by the report.

13. The thirteenth part of the report is a summary of the work done during the period covered by the report.

14. The fourteenth part of the report is a detailed account of the work done during the period covered by the report.



SUBJECT

ce Mahathir  
Ons

TOP COPY

T1578/82

RESTRICTED

17867 - 1

RR KUALA LUMPUR  
GRS 100  
RESTRICTED  
FM FCO 051700Z AUG 82  
TO ROUTINE KUALA LUMPUR  
TELEGRAM NUMBER 264 OF 5 AUGUST.

1. PLEASE PASS FOLLOWING MESSAGE FROM THE PRIME MINISTER TO  
DR MAHATHIR ON OR BEFORE 31 AUGUST.

BEGINS:

DEAR PRIME MINISTER,

I SHOULD LIKE TO SEND TO YOU AND TO THE GOVERNMENT AND PEOPLE OF  
MALAYSIA MY WARMEST PERSONAL CONGRATULATIONS, JOINED WITH THOSE  
OF THE BRITISH GOVERNMENT AND OF THE PEOPLE OF THIS COUNTRY, ON  
THE OCCASION OF THE TWENTY-FIFTH ANNIVERSARY OF MALAYSIA'S  
INDEPENDENCE. YOU HAVE OUR BEST WISHES FOR THE FUTURE  
PROSPERITY OF MALAYSIA AND THE HAPPINESS OF HER PEOPLE.

MARGARET THATCHER. ENDS

HURD

NNNN  
DISTRIBUTION  
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SEAD  
PCD  
PS  
PS/LORD BELSTEAD  
MR DONALD

|                   |    |              |
|-------------------|----|--------------|
| FAR 227/1         |    |              |
| MOVED TO REGISTRY |    |              |
| 6 AUG 1982        |    |              |
| ACK OFFICER       |    |              |
| INDEX             | PA | Action Taken |
|                   |    |              |

1

RESTRICTED



5 August 1982

Thank you for your letter of 4 August to John Coles about Malaysia's National Day. The Prime Minister has agreed to the draft message to the Malaysian Prime Minister enclosed with your letter.

TIM FLESHER

J.E. Holmes Esq  
Foreign and Commonwealth Office



|                                                                                         |                                  |
|-----------------------------------------------------------------------------------------|----------------------------------|
| DEPARTMENT/SERIES<br>..... <i>PREM 19</i> .....                                         | Date and<br>sign                 |
| PIECE/ITEM ..... <i>1566</i> .....<br>(one piece/item number)                           |                                  |
| Extract/Item details:<br><br><i>Letter from Holmes to Coles<br/>dated 4 August 1982</i> |                                  |
| CLOSED FOR ..... YEARS<br>UNDER FOI EXEMPTION                                           |                                  |
| RETAINED UNDER SECTION 3(4)<br>OF THE PUBLIC RECORDS ACT 1958                           |                                  |
| TEMPORARILY RETAINED                                                                    | <i>17 April 2014<br/>CJW/and</i> |
| MISSING AT TRANSFER                                                                     |                                  |
| MISSING                                                                                 |                                  |
| NUMBER NOT USED                                                                         |                                  |



# OUT TELEGRAM

|  |  |                                                 |                                     |
|--|--|-------------------------------------------------|-------------------------------------|
|  |  | Classification and Caveats<br><b>RESTRICTED</b> | Precedence/Deskby<br><b>ROUTINE</b> |
|--|--|-------------------------------------------------|-------------------------------------|

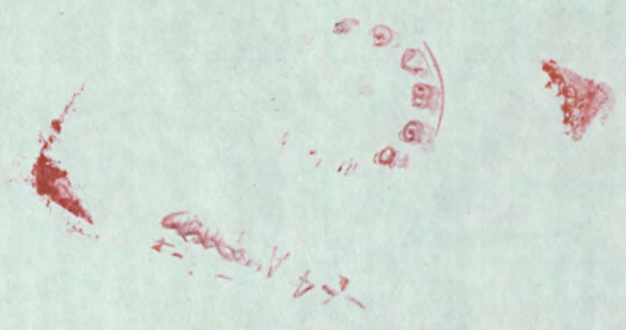
  

|         |    |                                                                  |
|---------|----|------------------------------------------------------------------|
| ZCZC    | 1  | ZCZC                                                             |
| GRS     | 2  | GRS                                                              |
| CLASS   | 3  | RESTRICTED                                                       |
| CAVEATS | 4  |                                                                  |
| DESKBY  | 5  |                                                                  |
| FM FCO  | 6  | FM FCO                                                           |
| PRE/ADD | 7  | TO ROUTINE KUALA LUMPUR                                          |
| TEL NO  | 8  | TELEGRAM NUMBER                                                  |
|         | 9  | 1. Please pass following message from the Prime Minister to      |
|         | 10 | Dr Mahathir on or before 31 August.                              |
|         | 11 | BEGINS:                                                          |
|         | 12 | Dear Prime Minister,                                             |
|         | 13 | I should like to send to you and to the Government and people of |
|         | 14 | Malaysia my warmest personal congratulations, joined with those  |
|         | 15 | of the British Government and of the people of this country, on  |
|         | 16 | the occasion of the twenty-fifth Anniversary of Malaysia's       |
|         | 17 | Independence. You have our best wishes for the future            |
|         | 18 | prosperity of Malaysia and the happiness of her people.          |
|         | 19 | Margaret Thatcher. ENDS                                          |
|         | 20 |                                                                  |
|         | 21 | PYM                                                              |
| ///     | 22 | NNNN                                                             |
| //      | 23 |                                                                  |
| /       | 24 |                                                                  |
|         | 25 |                                                                  |

|                                                         |                  |              |
|---------------------------------------------------------|------------------|--------------|
| NNNN ends telegram                                      | BLANK            | Catchword    |
| File number                                             | Dept             | Distribution |
| Drafted by (Block capitals)<br><b>PRIVATE SECRETARY</b> |                  |              |
| Telephone number<br><b>233 4831</b>                     |                  |              |
| Authorised for despatch                                 |                  |              |
| Comcen reference                                        | Time of despatch |              |





Zur





10 DOWNING STREET

*From the Private Secretary*

30 July, 1982

The Prime Minister has asked me to thank you for your telegram of 27 July about the reportedly imminent execution of three men under sentence of death in Malaysia. You will since have read in your newspapers that the three men in question, together with two others, have been granted a stay of execution following the submission of further arguments by their Counsel.

As you say, their crimes are indeed serious. Any appearance of intervention by us in Malaysia's domestic affairs or legal processes could bring about the wrong result.

We would need to be very sure that any plea for clemency to the Malaysian Government would be received in the spirit in which it was intended and would help rather than hinder the interests of the condemned men. As you no doubt know, the Ten made a collective appeal to the Malaysian Government on behalf of one of the men to whom you refer - Tan Chay Wa - in May and we and our partners are urgently considering at this very moment a further plea, covering this time all five current cases. I dare say that you will hear further news of this on the European Parliamentary net as soon as we do.

A. J. COLES

Richard Caborn, Esq., M.E.P.



RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

30 July 1982

*Type letter by despatch  
today. M 20/7.*

*Dear John,*

Malaysia

Thank you for your letter of 29 July enclosing a copy of a telegram to the Prime Minister from the Chairman of the British Labour Group in the European Parliament. As I dare say you will recall, there has been a certain amount of concern expressed in Parliament here about the resumption of executions in Malaysia of people sentenced to death for offences falling within the scope of the Malaysian Internal Security Act. Among other manifestations there is Early Day Motion No 466, about which Mr Robert Parry MP had a brief exchange with the Leader of the House on 27 May. And there have been written Questions and Answers in both Houses.

Our concern throughout has been to steer a course between appearing unsympathetic to suggestions that HMG should try to persuade the Malaysian Government to be merciful, and risking an intervention or interventions which might well do no more than irritate the Malaysians and conceivably even damage the interests of the condemned. We have therefore declined to commit ourselves to any bilateral UK approach to the Malaysians, while being prepared to go along with proposals for collective interventions by the Presidency on behalf of all the Ten. The Belgian Presidency did in fact make an appeal in May on behalf of one of the men mentioned in Mr Caborn's telegram and the Danish Presidency are likely to make another in the very near future, this time covering all those whose executions had been expected around the end of this week - until the stay of execution.

/I thought

RESTRICTED



RESTRICTED



/ I thought you might find it helpful to have the background spelt out a little and I attach a draft reply for you to send to Mr Caborn accordingly. This might need to be updated, if you decide not to despatch it before the weekend, since the situation is plainly rather fluid.

Yours over,

*[Signature]*  
for (J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street

RESTRICTED



DRAFT: ~~minute~~/letter/~~teletype~~/~~dispatch~~/~~note~~

TYPE: Draft/Final 1+

FROM:

Mr A J Coles

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

Top Secret  
Secret  
Confidential  
Restricted  
Unclassified

TO:

Richard Caborn Esq MEP

Your Reference

Copies to:

PRIVACY MARKING

.....In Confidence

CAVEAT.....

SUBJECT:

The Prime Minister has asked me to thank you for your telegram of 27 July about the reportedly imminent execution of three men under sentence of death in Malaysia. ↑

As you say, their crimes are indeed serious. <sup>Any appearance</sup> ~~Moreover,~~ we have to be cautious about doing anything that might be considered as <sup>of</sup> intervention <sup>by us</sup> in Malaysia's domestic affairs or legal processes. And you will since have read in your newspapers that the three men in question, together with two others, have been granted a stay of execution following the submission of further arguments by their Counsel.

~~It follows that~~ <sup>we</sup> we would need to be very sure that any plea for clemency to the Malaysian Government would be received in the spirit in which it was intended and would help rather than hinder the interests of the condemned men. As you no doubt know, the Ten made a collective appeal to the Malaysian Government on behalf of one of the men to whom you refer - Tan Chay Wa - in May and we and our partners are urgently considering at this very moment a further plea, covering this time all five current cases. I dare say that you will hear further news of this on the European Parliamentary net as soon as we do.

Enclosures—flag(s).....

ASL 20/7

could bring about the wrong result.



30 JUL 1962



2

10-5



for enquiries dial the number  
shown in your dialling instructions

British TELECOM

Telegram

for enquiries dial the number  
shown in your dialling instructions



27 JUL 82 0184

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299992 PO TS G

P104 LONDON TLX 37/36 27 1838

THE PRIME MINISTER, THE RT HON MRS MARGARET THATCHER PM  
FROM  
RICHARD CABORN MEP, CHAIRMAN OF THE BRITISH LABOUR GROUP IN  
THE EUROPEAN PARLIAMENT

THREE YOUNG MEN ARE TO BE DONE TO DEATH IN MALAYSIA ON FRIDAY.  
I IMPORE YOU TO INTERCEDE URGENTLY ON THEIR BEHALF AND TO MAKE  
EVERY EFFORT TO SPARE THEIR LIVES.  
THEIR CRIMES ARE SERIOUS - BUT ONLY A SOCIETY UNDER JACK-BOOT  
RULE COULD TOLERATE PUNISHMENT BY DEATH.  
THE MEN CONCERNED -- TAN CHAY WA, LIM KWANG YEOW AND  
CHIOU THIAM GUAN -- HAVE ALREADY BEEN JAILED FOR UP TO FIVE  
AND A HALF YEARS.  
BRITAIN HAS RECENTLY SET MANY PROUD EXAMPLES FOR OTHER TO  
FOLLOW. I URGE YOU NOW TO PRESS ON THE NEED FOR THE MALAYSIAN  
GOVERNMENT THE NEED FOR CLEMENCY AND THE HUMANITARIAN  
TREATMENT OF THESE PRISONERS.

RICHARD CABORN

COL NIL

299992 PO TS G

299992 PO TS G

British TELECOM for enquiries dial the number  
shown in your dialling instructions

T 1291

Telegram for enquiries dial the number  
shown in your dialling instructions

British TELECOM





10 DOWNING STREET

*From the Private Secretary*

29 July 1982

BT R. CABORN

MALAYSIA

I enclose a copy of a telegram which the Prime Minister has received and which, as you will see, may require action today.

The sender of the telegram, Mr. Richard Caborn, the Chairman of the British Labour Group in the European Parliament, gives the names of three persons who, he says, are to be "done to death in Malaysia on Friday".

I should be grateful if you would consider whether action is advisable and in any case let me have a draft reply to the telegram for my signature on behalf of the Prime Minister by 2 August.

A. J. COLES

F.N. Richards, Esq.,  
Foreign and Commonwealth Office.





Malaysia

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Neil Marten MP  
Minister for Overseas Development  
Overseas Development Administration  
Eland House  
Stag Place  
London SW1E 5DH

9 July 1982

2 Neil,

N.B.P.R.

mg  
7.

AIR/TRADE PROVISION: PORT KLANG POWER STATION, MALAYSIA

Thank you for your letter of 7 July.

I remain a little surprised that you feel this is a good use of aid programme money when the presumption must be that GEC's bid is not competitive. However, I note that you accept that this should be regarded as an exceptional measure. On this understanding, and with considerable reluctance, I acquiesce in what you propose.

Incidentally, I was indeed aware that the repayments would not have begun until after 7 years. I think it would be unwise to assume that the pressures on public expenditure will be less in 1990 than they are now.

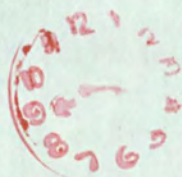
I am copying this letter to the recipients of the earlier correspondence.

Leon

LEON BRITTAN



59 JUL 1982







FROM THE  
MINISTER OF STATE  
FOR INDUSTRY AND  
INFORMATION TECHNOLOGY

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212  
SWITCHBOARD 01-212 7676

6401

KENNETH BAKER MP

The Rt Hon Leon Brittan QC MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
LONDON SW1P 3AG

2 July 1982

N.B.P.N.

AN 9/7

*Leon Brittan*

AID/TRADE PROVISION : PORT KLANG POWER STATION

Since John MacGregor wrote to Neil Marten on 29 June GEC have emphasised to me the importance of this contract for SF6 high voltage switchgear. The reasons are two-fold: first, the technology itself is a critically important development in which the UK is having to fight hard to overcome the lead set by foreign manufacturers. Secondly, the Malaysian market has very significant long term potential in terms of power generation and transmission/distribution requirements.

I do not accept that GEC's bid was uncompetitive. When the 10 tenders were opened GEC's price (ie exclusive or any aid offer) was lowest followed by one of the 2 Japanese companies who had bid and then the French who were in third position. After evaluation by the consultants which included taking account of financial packages, the French were in the lead followed by GEC. All the others, including the Japanese who are regarded as the greatest threat which the industry faces, appear to have been eliminated.

These reasons, together with the basic need we have on behalf of all UK exporters to establish a clear litmus-test case, seem to me very powerful arguments for making the required adjustment to our offer. Accordingly, I hope that you will now be able to agree it being made as a matter of great urgency (I understand that a Malaysian decision on the tender may well be imminent).

I am copying this letter to the Prime Minister, Douglas Hurd, Neil Marten and Peter Rees.

*Kenneth Baker*

KENNETH BAKER

SP5/SP5AAL



8 JUL 1982





NBPM

JK  
7/7

Malaysia

7 July 1982

AID/TRADE PROVISION: PORT KLANG POWER STATION, MALAYSIA

Thank you for your letter of 5 July.

I thought very carefully about the degree of subsidy in this case before reaching the view which I took in my letter of 22 June to John Macgregor. I quite agree with you that it is hard to accept that GEC's bid is competitive with the French if it is already the subject of a larger subsidy than its French competitor, and I am surprised that the Department of Industry should allege that its price is competitive in this situation. Nevertheless, I took account of the factors that you mention in reaching the view that I expressed in my letter.

It remains my view that in this particular case, given factors specific to Malaysia, it is worth converting the terms of our offer to grant. I hope you will now feel able to agree to this as an exceptional measure.

I note what you say about repayments to the aid programme. You may be unaware that repayments under a Variant I loan - which are the existing terms in this case - do not begin until after a grace period of 7 years. I would certainly hope that by 1990 pressures on the aid programme would indeed be considerably less than those with which I am faced in the current PES period.

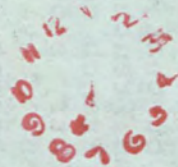
I am copying this letter to the recipients of yours.

NEIL MARTEN

Rt Hon Leon Brittan



7 JAN 1982





Malaysia.



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Neil Marten MP  
Minister for Overseas Development  
Overseas Development Administration  
Eland House  
Stag Place  
London SW1E 5DH

N. S. P. R.

A. D. C.  $\frac{5}{2}$ .

5 July 1982

2 Neil,

AID/TRADE PROVISION: PORT KLANG POWER STATION, MALAYSIA

Since I wrote to you on 21 June I have seen your letter to John MacGregor of 22 June, Peter Rees' letter of 25 June and John MacGregor's further letter of 29 June.

I must say I find it very hard to agree that the points mentioned in the correspondence really justify a subsidy level of 57.8%, with the further damage that may do to the credibility of our stance against mixed credits generally. Are you really convinced that it is wise to respond to GEC's pressure in this way, when on the facts available it is difficult to accept that their price is competitive? (How can it be, when we are already offering a substantially larger subsidy than the French?). Moreover, if we really need to offer this level of subsidy in order to give British contractors a chance of getting orders, I am not sure that we can afford to do business with Malaysia. We are getting pretty close to paying them to take our goods.

Admittedly the amount of money involved in this particular case is small, but I also have to say that your willingness to forego the future repayments to the aid programme is bound to affect my view of how great the pressures on the programme really are.

I would urge you to consider these points very carefully indeed and would be grateful if you could let me know how you view the matter on reconsideration.

I am copying this letter to the Prime Minister, Peter Rees, Douglas Hurd and John MacGregor.

LEON BRITTAN

Leon



5 JUL 1982





Copies to:  
✓ Prime Minister  
Chief Secretary,  
Minister for

Trade

Mr Gill - Dep Sec  
Mr Benjamin - PEP  
Mr Havelock - MEE4



From the  
Parliamentary Under Secretary of State

Neil Marten Esq MP  
Minister for Overseas Development  
Overseas Development Administration  
Eland House  
Stag Place  
LONDON SW1E 5DH

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 0002  
SWITCHBOARD 01-212 7676

N. B. P. N.

A.T.C. 27  
b.

29 June 1982

Dear Neil,

AID/TRADE PROVISION: PORT KLANG POWER STATION, MALAYSIA

Thank you for your letter of 22 June agreeing, subject to Treasury approval, to increase the value of the ATP support to GEC by offering the same amount as previously but as a grant rather than a Variant I loan.

I accept the need to keep our aid offer to the minimum possible, to gain the maximum business in return. I also fully recognise that ATP is not intended in any way to subsidise uncompetitive UK bids: in this case of course GEC have indeed demonstrated their competitiveness, and I would just add that even at the percentage you mention ATP is several times more cost-effective in terms of new business for UK industry than the rest of the aid programme. With these points very much in mind, I hope that Leon Brittan will, given the urgency of the case, now be in a position to offer Treasury approval; as Peter Rees in his letter says, it is strategically important for us to maintain our market presence and to provide a litmus test on Malaysian intentions.

Yours,  
JH

JOHN MACGREGOR



10 JUN 2





Remarks by Tan Sri M. Ghazali Shafie,  
Malaysian Minister of Foreign Affairs,  
at the Western Europe-ASEAN Dialogue  
Congress, Alpbach (Austria), 27 June, 82.

Prime Minister.

I believe that he promised  
you the at Goa.

A.P.C. 28.  
u

It is indeed a great pleasure to be in this beautiful resort of Alpbach. I thank the Austrian College, in particular Professor Molden, for having invited me and for having given me the privilege to address this distinguished gathering. I know Foreign Minister Willibald Pahr has shown tremendous interest in this Congress and I must commend him for the continuing concern he has shown towards affairs of our region in Southeast Asia. I would also like to congratulate and thank the organizers of this Conference the excellent arrangement and generous hospitality.

2. This Congress is as appropriate as it is timely. It is appropriate because in Western Europe and in the ASEAN region, we share common aspirations of peace and prosperity for our peoples based on the principles of free choice and freedom of enterprise. It is timely because, never has it been so abundantly clear that the area in which operates the system of free enterprise which we share is steadily constricted. It is fitting that this Congress is structured to be a dialogue because a dialogue on what is to be done, rather than a conference, is what we need.



3. A few days ago, in Singapore, on the occasion of the Annual Meeting of ASEAN Foreign Ministers as well the Meeting between ASEAN Foreign Ministers and representatives of the leading members of the western industrialized nations and Japan, I spoke of the futility of summit meetings in the fashion of Versailles and Cancun. I said so because each Head of Government - while agreeing on the magnitude of the ills facing each one of their economies, brings proposals from the viewpoint of his government with an eye for elections rather than ideas moved by the imperatives for preserving the free enterprise system of which his country is an indivisible part. The validity and continued relevance of the free enterprise system is in great danger of being lost if governments continue to try to solve problems by taking ad hoc measures based primarily on selfish self interest and short term gains. The current temptations among industrialized nations to safeguard their individual and collective interests through protectionism should not gain any stronger momentum, as the logical progression of this would be a retreat to the den of monopolistic capitalism which would make Marxian doctrines not only seem logical but also attractive in the developing economies since it would appear to be without contradictions. The system of free market is certainly in danger of becoming a system of flea market.



4. The Foreign Ministers of ASEAN, taking cognizance of the steady erosion and corrosion of the free market system undermining the social system of a number of newly independent states which adhere to the system, had called for an urgent and total reexamination of the entire problems of the system. The central thesis is that the current situation calls for a vision of the future based not on the present dominant pattern but on a new conceptual projection that would bring about a preferable future where the free enterprise system will thrive.

5. I am convinced that Versailles or Cancun have not met with success because the summiters did not free themselves from viewing issues at hand in the ways of old. Versailles did not even attempt to address itself to the underlying malady besetting the free enterprise system but concentrated instead on sore points like high interest rates, scarcity of resources, rising inflation and growing unemployment which are in fact merely the symptoms of the malady.

6. Western industrialized centres, in the name of the system, continue to defend the archaic and anachronistic marketing practices with scant regard to the effects it has on the free market system - for example the operations of the metal exchanges or the commodity auctions like in Bremen.



7. We need to recognise that the area of the free enterprise system is steadily shrinking either by choice through democratic process due to disenchantment with the system or by subversion or by convulsion or by simple straight imposition by a stronger power.

8. The seriousness of the situation once recognised will incline leaders towards a sense and mentality of crisis to tackle the problem on a perspective that is relevant to the challenge of our time.

9. It was a sense of crisis and urgency which produced the kind of ideas which once brought about Bretton Woods. Bretton Woods became possible because leaders of the industrialized west at that time were jolted by the Second World War into a sense of crisis and urgency which energised them to take bold and innovative measures. A group of eminent economists and practitioners with a shared set of purpose was constituted, whose ideas and recommendations the political leaders then had the wisdom and vision and above all, courage, to accept and implement.

10. We in the free market world need to discern and recognise the real dangers that are threatening to annihilate the system in order that a crisis mentality under stress may yet emerge and produce the human ingenuity and the will to arrest the present dangerous drift. Let political leaders as they once were during the crisis of the Second World War be bold enough to admit



the necessity now for yet once again an international think tank or a study group comprised of people who are deeply committed to the system. Its task will be to provide proposals to be applied with vigour and without reserve, not to refurbish a decrepit Bretton Woods, but a formula guided by an overarching idea which transcends strata, compartments and borders satisfying not one class, not one nation but all within the free enterprise system.

11. I am not at all suggesting that there should be a standstill position until an agreed formula is produced. Let us in the meantime, by all means, carry on with the present endeavours. But let us also have the courage and vision to have our problems examined in a fresh approach which would seek to strengthen the system of free enterprise as to render it responsive to the challenges of our time.

12. Let us not wait for simultaneous riots to take place in the capitals of the nations which adhere to <sup>the</sup> /s/ stem before we rise to the occasion. Let us for once be proactive rather than reactive. Where are the Schummers and the Monnets of the Eighties, not for industrial Europe alone but for the free enterprise world, I ask you.

\*\*\*\*\*





From the  
Minister for Trade

The Rt Hon Leon Brittan QC MP  
Chief Secretary to the Treasury  
Treasury Chambers  
Parliament Street  
London SW1P 3AG

DEPARTMENT OF TRADE  
1 VICTORIA STREET  
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01 215 5144  
SWITCHBOARD 01 215 7877

*Wait Treasury 4/8.*  
*A.S.C. 29/6.*

25 June 1982

*John Leon*

On the exchange about the alteration of the ATP offer to grant terms in support of GEC's bid for the High Voltage Switchgear contract at Port Klang thermal power station in Malaysia, from the standpoint of our trade and political concerns, it is strategically very important for us to maintain a strong presence in this market, and to test the Malaysian Government's current attitude towards our companies. This case gives a very good opportunity for doing so, as Neil Marten recognizes.

A revised grant aid offer will be a clear demonstration of our continued interest in Malaysia, and place GEC's bid in a more competitive position. It would also point up the lack of response to the Line of Credit that we have outstanding. Of course, we fully accept the principle of ATP not being used to subsidise uncompetitive bids: GEC have in this instance beaten the Japanese on price, which is an accomplishment in itself in this market. But I would just caution that competitiveness is not just price, but also quality, technology and other factors as well.

On your last point about the level of subsidy, we in the Department of Trade have always argued in favour of gaining the maximum benefit from aid, recognising that the precise value must depend on circumstances and the merits of the case. I am sure that the circumstances of this case merit the revised grant that is needed if we are to stand a chance of winning this order.

Rather than moving to put this issue to colleagues formally, I would welcome it if you could reconsider your position.

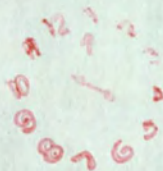
I am copying this letter to the Prime Minister, Douglas Hurd, Neil Marten and to John MacGregor.

*Peter Rees*

PETER REES



29 JUN 1982







OVERSEAS DEVELOPMENT ADMINISTRATION  
ELAND HOUSE  
STAG PLACE LONDON SW1E 5DH

Telephone 01-213 5409

From the Minister

22 June 1982

*Dear John,*

AID/TRADE PROVISION: PORT KLANG POWER STATION, MALAYSIA

Thank you for your letter of 15 June.

I think we must maintain firmly the policy that the ATP is not available to subsidise uncompetitive bids by British firms, and that the amount of aid available in individual cases should be kept down to the minimum level consistent with international requirements and the credit terms offered by other countries. I take it that neither you nor Peter Rees are seeking to challenge this fundamental point.

I note, nevertheless, that there are some very specific factors in this case which lie behind your request for exceptional treatment. I would not accept that to change the Malaysian credit from loan to grant terms in itself justifies any increase in the amount of aid in Malaysian cases beyond what is needed to match the terms offered by our competitors, but I do see some force in the argument that it would be opportune to use this case as a "litmus test" of Malaysian attitude towards British contractors. On that basis I would be prepared to sanction the change from loan to grant in this instance, if the Treasury agree, provided it is clearly understood that the policy of not using ATP to subsidise uncompetitive British prices is in no way weakened thereby.

*Yours*

*Neil*

NEIL MARTEN

J Macgregor Esq  
Parliamentary Under Secretary of State  
Department of Industry  
Ashdown House  
123 Victoria Street  
LONDON SW1E 6RB





Malaysia

N.B.P.N.

A.S.C. 21/6

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Neil Marten MP  
Minister for Overseas Development  
Foreign & Commonwealth Office  
Downing Street  
London SW1A 2AL

21 June 1982

Dear Minister,

AID AND TRADE PROVISION : PORT KLANG POWER STATION, MALAYSIA

I have seen a copy of John MacGregor's letter to you of 15 June.

Although I understand his reasons for wanting to help GEC in this market, I am afraid I cannot agree to his proposal for several reasons.

First, the purpose of the ATP is to protect UK industry by matching aid offers made by our competitors. There may be some exceptional cases where we would be justified in initiating a mixed credit. But in no circumstances should it be used, as is proposed here, to subsidize an uncompetitive price quoted by a UK firm.

Secondly, the overall subsidy element of 57.8% is much higher than the level of around 40% I would regard as acceptable for ATP cases. It is way beyond any level of subsidy that could be justified on economic grounds.

Thirdly, given the pressure of claims on the ATP there should be no difficulty in finding a more beneficial use for this money.

I am copying this letter to the Prime Minister, to John MacGregor and to Peter Rees.

yours sincerely

LEON BRITTAN

(approved by the Chief Secretary & signed in his absence).



Copies to:

Prime Minister  
Chief Secretary, Treasury  
Minister for Trade

*Malaysia*



DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 0002  
SWITCHBOARD 01-212 7676

From the  
Parliamentary Under Secretary of State

Rt Hon Neil Marten MP  
Minister of State  
Overseas Development  
Administration  
Eland House  
Stag Place  
LONDON SW1E 5DH

*N. B. P. R.*

*A. S. C. 15/6*

15 June 1982

*Dear Mr Marten*

AID AND TRADE PROVISION: MALAYSIA  
PORT KLANG MAIN HIGH VOLTAGE SWITCHGEAR

In Kenneth Baker's absence I am writing about ATP support for GEC High Voltage Switchgear Ltd's bid for this contract for which earlier this year you approved an offer of £1.508m. At that time GEC had the lowest price of 21.031m Malaysian Ringgits (MR) (£4.957m) closely followed by the Japanese and French.

The client's consultants, Ewbank & Partners Ltd, have now completed their adjudication and have submitted their report to the Malaysian National Electricity Board (NEB). The evaluation shows that as a result of improving their financial package the French are now in the lead by a margin of 0.973m MR (£229,000). The Japanese appear to be out of the running.

Under the strict tender rules imposed by the NEB, GEC are unable either to reduce their price or to make any alteration to the commercial elements of their bid. They have therefore asked whether we can improve our ATP offer. Given that the 26.6% grant element of our offer is already higher than the French level of 17.95%, this will be difficult. However one way in which it might be done is by changing the offer from a Variant 1 loan to a grant. I gather that the Malaysian line of mixed credit was established on a loan rather than a grant basis as a matter of historical convenience and that the Treasury have agreed that future Malaysian offers should be grant based.

Although the grant element of our offer would increase to 33.4% and the total subsidy element to 57.8% (ECGD 16.9%, ATP 40.9%) there would be no increase in the size of our contribution. The effect





of the change would be to improve our offer by 1.4m MR, which although rather more than the shortfall would be appropriate, given the Malaysian Prime Minister's requirement that UK bids must be clearly better than those of our competitors.

There are two reasons why I believe it is important to give GEC a clear lead. First, given the potential of the market it is strategically important for the British industry to have its new SF6 high voltage switchgear established in S E Asia - Malaysia must be regarded as the main focus for this in view of its size. Secondly - and this was the main reason why John Biffen agreed to the original case being submitted - we really do need to test the genuineness of Malaysian intentions towards UK trade: the "litmus test" aspect of this bid remains. I hope therefore that you will be able to agree to this proposal, which has the full backing of the High Commissioner, which I regard as extremely important.

I am copying this letter to the Chief Secretary to the Treasury, the Minister for Trade and, in case it is necessary to refer the matter to E(X) the Prime Minister. But, given the urgency with which a decision is needed (tender validity expired on 9 June and the NEB is expected to make a decision very soon), I naturally hope that that will not be necessary.

15-JUN-1982

*Yours sincerely*

*Elizabeth Dicks*

*for* JOHN MACGREGOR

*Signed in the Minister's Absence*



**SUBJECT**

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Gps*

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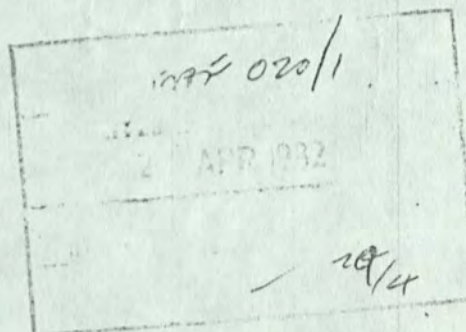
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TO IMMEDIATE KUALA LUMPUR  
TELEGRAM NUMBER 155 OF 27 APRIL

**PRIME MINISTER'S  
PERSONAL MESSAGE**  
**SERIAL No.** *T 88A/82*

1. PLEASE CONVEY FOLLOWING MESSAGE FROM THE PRIME MINISTER  
TO DR MAHATHIR.  
BEGINS: PLEASE ACCEPT MY CONGRATULATIONS ON YOUR VICTORY IN  
THE MALAYSIAN ELECTIONS. GOOD RELATIONS  
BETWEEN OUR TWO COUNTRIES ARE TO THE ADVANTAGE OF THE PEOPLES  
OF BOTH, AND I LOOK FORWARD TO WORKING TOGETHER.  
ENDS

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Malaysia

10 DOWNING STREET

*From the Private Secretary*

27 April, 1982

CONGRATULATORY MESSAGE TO MALAYSIAN PRIME MINISTER

Thank you for your letter of 24 April. The Prime Minister agrees that the following message may be sent to Dr Mahathir:-

"Please accept my congratulations on your victory in the Malaysian elections. Good relations between our two countries are to the advantage of the peoples of both, and I look forward to working together. "

A. J. COLE

John Holmes, Esq  
Foreign and Commonwealth Office

9





Foreign and Commonwealth Office

London SW1A 2AH

24 April 1982

*Slightly amended - Prime Minister*  
*Yes* *Agree to message?*

*A.J.C. 26. 4*

*Dear Idm,*

Congratulatory Message to Malaysian Prime Minister

Dr Mahathir's National Front coalition would appear to have won a predictably sweeping victory in the parliamentary and state elections held in Malaysia on 22 April.

Although we are still suffering the effects of discrimination against British bids for Malaysian Government contracts, a policy instigated by Dr Mahathir, and Malaysian reaction on the Falklands has been in Lee Kuan Yew's words "wishy-washy", Mr Pym recommends that the Prime Minister should send the usual message of congratulations. We have some, if not high, hopes that once the dust of the elections has settled Dr Mahathir will feel able to relax his attitude towards us. And the absence of any message would be noticed as yet another slight.

I enclose a draft couched in terms which Dr Mahathir could not mistake for warmth but will hopefully find strikes a note of realism. It would be helpful if the telegram containing the message could be despatched by the evening of Monday 26 April.

*Yours ever*

*J E Holmes*

(J E Holmes)  
Private Secretary

A J Coles Esq  
10 Downing Street



# OUT TELEGRAM

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PRE/ADD 7 TO IMMEDIATE KUALA LUMPUR  
TEL NO 8 TELEGRAM NUMBER

9 1. Please convey following message from the Prime Minister  
10 to Dr Mahathir.  
11 BEGINS: Please accept my congratulations on your victory in  
12 the Malaysian elections. ~~I have no doubt that~~ Good relations  
13 between our two countries are to the advantage of the peoples  
14 of both, and I look forward to ~~continuing to~~ work with you.  
15 ENDS

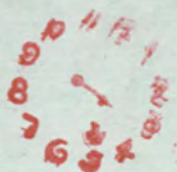
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| Drafted by (Block capitals)<br>PRIVATE SECRETARY |                  |              |           |
| Telephone number<br>233 4641                     |                  |              |           |
| Authorised for despatch                          |                  |              |           |
| Comcen reference                                 | Time of despatch |              |           |



26 APR 1982



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SUBJECT



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THE PRIME MINISTER

PRIME MINISTER'S

6 April 1982

PERSONAL MESSAGE

SERIAL No. T 63/82

Dear Mr. President

Thank you for your letter of 12 March about the Sixth International Tin Agreement, which Dr. Soebroto brought with him when he called on me on 15 March.

As you will know, the United Kingdom has decided with our partners in the European Community that the Community and Member States should sign the Sixth International Tin Agreement. We were very conscious in doing so of the importance which members have always attached to the Tin Agreement as a forum for co-operation between producers and consumers.

For this reason, we have been greatly concerned at recent events on the London Metal Exchange; these cannot be in the interests of either producers or consumers. Our Community partners share our concern, and when the Community and Member States sign the Agreement we therefore propose to record our understanding that the Agreement will not be used to facilitate or support the manipulation of the tin market.

I am glad that we have been able to agree and very much hope that we can continue to work together to our mutual advantage. Please accept my best wishes.

Yours sincerely

Ronald Reagan

His Excellency the President of the Republic of Indonesia

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Malaysia

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FM KUALA LUMPUR 220410Z MAR 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 144 OF 22 MARCH

INFO DOT, SINGAPORE

MALAYSIAN TRADE DISCRIMINATION

1. WHEN I SAW SENATOR DAIM LAST WEEK I ASKED HIM HOW MUCH LONGER WE MUST EXPECT TO GO ON SUFFERING THE PRIME MINISTER'S DIRECTIVE. HE ASKED IF WE COULD BE PATIENT UNTIL AFTER THE ELECTION.
2. ALTHOUGH THERE IS ALWAYS THE RISK IN MALAYSIA OF BEING TOLD WHAT THE SPEAKER THINKS WE WANT TO HEAR, I AM CAUTIOUSLY ENCOURAGED BY DAIM'S RESPONSE SINCE HE IS IN ALMOST DAILY CONTACT WITH MAHATHIR.
3. THE PRIME MINISTER HAS OVER THE WEEKEND FORMALLY DISSOLVED PARLIAMENT AS FROM 29 MARCH AND ALTHOUGH HE DID NOT FORMALLY SET AN ELECTION DATE, POLLING IS NOW GENERALLY EXPECTED ON 24 APRIL. THIS REINFORCES THE IMPORTANCE OF NOT DOING ANYTHING OVER THE NEXT FEW WEEKS WHICH THE MALAYSIANS COULD TAKE AS PROVOCATION OR RETALIATION. (MY TELNO 139). OUR HANDLING OF BOTH TIN AND THE AIR SERVICES NEGOTIATIONS WILL BE UNDER CAREFUL MALAYSIAN SCRUTINY AND THERE IS NOW THE GREATER RISK THAT THEY COULD BE PLAYED UP AS ELECTION ISSUES.

BENTLEY

MALAYSIA TRADE DISCRIMINATION

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MR DONALD  
MR EVANS

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FM KUALA LUMPUR 180845Z MAR 82

TO PRIORITY FCO

TELEGRAM NUMBER 138 OF 18 MARCH

INFO PRIORITY MANILA, SINGAPORE, BANGKOK, JAKARTA, THE HAGUE

VISIT OF THE DUTCH PRIME MINISTER.

1. WE SHALL BE SENDING A FULL REPORT BY BAG. MEANWHILE I HAVE TALKED TO MY DUTCH COLLEAGUE ABOUT THE POINTS OF IMMEDIATE CONCERN TO US.
2. HE CONFIRMS OUR IMPRESSION THAT MAHATHIR IS EXTREMELY UPSET AT THE TURN OF EVENTS ON THE LONDON METAL EXCHANGE. HE CLEARLY SEES THIS AS A TYPICAL CAPITALIST RAMP TO DO DOWN THE DEVELOPING WORLD AND IF WE DECIDE NOT TO JOIN THE SIXTH INTERNATIONAL TIN AGREEMENT, AND ABOVE ALL IF WE ARE SEEN BY THE MALAYSIANS AS A PRIME MOVER IN KEEPING THE COMMUNITY FROM SUPPORT OF THAT AGREEMENT, WE CAN EXPECT TO GO DOWN SEVERAL FURTHER NOTCHES HERE.
3. HE APPARENTLY ALSO SPOKE QUITE STRONGLY TO HIS DUTCH GUEST ABOUT OUR MORE GENERAL INIQUITIES, BUT LESS SO THAN THE MALAYSIAN FOREIGN MINISTER GHAZALI SHAFIE. I UNDERSTAND THAT WHILE MAHATHIR SAID THAT IT WAS HIGH TIME TO CORRECT A BIAS IN FAVOUR OF BRITAIN IN MALAYSIA'S ECONOMIC RELATIONS GHAZALI TOLD VAN AGT THAT THE PLAIN FACT WAS THAT EVENTS IN RECENT YEARS HAD REACHED THE POINT AT WHICH MALAYSIA HAD BECOME ANTI-BRITISH AND THAT WAS ALL THERE IS TO IT.
4. ON E CAN HARDLY SAY ANY OF THIS LOOKS GOOD BUT IT MAY BE MY MEETINGS OVER THE NEXT TWO DAYS WITH THE SECRETARY GENERAL OF FOREIGN AFFAIRS AND THE MINISTER FOR TRADE AND INDUSTRY WILL THROW FURTHER LIGHT ON THE QUESTION OF WHETHER WE HAVE SLID DOWN A SNAKE OR HELD OUR PRECARIOUS POSITION: I THINK IT IS QUITE CLEAR WE HAVE NO IMMEDIATE PROSPECT OF CLIMBING A LADDER.

BENTLEY

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MR KIRBY BANK OF ENGLAND

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SUBJECT



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PRESIDEN  
REPUBLIK INDONESIA

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 45/82

UNOFFICIAL TRANSLATION

Jakarta, March 12, 1982.

Your Excellency,

Allow me to avail myself of this opportunity to extend my highest respect to Your Excellency. I would also like to express my great satisfaction at the close friendly relationship existing between our two countries.

I am addressing this letter to Your Excellency with particular reference to the International Tin Agreements of which both our countries have been members up to the present moment. In this context, it may not be an exaggeration for me to say that we are now facing a crucial juncture in the life of those agreements, and we have to take an action which may have very great impact on the future cooperation between producers and consumers of tin.

As Your Excellency are aware, International Commodity Agreements are a vital vehicle for cooperation among nations based on the principle of equity and mutual benefit for both producers and consumers alike. One of the important objectives of commodity agreements is to ensure stable and steady earnings for producers to finance their development needs, and at the same time ensure consumers with continuous and adequate supplies, at prices remunerative and fair to both sides.

The International Tin Agreement has been one of the few successful commodity agreements and has been in existence for more than 25 years. A manifestation of sound cooperation between consumers and producers. The 6th International Tin Agreement has been concluded after long and arduous negotiations which once again reflect the determination of the participating countries to maintain and strengthen such cooperation between the consumers and producers of tin.

Indonesia strongly believes that such cooperation should continue to be strengthened by ensuring the 6th International Agreement to become fully operational.

Convinced of the value of continued cooperation between consuming and producing countries, especially within the framework of the Integrated Programme for Commodities, and taking into account the role which International Tin Agreement can play in promoting closer cooperation between consumers and producers, I wish to express my sincere hope to Your









PRESIDEN  
REPUBLIK INDONESIA

— 2 —

Excellency that Your Government would undertake the necessary steps towards the early signing and/or ratification of the 6th International Tin Agreement before the 30th of April 1982.

In conclusion, I would like to express my highest appreciation for Your Excellency's kind attention towards this important problem which becomes the common interest of us all.

SOEHARTO  
PRESIDENT OF THE REPUBLIC OF  
INDONESIA

The Right Honourable  
MARGARET THATCHER M.P.  
Prime Minister of the United Kingdom  
LONDON





REPUBLIK INDONESIA

Yang bertuan-tuan, kami yang berkepentingan  
dalam hal ini, dengan ini memberitahukan bahwa  
kami telah menerima dan telah memeriksa  
dan telah memeriksa dan telah memeriksa  
dan telah memeriksa dan telah memeriksa  
dan telah memeriksa dan telah memeriksa

KEPADA  
TUAN-TUAN  
YANG BERTUAN-TUAN

Yang bertuan-tuan, kami yang berkepentingan  
dalam hal ini, dengan ini memberitahukan bahwa  
kami telah menerima dan telah memeriksa  
dan telah memeriksa dan telah memeriksa  
dan telah memeriksa dan telah memeriksa





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Malaysia

Qz.02494

PRIME MINISTER

Sixth International Tin Agreement

OD: 11 March

1. Tomorrow's OD meeting, which has been convened to decide whether or not the UK should join the Sixth International Tin Agreement (ITA), will have the following papers before it:-

- A Note by the Secretaries (OD(82)✓10) covering copies of the Ministerial correspondence exchanged last year and this; plus a letter from the Governor of the Bank of England circulated after this Note was collated;
- A Memorandum by the Secretary of State for Industry (OD(82)✓9) covering a Note by Officials setting out the issues;
- A Memorandum by the Foreign and Commonwealth Secretary (OD(82)✓11).

2. A decision is needed in time for the 22/23 March Foreign Affairs Council, at which a Commission proposal that the Community should accede to the Sixth ITA before the 30 April 1982 closing date for signature will be discussed. All other member states except Germany, which has yet to take a final decision, are expected to be in favour.

3. If the Germans side with the majority, the Committee's decision will not affect the UK alone but is in practice also likely to determine whether or not the Community and our partners can join. This is because the Agreement chiefly

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falls within Community competence, so that if one member state stays out it is doubtful whether either the Community or any individual member state could participate.

4. The United States has decided not to join the Sixth ITA. Without the Americans and others who have not taken a position yet, accession by the Community and its member states would not suffice to bring the Agreement into effect, since the number of consumer countries would still fall short of the minimum necessary to apply it even provisionally. The Agreement provides that, if the required percentages of acceding producer and consumer countries are not reached by 1 June 1982, those who have signed may decide at a special conference whether to bring the Agreement into force in whole or in part among themselves.

5. The Note by Officials attached to OD(82) 9 identifies three options for the Committee's consideration:-

- (i) To join and support Community accession;
- (ii) Not to join and to oppose Community membership, seeking support from our partners for this course but being ready to stand out alone if necessary;
- (iii) To seek the renegotiation of the Agreement (essentially to make it sufficiently attractive to induce the Americans to join).

6. Ministers differ sharply as between (i) and (ii); (iii) was earlier advocated by the Secretary of State for Trade but may not now be viewed as a realistic runner in either camp. A possible variant of (ii) would be to make a UK refusal to join conditional on the German position ie on our not being isolated.

7. As OD(82) 9 makes clear, the Secretary of State for Industry (whose Department has the lead on this subject) recommends against joining. He will be supported by the Chancellor of

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the Exchequer. The Governor of the Bank of England is also sceptical of the merits of joining. Mr Jenkins' main arguments are:-

- (i) Without the US, the Sixth ITA will operate to the disadvantage of consumers by raising intervention prices and introducing export controls;
- (ii) Malaysia's recent manipulation of the tin market and her proposal for a Tin Producers Association show that she is not prepared to play by the rules of the normal commodity agreement game, ie to work towards stabilising the price of tin and achieving a balance between supply and demand. A tin cartel might operate more effectively inside than outside the Sixth Agreement.
- (iii) Most domestic tin consumers see no advantage in the UK joining.
- (iv) The political and trade case for joining is outweighed by the risk that in making this concession to the Malaysians we may encourage them to further threats in future. Any protest from the producers at our refusal to join would be short-lived and containable.
- (v) We need not worry about being isolated in the Community. The Germans share our reservations, and the French and Belgians have so far prevented the Community acceding to the International Sugar Agreement.
- (vi) There is no provision in the Department of Industry's budget for the total of some £15 million that the UK would have to provide or guarantee under the Sixth Agreement.





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8. In OD(82) 11 the Foreign and Commonwealth Secretary makes the case for joining the Agreement. He is likely to be supported, especially on the trade issues, by the Secretary of State for Trade. Lord Carrington argues that:-

- (i) If the UK refuses (alone) to join, we shall prevent the Community from joining. This in turn will cause the Agreement itself to collapse, for which the UK will be blamed by our Community partners, the tin producers, and other countries who want commodity agreements to succeed in the UNCTAD context.
- (ii) There would be strong and sustained adverse reactions from Malaysia, Indonesia and Thailand, who may be led to form a cartel and to retaliate against United Kingdom exporters and investors. Lord Carrington is particularly concerned about the effects of a negative decision on the Malaysian Prime Minister, Dr Mahathir, whom he has been trying to wean away from his strongly anti-British stance.
- (iii) As the recent fall in prices shows, Malaysian operations on the tin market cannot keep the price up indefinitely against the trend of demand.
- (iv) The consumers need not be constantly overborne within the Sixth ITA if the UK encourages the Community and other participating countries to resist unreasonable increases in intervention prices.
- (v) Renegotiation is not a real option.
- (vi) The Germans will in the end probably decide to join.

/HANDLING

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HANDLING

9. You might invite the Secretary of State for Industry and the Foreign and Commonwealth Secretary to introduce their papers in turn. You might also wish the Chancellor of the Exchequer and the Secretary of State for Trade to state their general views at this stage.

10. You might then focus discussion on the following issues (the reference in brackets is to the appropriate paragraphs of the Note by Officials attached to OD(82) 9):-

- (i) what implications do recent events on the London Metal Exchange have for the decision whether or not the UK should join the Sixth ITA? (paragraphs 6-8)
- (ii) Would the United Kingdom be better able to influence the price of tin inside the next Tin Agreement or outside it? (paragraphs 11 and 12)
- (iii) Would we have more or less to fear from a producer's cartel if there were no Sixth ITA? (paragraphs 13-15)
- (iv) What would be the likely effect of a decision not to join on the United Kingdom's trade and political relations with:-
  - the ASEAN countries? (paragraphs 16-18)
  - the rest of the Community, especially if we stayed out in isolation? (paragraphs 19 and 20)
  - the developing world? (paragraphs 21-23)
- (v) Is renegotiation a realistic option? (paragraphs 24-26)

*See Int. Opener*





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CONCLUSIONS

10. Subject to the discussion you may be able to conclude that:-

- (i) The United Kingdom should not join the Sixth Tin Agreement if the Germans also decide not to do so; an urgent approach should be made to the Germans with a view to persuading them to stand out with the United Kingdom against joining and against Community accession.
- (ii) If the Germans decide to join, the United Kingdom should not hold out in isolation; but in that event we should be prepared if necessary to exercise our right of veto to influence the Community's line within the International Tin Council.
- (iii) If the United Kingdom joins, the public expenditure implications should be discussed between the Department of Industry and the Treasury.
- (iv) If the United Kingdom joins, the technical point to which the Governor draws attention in the penultimate paragraph of his letter of 5 March should be considered by officials.

D.H.

D J S HANCOCK

10 March 1982

CONFIDENTIAL





Treasury Chambers, Parliament Street, SW1P 3AG

D J S Hancock Esq  
Cabinet Office  
Whitehall  
London SW1A 2AS

9 March 1982

*Mrs. Stephens*

*ML 9/3*

Dear David,

The Chief Secretary has asked me to say that he would be most grateful to take up his standing invitation to attend the meeting of OD Committee arranged for Thursday 11 March.

I am copying this letter to John Coles (No 10).

Yours sincerely  
Terry Matthews

T F MATHEWS  
Private Secretary



19 MAR 1982





CONFIDENTIAL

*Malaysia*  
*BF*

(2)

5 March 1982

Prime Minister

The Rt Hon Lord Carrington KCMG MC  
Secretary of State for Foreign &  
Commonwealth Affairs  
Foreign & Commonwealth Office  
Downing Street  
London  
SW1A 2AL

*This subject is to be  
discussed at 03 on*

*Thursday.*

*A. S. C. 5/2*

*p.a.*

*AN 7/3*

(My dear Peter)

TIN

I have been following with great interest the correspondence initiated by the Chancellor in his letter to you dated 19 February about recent developments in the international tin market and their possible implications for HMG when considering joining the Sixth International Tin Agreement.

The Bank's particular concern in this matter derives, of course, from its general responsibility for oversight of the London commodity markets. You have been, I know, fully briefed on the day-to-day events in the tin market itself and our people have kept constantly in touch with one another; but now that the current episode of market manipulation is over I believe it might be helpful if I were to try to put it into perspective. I use the word "manipulation" here deliberately, because, although you are quite right in saying in your note of 24 February to the Chancellor that it was the Bank's original judgment, as it was of the London Metal Exchange authorities ("LME"), that the activity of the mysterious buyer ("M") represented no more than a legitimate price support operation, evidence has subsequently come to light which shows that deliberate market manipulation did form part of his strategy.



As you know, M switched his tactics from buying in the three month futures market to the cash market last November. The consequential sharp increase in the cash price was seen in the market as being entirely artificial, not in any way supported by commercial demand, and this gave rise to some speculative short selling of maturities at the end of February in addition to the normal flow of trade hedging transactions. As time passed, the LME authorities became increasingly worried about how the end-February situation was to be resolved and called, in mid-January, for a special return of each LME ring dealing member's tin position from which they were able to make a preliminary assessment of the size of the trouble. It became apparent to them that the problem was likely to be transitory since there was a major long position in the market in the early days of March. In normal circumstances such a mismatch of positions would not cause too much difficulty, because the conventions of the market are that firms which are long will lend metal to those which are short at only a limited cost to bridge the gap. But towards the end of January it was becoming apparent that firms who were holding long positions on behalf of M were not authorised to operate in this way and were consequently not responding to bids to borrow metal. Traders inevitably became nervous and such borrowing as could be effected was done at increasingly higher prices. There were rumours that some LME firms would have to default on their contracts if such conditions persisted and it was feared that M's object was to destroy or discredit the LME. It was at this point that the LME Committee decided to set a limit of £120 per tonne on the premium which would be charged for lending metal overnight.

The effectiveness of this decision in relieving the growing squeeze, however, was dependent on the co-operation of M, who was believed to hold by far the greater part of the stocks of tin in LME warehouses. The fact that this co-operation was given may be evidence that M's intentions were not as dire as some had feared. On the other hand, there are indications that M had removed from LME warehouses as much as possible of the tin he had bought in order to limit his ability to lend tin in the market. Moreover, since the LME was prepared to authorise deferment of delivery under the February maturities upon payment in cash of the same £120 penalty, there may have seemed to M



little point in refusing to co-operate (or M may have feared even tougher action by the LME). Deferment of delivery in this way would have been a serious blow to the market's reputation, for it would have amounted to an officially approved breach of contract and the consequences for the LME could have been far reaching.

In fact, however, it appears that many of those who had sold short had made other arrangements to meet their commitments and, as so often happens when a squeeze has been attempted on the LME, the volume of metal coming onto the market greatly exceeded the expectations of all concerned. M was unwilling, or unable, to absorb this additional surplus and the price collapsed to the point at which the Buffer Stock is now obliged to take up any tin offered out of international public funds.

As long as M was making metal freely available in the market to meet the requirements of the shorts, even while he was still operating within an overall policy of pushing prices upwards, he could be said to be operating within the rules. But his stance changed, as I have indicated, about the end of January, and it is regarded as a manipulation of the market if a dominant holder is not a ready lender at reasonable rates. In M's case, an attempt was made to exacerbate the situation by removing large quantities of tin from LME warehouses, thus rendering it ineligible for delivery. There can be no doubt that M had every intention of taking the greatest advantage from his position no matter what the consequences were. How narrowly the LME has avoided disaster we may never know. It is certain that the Chairman of the Board and the Chairman of the Committee were very worried indeed at one stage, lest the action they had initiated should in the event prove insufficient. As it is, only one UK firm is believed to have incurred a substantial loss, although others will certainly have been scarred.

We may not have much sympathy for those who speculated and lost on the LME, but the major part of business done there is on account of genuine trade hedging, both long and short. The artificial level to which tin prices have been driven in recent months and the very substantial premium over the three months' price which emerged will, I am afraid, tend to undermine the confidence which regular



trade users may have in this market as a reasonable hedging medium. It is impossible yet to say whether any lasting damage has been done to the reputation of London as an international market. I am hopeful that the firm action taken by the market authorities will in fact be rightly seen as evidence of the LME's commitment to the maintenance of orderly trading for the ultimate benefit of all users.

I recognise that there are many considerations to be taken into account when deciding whether to ratify the Sixth International Tin Agreement. It is my view, however, that we ought to be fully convinced of the advantages before joining an Agreement with producers who so manifestly have operated recently in their own interests alone, and could well do so again, and who have flouted the well-established conventions of an international market to the extent that, in some traders' minds, the continued existence of that market came into serious question.

Finally, there is a technical aspect to the continuation of the International Tin Agreement. The transfer of part of the tin acquired during the support operation to the Buffer Stock under the existing Agreement, will, indirectly, release funds to the producers and permit them, if they wish, to resume their market intervention. It is still too early to discern their future strategy but it is clear that, having failed to maintain their market dominance independently of the Tin Agreement, Buffer Stock operations must now carry greater weight in their future plans. We should therefore seek to ensure that any new Agreement to which we accede, and any related facilities which may be offered by the IMF, are so constructed that decisions taken under them do not facilitate the manipulation of the market or provide insurance against loss from the eventual failure of such activities.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretaries of State for Trade and Industry, the Minister of Agriculture and to Sir Robert Armstrong.

(Yours ever)

(Sgd) GORDON





FCS/82/31

SECRETARY OF STATE FOR TRADEMalaysia: Trade Prospects

1. You mentioned in your minute of 27 January that you would welcome my appraisal, on my return from South East Asia, of the prospects for the future of our trade with Malaysia.
2. I hope you will have seen the telegram (Kuala Lumpur No 68 of 8 February) reporting my meeting with the Malaysian Prime Minister. You will know from my previous minute of 25 January that I did not expect that this meeting would produce any instant resolution of our problems. You will know now that it did not. On the other hand, Dr Mahathir conceded that my visit should have helped to improve matters and I believe, as I told the press on my departure from Kuala Lumpur, that it should be possible to sustain a practical, realistic and friendly relationship with Malaysia which would meet the interests of both countries. I have some hope that my discussions with Malaysian Ministers may at least be the beginning of a better understanding.
3. Having said that, I suspect that we are in for a long haul. An important sign of the way things may develop will be the response which the Malaysians make to the suggestion I made for some kind of trouble-shooting joint commission. If, as I very much hope, the Malaysians respond constructively and Mahathir is prepared to allow the system to work, there is a chance that much of the present tension can be taken out of the atmosphere. It should also serve as a brake on precipitate action of whatever kind.

/4. Meanwhile, we

Prime MinisterMalaysia

Touke.

M 24. 2

M

h.a. M 25. 2





4. Meanwhile, we must do what we can as a government to give the right signals on issues which, for good or ill, have acquired a litmus paper function in Malaysian eyes and are thought to reflect the sincerity or otherwise of our protestations of governmental goodwill. The first of these may prove to be air services, where MAS want additional capacity for the 747s which they bought last year from BA. Another promises to be our attitude towards the 6th International Tin Agreement, on which I shall be replying separately to Geoffrey Howe's letter of 19 February. The economic and political arguments are complex and will have to be carefully weighed - just as our tactics will have to be carefully judged.

5. The Malaysian market, as you pointed out in your minute of 27 January, is a promising one which so many British companies have cultivated with patience, skill and care. At a conservative estimate it is worth over £200 million per annum in visible exports; at least as much again in invisible exports; and it is growing fast. Over and above this, Malaysia represents existing UK investment worth perhaps £1.5 billion. These are figures that we need to have at the front of our minds when we come to consider the costs of joining the Tin Agreement or of meeting, at least in part, Malaysia's aspirations on air services.

6. By the same token, I think it makes sense to continue for the time being to process ATP applications for Malaysia in the normal way. There may come a time to reconsider the future of ATP for Malaysia (your letter of 26 November to Humphrey Atkins), but I hope this may not be necessary and in any case the time is not yet.

/7. I am



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7. I am copying this minute to the Prime Minister, to the Chancellor of the Exchequer, and to the Secretary of State for Industry.

C  
/

(CARRINGTON)

Foreign and Commonwealth Office

24 February 1982

CONFIDENTIAL



14 FEB 1982







Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

23 February 1982

The Rt Hon Lord Carrington  
Secretary of State for Foreign and  
Commonwealth Affairs  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

A.S.C. 73

f.a.

Dear Peter,

TIN

I have received a copy of Geoffrey Howe's letter to you of 19 February.

2. I agree wholeheartedly with the points that Geoffrey has made and his conclusions. Our tin users are very concerned about the continuing, artificially high market prices they have to pay for this metal. To date the Department has heard of one firm closing, and another switching to substitutes due to high tin prices and the situation is becoming more serious. Both BSC Tinplate, and Metal Box - who manufacture cans in this country and worldwide including in Malaysia - have made repeated representations to my Department. The Food Manufacturers' Federation have also told us that canners are currently experiencing very difficult circumstances, and that the Federation is concerned that their costs might be increased even further through action by tin producers to restrict available supplies. Tinplate is now more expensive than alternatives for cans such as aluminium and tin-free steel, and if prices are maintained or increased, which appears to be "M"'s intentions, will lose out to substitutes. Once consumers have accepted the alternatives, tinplate is unlikely to regain its present market. Since nearly half of all tin is used for tinplate, this would be a severe and permanent blow to the tin canning industry, particularly the BSC. Consumers would have to pay a real cost, and tinplate and can makers would be disrupted and have to switch to new materials, for which capital investment would be required at a time when they are severely constrained financially.

3. There are also potentially serious consequences for our minority tin producing interests in Cornwall. Although they





benefit from the present high prices, they would be badly hit by a slump in prices, which experience in other commodities shows usually follows artificial support of the market. The instability of the present market is a cause for concern.

4. The producers' action is not in accord with the spirit of the present Agreement, and shows a disregard, almost contempt, for international cooperation. They and their sympathisers have been unwilling to allow proper discussion in the Tin Council of consumers' anxieties about the situation, pretending that the only abnormality in the market has been the USA's sales from the GSA stockpile of tin. The operation is illuminating about producers' objectives in the Sixth ITA which we are being encouraged to join. Without the US, the next Agreement would be stacked in favour of the producers. I agree entirely with Geoffrey that we should take a firm decision not to join and should seek support for this decision actively in the Community and amongst other consumers.

5. I am copying this letter to the Prime Minister, the Chancellor, Minister of Agriculture, Governor of the Bank of England and to Sir Robert Armstrong.

2 - f B4982



Your ever  
Ratcl



cc: Chief Secretary  
Financial Secretary  
Economic Secretary  
Sir Douglas Wass  
Kenneth Couzens  
Mr. Ryrie  
Mr. Burns  
Mr. Littler  
Mr. Carey  
Mr. Slater  
Mr. Bottrill  
Miss Sinclair

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②

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

19 February 1982

Prime Minister

The Rt. Hon. Lord Carrington,  
Secretary of State for Foreign  
and Commonwealth Affairs

To note, pending Lord Carrington's  
views (he has said that he  
wishes to comment).

*Dr. P. M.*

A.S.C. 3/3

A.S.C. 26/2

TIN

Recent developments in the international tin market (well reported in the Financial Times of 15 February) have been increasingly disturbing. I am concerned about the effects which producer cartels may have on the British economy, and particularly on our industrial and consumer costs. I am also concerned, as is the Bank of England, about the healthy functioning of the London Metal Exchange, as part of the City of London. I am sure that Patrick Jenkin too, with his responsibilities for tin using and producing industries, and for the International Tin Agreement, has been watching events in the tin market carefully. And I see that the Malaysian Prime Minister spoke to you about tin prices and marketing during your visit to Malaya.

As you know, there has been a persistent and powerful drive on the part of a major purchaser to push up the price of tin in the market. This purchaser, although referred to as "M", is generally thought to be Maminco, the Malaysian Mining Corporation, controlled by the Malaysian Government. All the evidence is that the very large sums deployed since last November have been made available by the principal tin producers, that is, Malaysia, Thailand and Indonesia, and possibly Bolivia, who between them account for 80 per cent of world tin production. It has been widely rumoured that Gulf money, perhaps from Kuwait, may also be involved in this operation.

The result of this manipulation has been to increase the spot price of tin in London from around £6,000 per tonne some eight months ago to nearly £9,000 today. An increase of 50 per cent in eight months in the world tin price would be surprising enough if demand were rising. In fact, demand has been stagnant, indeed falling, and the prospect ahead is one of considerable surplus production. So "M's" market operation has been undertaken in the teeth of the underlying trends. I see that Dr. Mahathir, the Malaysian Prime Minister, would have had you believe in your interview with him on 8 February that the truth was precisely the converse; that a price of around £9,000 was the "natural" price, and that only disruptive releases by the US from their strategic stockpile, coupled with the machinations of London speculators,

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/were





were responsible for its dropping below that level. In fact, this operation has probably "mopped up" 30,000 tonnes during which time the US General Service Agency has only released about 5,000 tonnes.

Dr. Mahathir has threatened to cut back Malaysian production by 15,000 tonnes per annum, and says he will sell tin direct to consumers, by-passing the LME. He and fellow Ministers among the Asian producers speak openly about the case for setting up a cartel.

We shall not know until the end of the month how much damage has been done to orderly operations in the London tin market. On a market which has risen steeply for no good economic reason, those who contracted to deliver tin at future dates have become seriously exposed. I understand that LME are reasonably hopeful that serious defaults or bankruptcies can be avoided: regular users have, however, been severely discouraged by events since last November. It also remains to be seen whether "M" continues to buy, irrespective of the underlying situation, or whether he runs out of steam. Certainly there is an enormous over-budget position which, unless "M" has access to funds without time limit, will have to be unwound somehow, sometime.

Over a period there is scope for substitution away from tin. But that requires extra investment and extra costs. I believe that, despite the modest tin production in Cornwall, our immediate concern is as a consumer of tin. The producer cartel is driving up the costs of the parts of British industry which use it. No doubt that includes the food manufacturing industry as well as those concerned with the production of tinsplate.

Signatures are sought for the Sixth International Tin Agreement by 30 April. I have always had serious reservations about our entering an Agreement to which the US are not a party, with the certainty of being subjected every quarter to pressure from the producers (and perhaps some others) to increase the range of intervention prices. These reservations are greatly reinforced by the market manipulation. If the producers could bring the Sixth Agreement into force with a "floor" price which largely or wholly validated the artificial market price they had created, their operation would have succeeded. And under the terms of the Agreement the consumers would share the cost of financing the buffer stock at the new unrealistic price level. The tin producers are attempting, in a small way, an operation on OPEC lines.

There is of course an ideological dimension to this. OPEC was, among other things, a cartel to transfer income from developed to developing countries. I believe you heard arguments from primary producers at Cancun about guaranteed commodity prices and the wickedness of London commodity exchanges. We may be seeing in the tin market a part of the New Economic Order in operation. Yet the two basic functions of an International Tin Agreement are accepted as being that the prices should reflect the long-term trends of production and consumption, and that they should be fair to consumer and producer alike. Both principles have been flouted openly by the producers' behaviour in recent months.

/Only the

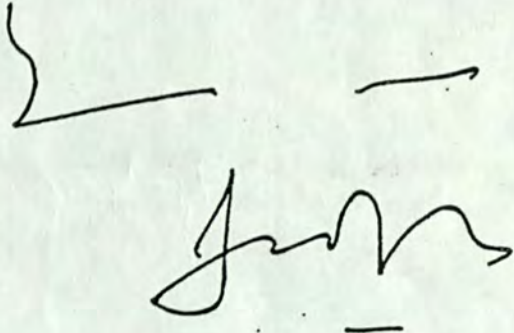




Only the Germans among our Community partners seem clear about the consumer interest in this situation, and are reluctant to sign the Agreement. The Belgians and the Dutch, with their links with Zaire and Indonesia, no doubt have problems of self-interest or of conscience. The French, apart from their connections with African primary producers, are natural supporters of organised markets. However, I was very glad that the Belgian intention to have the signature of the International Tin Agreement discussed at this month's Foreign Affairs Council meeting was not carried, and that the matter has been postponed until March. I think we shall have to stand our ground against signature. The idea of HMG joining the Sixth International Tin Agreement, after this crude "power play" by the producers, is not, to my mind, to be countenanced. It could well encourage producers in other commodity agreements to try to take matters into their own hands, as the tin producers have done. I do not suggest that on the question of signature we should adopt a provocative public stance; on the other hand I cannot believe we would gain anything by attempting to appease the Malaysians through submitting to blackmail on this issue. There is a sense in which we are helped by the fact that the market operation has remained anonymous and the Malaysian Government has not identified itself publicly with it.

I am copying this letter to the Prime Minister, to the Secretaries of State for Trade and Industry, the Minister of Agriculture, the Governor of the Bank of England and Sir Robert Armstrong.

GEOFFREY HOWE





*Malaysia*

DWF G 209/09

LDX 876  
LKN NR 631/9

PP FCO

RR KUALA LUMPUR

GR 470  
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CONFIDENTIAL  
DEDIP

*Mr. Coles (No 10)*

*You may like to  
see this.*

*for Holmes  
9/2*

*ms*

FM SINGAPORE 091108Z FEB 82  
TO PRIORITY FCO  
TELEGRAM NUMBER 36 OF 9 FEBRUARY  
INFO KUALA LUMPUR

SECRETARY OF STATE'S VISIT: CALL ON LEE KUAN YEW:

MAHATHIR

FOLLOWING PERSONAL FOR RICHARDS FROM PRIVATE SECRETARY

1. LORD CARRINGTON TPOK ADVANTAGE OF HIS CALL ON LEE KUAN YEW TO DISCUSS WITH HIM OUR DIFFICULTIES WITH MAHATHIR. GRATEFUL IF LEE'S REPLY COULD BE TREATED WITH APPROPRIATE DISCRETION.

2. LEE SAID THAT THE PROBLEM MIGHT PERHAPS HAVE BEEN AVOIDED. (FOR HIS PART, HE HAD ANTICIPATED TROUBLE AND TAKEN ACTION TO GET ON TERMS WITH MAHATHIR BEFORE HE BECAME PRIME MINISTER.) BUT, NOW THAT IT HAD HAPPENED, WE HAD NO ALTERNATIVE BUT TO SWEAT IT OUT. WE WOULD HAVE TO RECONCILE OURSELVES TO A LONG HAUL, ENSURE CONSISTENCY IN OUR APPROACH AND MAKE IT CLEAR THAT WE TOOK MAHATHIR SERIOUSLY. THE RAGGED EDGES WOULD EVENTUALLY SMOOTH DOWN.



3. OTHER POINTS MADE BY LEE WERE:

(I) MAHATHIR \*

~ \* WAS SHREWD ABOUT PEOPLE, DETERMINED AND CONSISTENT. HIS STRENGTH CAME FROM A DEEP SENSE OF MISSION.

(II) THE RESULTS OF HIS POLICIES MIGHT NOT COME UP TO EXPECTATIONS BECAUSE HE WAS DEMANDING TOO MUCH OF THE MALAYS. LEE HOPED THAT HE WOULD HAVE BECOME SOMEWHAT MORE OBJECTIVE BY THE TIME THIS BECAME CLEAR.

(III) THE DIPLOMATIC PRACTICE OF CHANGING HEADS OF MISSION SHORTLY AFTER A CHANGE OF GOVERNMENT WAS ONE WHICH FOREIGN BUSINESSES IN MALAYSIA MIGHT USEFULLY CONSIDER ADOPTING. NEW FACES MIGHT FIND IT EASIER TO ADJUST.

(IV) THERE COULD BE ADVANTAGE IN THE PRIME MINISTER INVITING MAHATHIR TO VISIT LONDON IN DUE COURSE, BUT THIS SHOULD NOT BE DONE IMMEDIATELY AND IT WOULD BE BEST TO WAIT FOR AN OPPORTUNITY SUCH AS A STOPOVER ON THE WAY TO THE UNITED STATES.

(V) WE WERE NOT WITHOUT ADVANTAGES IN MALAYSIA. MUSA WAS TOTALLY DIFFERENT FROM MAHATHIR AND HAD REASON TO BE GRATEFUL TO THE BRITISH. GHAZALI WAS A FRIEND AND SO WAS RAZAK'S SON: THIS WOULD PROVE MORE VALUABLE IN THE LONG-RUN THAN SPECIAL MISSIONS.

(VI) THE QUESTION OF STUDENT FEES HAD MADE IT MORE DIFFICULT FOR US. WE SHOULD ESTABLISH A FUND TO ENABLE US TO LOOK AFTER COUNTRIES THAT WERE "GOING TO MAKE IT"

4. LORD CARRINGTON MENTIONED MAHATHIR'S EMPHASIS ON THE EXAMPLE OF JAPAN AND SOUTH KOREA AND SUGGESTED THAT THERE WAS AN ANTI-WESTERN AS WELL AS A SPECIFICALLY ANTI-BRITISH ELEMENT IN MAHATHIR'S POLICY. LEE WAS INCLINED TO DISMISS THE JAPANESE/SOUTH KOREAN POINT AS A RATIONALISATION.

HENNINGS

\* ~ \* Passage deleted and closed under

NNNNN

FOI Exemption

Wayland

17 April 2014



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00 FCO DESKBY 081200Z

00 SINGAPORE

RR MANILA

RR JAKARTA

RR BANGKOK

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FM KUALA LUMPUR 081015Z FEB 82

TO IMMEDIATE FCO

TELNO 68 OF 8 FEBRUARY

INFO IMMEDIATE SINGAPORE, ROUTINE JAKARTA MANILA BANGKOK

MIPT: SECRETARY OF STATE'S CALL ON DR MAHATHIR:  
BILATERAL RELATIONS

SUMMARY

1. A USEFUL MEETING. MAHATHIR WAS CRITICAL BUT MODERATE IN TONE AND SHOWED SOME SIGNS OF HUMOUR. LORD CARRINGTON GAVE HIM THE OPPORTUNITY TO EXPLAIN THE PROBLEM AS HE SAW IT AND HE REPLIED ONLY TO THE EXTENT NECESSARY TO SET THE RECORD STRAIGHT AND TO INDICATE OUR WILLINGNESS TO DO WHAT WE COULD TO IMPROVE MATTERS. DESPITE SOME AMBIGUITY OF FORMULATION, IT SEEMED CLEAR THAT MAHATHIR RECOGNISED AND INTENDED THAT HIS POLICY INVOLVED DISCRIMINATION AGAINST BRITISH FIRMS. LORD CARRINGTON FLOATED THE IDEA OF WORKING GROUPS OR A JOINT COMMISSION WHICH WOULD ALLOW OFFICIALS TO IRON OUT POINTS OF DIFFICULTY BEFORE THEY REACHED THE STAGE OF MAJOR IRRITANTS IN BILATERAL RELATIONS. MAHATHIR SAID THAT HE COULD NOT GIVE AN IMMEDIATE RESPONSE BUT HE SHOWED INTEREST IN THE IDEA (AS DID GHAUQLI) AND UNDERTOOK TO CONSIDER IT.

2. IN CONCLUSION, MAHATHIR SAID THAT HE WAS GLAD THAT LORD CARRINGTON HAD COME. THE VISIT SHOULD HELP TO IMPROVE MATTERS, BUT WE SHOULD NOT LOOK FOR SUDDEN CHANGE. THE MALAYSIAN GOVERNMENT HAD DECIDED TO FOLLOW THE BEST MODEL AND HE REGARDED THIS AT PRESENT TO BE JAPAN AND SOUTH KOREA. THIS DID NOT MEAN THAT HE WOULD NOT BE PREPARED TO DO BUSINESS WITH BRITAIN, BUT THERE WOULD

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PS/LPS

PS/Ld Trefgarne

PS/PO S

Lord Bridges

M' Donald

M' Evans

mt



HAD DECIDED TO FOLLOW THE BEST MODEL AND HE REGARDED THIS AT PRESENT TO BE JAPAN AND SOUTH KOREA. THIS DID NOT MEAN THAT HE WOULD NOT BE PREPARED TO DO BUSINESS WITH BRITAIN, BUT THERE WOULD BE NO FAVOURITISM. LORD CARRINGTON REPLIED THAT HE DID NOT WANT

SPECIAL FAVOURS BUT DID WANT THERE TO BE NO DISCRIMINATION.

#### MAIN POINTS

3. MAHATHIR, BY WAY OF GENERAL INTRODUCTION, SAID THAT HE DID NOT EXPECT LORD CARRINGTON TO BE ABLE TO DO VERY MUCH ABOUT THE PROBLEMS WHICH HE SAW. HE RECOGNISED THAT WE COULD NOT CONTROL OUR PRESS OR TRADE UNIONS, BUT THERE WAS NEED FOR BETTER UNDERSTANDING OF THE MALAYSIAN CASE AND OF WHAT THEY WERE TRYING TO DO TO STABILISE THE COUNTRY IN THE LIGHT OF THE SITUATION THEY HAD INHERITED FROM THE COLONIAL ERA. THE PROBLEMS HAD BEEN A LONG TIME IN THE MAKING, AND THE GUTHRIES CASE HAD MERELY BEEN THE STRAW THAT BROKE THE CAMEL'S BACK.

4. MAHATHIR ADDED THE FOLLOWING POINTS OF DETAIL:

1) THE MAJORITY OF CHINESE RECOGNISED THE NEED TO GIVE MALAYS A SHARE IN THE ECONOMY, BUT THE MINORITY STILL UNWILLING TO ADAPT WERE ENCOURAGED BY ELEMENTS IN THE FOREIGN COMMUNITY.

11) MALAYSIA HAD ACTED IN THE GUTHRIES CASE IN EXACTLY THE WAY FOREIGN INTERESTS WOULD HAVE SAID THEY SHOULD HAD THEY DECIDED INSTEAD TO NATIONALISE, IE WITH MORE THAN ADEQUATE COMPENSATION. THEY HAD PLAYED BY MARKET RULES AND THEN SEEN THEM CHANGE AGAINST THEM. IN RESPONSE TO LORD CARRINGTON'S EXPLANATION, MAHATHIR AGREED THAT A CHANGE IN STOCK EXCHANGE RULES HAD BEEN UNDER CONSIDERATION BEFORE THE GUTHRIES CASE BUT CLAIMED THAT THIS HAD BEEN IN RESPONSE TO THE EARLIER MALAYSIAN TAKE OVER OF SIMEADARBY:

111) MAHATHIR RAISED TIN ON PREDICTED LINES AND EMPHASISED THAT MALAYSIA COULD NOT REMAIN AT THE MERCY OF LONDON BROKERS AND THE GSA. THEY WOULD THEREFORE WORK VERY SERIOUSLY TO FORM AN ASSOCIATION OF TIN PRODUCERS (MALAYSIA WAS THE SAUDI ARABIA OF TIN) AND THEY INTENDED IN ANY CASE TO CUT BACK PRODUCTION TO A LEVEL WHICH WOULD IN DUE COURSE REPRESENT A REDUCTION OF 15,000 TONNES PER YEAR. THEY ALSO INTENDED TO ESTABLISH WAYS OF SELLING DIRECT, THUS BY-PASSING THE LME. LORD CARRINGTON SAID THAT THE BANK OF ENGLAND HAD ASSURED HIM THAT THERE HAD BEEN NO CHANGE IN THE RULES AND THAT THE LME HAD ACTED TO LIMIT THE DAMAGE FROM HIGH PRICES TO SHORT SELLERS: THEY HAD SHOWN NO SIMILAR WILLINGNESS TO HELP OUT WHEN PRODUCERS HAD BEEN IN TROUBLE WITH UNDULY LOW PRICES.



TO HELP OUT WHEN PRODUCERS HAD BEEN IN TROUBLE WITH UNDULY LOW PRICES.

1V) MAHATHIR SPOKE IN GENERAL TERMS ABOUT A RELUCTANCE TO WORK IN MODERN BRITAIN, AND COMPLAINED MORE SPECIFICALLY THAT BRITISH TRADE UNIONS WERE SEEKING TO INFLUENCE THEIR MALAYSIAN COUNTERPARTS IN A HARMFUL DIRECTION. (HE CITED IN PARTICULAR A CASE CONCERNING MALAYSIAN AIRLINES). THE MALAYSIANS HAD HAD TO CHANGE THEIR TRADE UNION LAWS TO MAKE THEM MORE RESTRICTIVE. STRIKES AGAINST POLICY COULD NOT BE ACCEPTED.

V) ON THE BRITISH PRESS, MAHATHIR DESCRIBED AS QUOTE SHEER NONSENSE UNQUOTE THE DAILY TELEGRAPH STORY ABOUT THE JAPANESE SEMINAR (LORD CARRINGTON AGREED) AND WENT ON TO ASK THAT THE BRITISH PRESS SHOULD GENERALLY DO MORE TO PUBLISH THE MALAY SIDE OF THE STORY. THE FINANCIAL TIMES PRODUCED A FAIR REVIEW OF MALAYSIA ONCE A YEAR - IN RETURN FOR SUBSTANTIAL ADVERTISING REVENUE. BUT THE GENERAL PICTURE REMAINED ONESIDED.

5. MAHATHIR DID NOT RAISE THE AIR SERVICES PROBLEM OR THE QUESTION OF STUDENT FEES. LORD CARRINGTON RAISED THE LATTER IN HIS REPLY AND GAVE A FRANK ACCOUNT OF OUR DIFFICULTIES. MAHATHIR REPLIED THAT THE PROBLEM WAS NOT ONLY ONE OF FEES: THERE HAD ALSO BEEN A REDUCTION OF PLACES ESPECIALLY IN MEDICINE AND LAW. LORD CARRINGTON UNDERTOOK TO LOOK INTO THIS ON HIS RETURN. MAHATHIR THEN WENT ON TO EXPLAIN THAT THE PROBLEM HAD <sup>AFFECTED</sup> ~~AFFECTED~~ PRIMARILY THE CHINESE STUDENTS WHO WERE ALSO BEING SQUEEZED OUT BY REDUCED QUOTAS IN AUSTRALIA AND NEW ZEALAND. QUOTAS AGAINST THE CHINESE HAD ALSO BEEN INTRODUCED IN MALAYSIAN UNIVERSITIES, BECAUSE THE FORMER SYSTEM OF ADMISSION BY MERIT HAD LED TO THEM BEING SWAMPED BY CHINESE. MAHATHIR CONCLUDED BY SAYING THAT IF WE WERE NOT ABLE TO DO SOMETHING ABOUT IT, WE WOULD FIND ON FUTURE VISITS TO MALAYSIA THAT OUR INTERLOCUTORS WERE ALL TALKING JAPANESE AS THEIR ONLY FOREIGN LANGUAGE EXCLAM.

1M6. MAHATHIR WAS DIFFICULT TO FOLLOW ON THE QUESTION OF DISCRIMINATION. IN HIS FIRST REFERENCE TO THE SUBJECT, HE SAID THAT IT HAD BEEN DIFFICULT FOR MALAYSIA TO REJECT BRITISH GOODS BECAUSE THE LOW POUND PUT BRITAIN IN AN ADVANTAGEOUS POSITION. HE THEN ADDED QUOTE WE ARE NOT DISCRIMINATING AGAINST YOU BUT ALL THINGS BEING EQUAL WE WILL NOT BUY BRITISH UNQUOTE. LORD CARRINGTON REPLIED THAT HE HOPED MALAYSIA WOULD BUY FROM US IF ALL THINGS WERE EQUAL AND MAHATHIR COMMENTED THAT IN THAT CASE THERE WOULD BE NO DISCRIMINATION AT ALL. AT ANOTHER STAGE IN THE CONVERSATION HE SAID THAT BRITISH COMPANIES IN MALAYSIA QUOTE DID NOT COME UNDER OUR POLICY OF DISCRIMINATION UNQUOTE. HE THEN IN CONCLUSION SEEMED TO IMPLY



OF DISCRIMINATION UNQUOTE. HE THEN IN CONCLUSION SEEMED TO IMPLY THAT DISCRIMINATION AGAINST BRITAIN WAS NOT A FIXED ELEMENT IN FUTURE MALAYSIAN POLICY.

7. LORD CARRINGTON'S GENERAL LINE WAS TO PUT OUR SIDE OF THE CASE ON RECORD WHERE APPROPRIATE, TO EMPHASISE HIS WILLINGNESS TO DO ALL THAT HE COULD TO INCREASE UNDERSTANDING OF MALAYSIA'S PREOCCUPATIONS BOTH IN WHITEHALL AND THE CITY AND TO SUGGEST THAT THERE WAS ALREADY A RATHER GREATER APPRECIATION BY THE BRITISH GOVERNMENT AND TRADING COMMUNITY OF THE POINTS MADE BY MAHATHIR THAN HE SEEMED TO REALISE. LORD CARRINGTON THEN SUGGESTED THAT IT MIGHT PROVE HELPFUL TO ESTABLISH A GROUP OF SENIOR OFFICIALS REPORTING TO MINISTERS WHICH COULD LOOK INTO SPECIFIC PROBLEMS, GET EXPERT ADVICE WHERE NECESSARY, AND TRY TO DEAL WITH MATTERS BEFORE THEY CAUSE MAJOR PROBLEMS. HE QUOTED THE SUCCESSFUL PRECEDENT OF THE INDONESIAN WORKING PARTY, BUT ADDED THAT HE THOUGHT THAT SOMETHING MORE HIGH POWERED MIGHT BE NEEDED FOR MALAYSIA BECAUSE OF THE WIDER RANGE OF PROBLEMS. MAHATHIR SAID THAT HE COULD NOT GIVE A REPLY OFF THE CUFF BUT THIS WAS CERTAINLY SOMETHING WHICH COULD BE LOOKED INTO AND HE AGREED TO DO SO.

#### COMMENT

<sup>WAS A</sup> 8. DESPITE MAHATHIR'S COURTEOUS MANNER IT WAS CLEAR THAT THERE <sup>L</sup> STRONG ELEMENT OF ANTI-BRITISH PREJUDICE UNDERLYING HIS PHILOSOPHY. BUT IT WAS CLEAR ALSO FROM THE EMPHASIS HE REPEATEDLY PLACED ON THE JAPANESE EXAMPLE THAT IT GOES WIDER THAN THAT. HE REGARDS THE JAPANESE AND SOUTH KOREANS AS HAVING MORE TO OFFER MALAYSIAN DEVELOPMENT NEEDS THAN THE WEST. TO SOME EXTENT THEREFORE WE ARE SUFFERING NOT SO MUCH BECAUSE WE ARE BRITISH BUT BECAUSE THE BRITISH REPRESENT A LARGE PART OF THE WESTERN INVOLVEMENT IN MALAYSIA.

BENTLEY

NNNN





FCS/82/15

Prime MinisterA.J.C. 25.  
1SECRETARY OF STATE FOR TRADEMalaysia: Discrimination

1. Before I set off on my visit to South East Asia and my encounter with Dr Mahathir, I thought I should let you know how I see my prospects of making progress towards the goal that we all want - the earliest possible ending of the present discrimination against our commercial interest.
2. The present signs are that, for whatever reason, Dr Mahathir means to take his time about letting us off the hook (assuming he is willing to do this at all). At the very least, the message coming through from sources close to him is that we should not expect any magic resolution of our problems as a direct or immediate result of my visit. But I intend to try and draw him out as to what the trouble really is and what we need to do to put that trouble behind us; and to explore with him whether some new joint machinery for consultation might help to avoid this sort of thing in the future, and promote a more realistic and up to date relationship, to the benefit of both countries.
3. If I find Dr Mahathir receptive to the idea of some kind of joint commission, it will obviously be necessary for it to be dressed up so as to look pretty grand and impressive, and plainly a lot more important than the Joint Working Party that proved to be so helpful in resolving our, admittedly much simpler, difficulty with Indonesia in 1980. I fear therefore that if he does prove receptive to the notion and we get to the point of agreeing that officials from both sides should work out an appropriate structure for the Commission (or whatever we might decide to call it), it will in all probability require an element of conspicuous ministerial attention and involvement, at least until it settles into some kind

/of routine





of routine. I know that this would be a great bore for you in particular, but it may be a necessary bore in the interest of demonstrating to the Malaysians the immense respect with which we regard them. I hope you will agree that the Malaysian market is of sufficient importance to justify special treatment.

4. I am sending copies of this minute to the Prime Minister and to Patrick Jenkin.

C  
(CARRINGTON)

Foreign and Commonwealth Office

25 January 1982



25 JAN 1982



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Ps/No. 10, Downing St.

GPS 250A

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FM FCO 102225Z JAN 82

TO IMMEDIATE KUALA LUMPUR

TELEGRAM NUMBER 8 OF 10 JANUARY

INFO IMMEDIATE UKDEL NATO (FOR PRIVATE SECRETARY)

*Ma/1*

FOLLOWING FROM RESIDENT CLERK.

*W.A.*

YOUR TELNO 6: GHAZALI SHAFIE.

1. IF REPORTS ARE CONFIRMED PLEASE PASS THE FOLLOWING MESSAGE TO THE PRIME MINISTER:-  
BEGINS.

I WAS SHOCKED TO HEAR OF THE TRAGIC DEATH OF TAN SRI GHAZALI SHAFIE. THIS IS A GRIEVOUS LOSS FOR MALAYSIA, AND I SEND MY DEEPEST SYMPATHY TO HIS FAMILY AND FRIENDS, TO YOUR GOVERNMENT AND TO THE PEOPLE OF MALAYSIA. GHAZALI WAS AN OUTSTANDING SERVANT OF THE MALAYSIAN PEOPLE. HE PLAYED A MAJOR ROLE IN THE GROWTH AND DEVELOPMENT OF MALAYSIA. ONLY THREE MONTHS AGO WE HAD THE GREAT PLEASURE TO WELCOME HIM IN LONDON AS THE LEADER OF THE MALAYSIAN DELEGATION TO THE MEETING BETWEEN THE EUROPEAN COMMUNITIES AND ASEAN, TO WHOSE EFFECTIVENESS AND SUCCESS HE CONTINUED TO MAKE SUCH A DISTINGUISHED CONTRIBUTION.

THE LOSS OF TAN SRI GHAZALI SHAFIE IS ALSO A PERSONAL BLOW TO HIS MANY FRIENDS IN BRITAIN AND THROUGHOUT THE WORLD. IT WAS MY GOOD FORTUNE TO KNOW GHAZALI AS A CLOSE FRIEND FOR THE PAST TWENTY FIVE YEARS, AND I WAS MUCH LOOKING FORWARD TO SEEING HIM AGAIN NEXT MONTH. HE WAS A CHARMING AND COURAGEOUS MAN WHO WILL BE SADLY MISSED. WE JOIN YOU IN YOUR SORROW.  
PETER CARRINGTON.  
ENDS.



OPEN SQUARE BRACKETS. PLEASE GIVE GHAZALI HIS FULL NAME AT ALL POINTS  
IN THE TEXT IF LOCAL USAGE REQUIRES. CLOSE SQUARE BRACKETS.

2. PLEASE ALSO PASS THE FOLLOWING MESSAGE TO HIS WIDOW, IF THERE IS  
ONE, OR NEXT OF KIN IF APPROPRIATE:-  
BEGINS.

I AM GRIEVED TO HEAR OF YOUR LOSS. GHAZALI WAS A MARVELLOUS AND  
COURAGEOUS MAN AND RENDERED IMMENSE SERVICE TO HIS COUNTRY.  
IN THE 25 YEARS I KNEW HIM HE WAS THE WARMEST AND MOST DELIGHTFUL  
OF FRIENDS. HE WILL BE REMEMBERED WITH FONDNESS AND ADMIRATION  
BY HIS COLLEAGUES AND FRIENDS THROUGHOUT THE WORLD. MAY I JOIN  
THEM IN SENDING YOU AND ALL HIS FAMILY MY DEEPEST SYMPATHY.

PETER CARRINGTON.

ENDS.

CARRINGTON

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FM KUALA LUMPUR 101615Z JAN 82

TO IMMEDIATE FCO

TELNO 6 OF 10 JANUARY

H=4/10

1. WE HAVE RECEIVED AN UNCONFIRMED REPORT THAT THE FOREIGN MINISTER, GHAZALI SHAFIE, HAS BEEN KILLED IN A LIGHT AIRCRAFT ACCIDENT. WE UNDERSTAND THAT THE WRECKAGE HAS BEEN FOUND BUT IDENTIFICATION NOT YET MADE.

2. IF THIS IS CONFIRMED I PROPOSE TO PASS A MESSAGE ON THE FOLLOWING LINES TO THE PRIME MINISTER FIRST THING TOMORROW MORNING. <sup>308, 309</sup> I HAVE BEEN INSTRUCTED TO SAY HOW SHOCKED MRS THATCHER AND LORD CARRINGTON WERE TO HEAR THE TRAGIC NEWS. TAN SRI GHAZALI SHAFIE WAS AN OUTSTANDING MINISTER WHO PLAYED A MAJOR ROLE IN THE GROWTH AND DEVELOPMENT OF MALAYSIA. HE MADE A SIGNIFICANT CONTRIBUTION TO THE EMERGENCE AND SUCCESS OF ASEAN AND WILL BE LONG REMEMBERED FOR HIS SERVICES TO THE PEOPLE AND GOVERNMENTS OF SOUTH EAST ASIA. WE HAVE COUNTED HIM AS A GOOD FRIEND FOR MANY YEARS. HE WILL BE SADLY MISSED. ENDS.

BENTLEY

NNNN



*Malaysia*

GRS 650

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FM KUALA LUMPUR 230845Z NOV 81

TELEGRAM NUMBER 298 OF 23 NOVEMBER

AND TO IMMEDIATE DOT

INFO PRIORITY BANGKOK SINGAPORE MANILA JAKARTA

1. I HAD FIFTY MINUTES ALONE WITH DPM TODAY. HE SAID HE ARRANGED THINGS T 2-6 -S HE WISHED TO TALK AS AN OLD FRIEND.
2. WHAT WAS NOW HAPPENING BETWEEN BRITAIN AND MALAYSIA WAS BOUND TO HAVE COME SOME TIME (I.E. MY OWN 24 YEARS LATER THAN NORMAL THEORY). IT HAD BEEN BUILDING UP THROUGH YEARS IN WHICH ADVICE TO MOVE WITH THE TIMES HAD CONSISTENTLY BEEN IGNORED BY BRITISH BUSINESSMEN WHO HAD COME TO QUOTE MALAYA UNQUOTE ONCE A YEAR IN THE BRITISH WINTER TO SEE HOW THE LOCAL QUOTE BOYS UNQUOTE WERE HANDLING THEIR EASY, LONG ESTABLISHED AND PROFITABLE INVESTMENTS. BOTH AT NATIONAL RESOURCES AND TRADE AND INDUSTRY HE HAD URGED DIVERSIFICATION INTO NEW AND ADVANCED FIELDS, BUT IN VAIN.
3. WHAT AAS NOW SOUGHT WAS A CHANGE OF ATTITUDE AND ATMOSPHERE. THE POLICY MIGHT BE DR MAHATHIR'S (IMPLYING THAT HE HIMSELF MIGHT HAVE ACTED DIFFERENTLY) BUT IT WOULD BE A GREAT MISTAKE TO ASSUME THE EXASPERATION LEADING TO IT WAS NOT WIDELY SHARED, BOTH IN UMNO AND IN MANY SECTIONS OF CHINESE OPINION.
4. HE BELIEVED THE PRESENT MALAISE WOULD BE TEMPORARY THOUGH ITS CURE MIGHT TAKE TIME. FOR THE MOMENT QUIET DIPLOMACY WAS THE KEY - I OUTLINED THE BEHIND THE SCENES EFFORTS WE ARE MAKING, AND HE NODDED APPROVINGLY - BUT OF COURSE IN TIME SOME STUDIED RESPONSE, PERHAPS IN STAGES, WOULD BE NEEDED. MAHATHIR HAD SPOKEN OF THE PROBLEM BEING ESSENTIALLY BETWEEN THE MALAYSIAN GOVERNMENT AND BRITISH BUSINESS BUT HE AND I KNEW THAT AT BOTTOM IT WAS A GOVERNMENTAL PROBLEM AS WELL, AND GOVERNMENTAL ACTION WOULD BE NEEDED TO RESOLVE IT. HE COULD EASILY UNDERSTAND THE PRESSURES THAT MIGHT BUILD UP IN BRITAIN FOR RETALIATION BUT COULD ONLY WARN THAT ANY SUCH ACTION WOULD SOUR OUR RELATIONS FOR YEARS RATHER THAN MONTHS (I ONLY RECENTLY SAW YOUR TEL NO 251. NOT TO ALL).
5. I SAID THOUGH QUIET DIPLOMACY SEEMED THE WIDELY FAVOURED RECIPE, AND WE NATURALLY LISTENED WITH ESPECIAL CARE TO HIS OWN ADVICE, I HAD BEEN A LITTLE DISTURBED BY SUGGESTIONS THAT MAHATHIR WAS GETTING IMPATIENT FOR SOME UNSPECIFIED RESPONSE. DATUK MUSA SAID THAT MIGHT BE TRUE IN THE SENSE THAT BOTH HE AND MAHATHIR SCANNED THE WHOLE RANGE OF THE BRITISH PRESS DAILY FOR SIGNS THAT THE NEW ATTITUDES FOR WHICH THEY HOPED WERE BEGINNING TO SHOW THROUGH.

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## CONFIDENTIAL

6. STRESSING THAT I WAS SPEAKING PERSONALLY I ASKED WHETHER SOME STATEMENT BY HMG, EITHER THROUGH ME HERE OR IN LONDON AND INCLUDING ELEMENTS LIKE RECOGNITION OF THE IMPORTANCE OF THE NEP, ACCEPTANCE THAT THE GUTHRIE TAKEOVER WAS WHOLLY FAIR AND ABOVE BOARD AND DETERMINATION TO WORK AT THE WHOLE RANGE OF MALAYSIAN/BRITISH RELATIONS TO SEE HOW WE HAD MANAGED TO GET OUT OF TOUCH MIGHT BE HELPFUL. HE SAID IF THIS COULD BE DONE BY, SAY, AN ANSWER TO A PQ AT A SUITABLY HIGH LEVEL (LACK OF EQUIVALENCE IN MINISTERIAL CONTACTS WAS STRESSED MORE THAN ONCE) IT MIGHT SOME TIME NEXT MONTH HAVE AN EXCELLENT EFFECT. WE AGREED THAT THIS MIGHT BE DONE IN THE CONTEXT OF ANNOUNCING YOUR INTENTION TO VISIT HERE, WHICH HE ~~THOUGHT~~ ~~COULD NOT~~ BE BETTER TIMED THAN FOR EARLY FEBRUARY - WOULD

I NOW PROCESS IT IN THE USUAL WAY THROUGH THE MFA.

7. MENTIONING THE IDEA ALREADY FLOATED INFORMALLY WITH HIM OF A SIX WISE MEN EARLY WARNING SYSTEM I ASKED, AGAIN SPEAKING PERSONALLY, WHETHER IT WOULD HELP TO PROCEED FROM THERE TO SOME SORT OF JOINT COMMISSION ON INVESTMENT AND TECHNOLOGY TRANSFER. HE BRIGHTENED, SAYING MALAYSIA HAD SUCH ARRANGEMENTS WITH ALL SORTS OF COUNTRIES BUT NOT BRITAIN - QUOTE ANOTHER EXAMPLE OF BEING TAKEN FOR GRANTED UNQUOTE.

8. THERE WAS MORE, WHICH FOLLOWS BY BAG, AS WILL RECOMMENDATIONS. BUT HIS MESSAGE IN SUM WAS THAT THE OLD SPECIAL RELATIONSHIP HAD FAILED AND MUST NOW BE REPLACED BY SOMETHING WHICH MALAYSIANS WOULD PERCEIVE AS RECOGNISING THEIR NEED FOR FACE, ESPECIALLY AS THEY CONTINUED TO MAKE THEIR WAY SWIFTLY IN THE WORLD. HE WAS FRIENDLY, OCCASIONALLY JOVIAL, BUT VERY SERIOUS IN HIS WISH TO BE SURE WE UNDERSTAND WHAT IS HAPPENING AND THE CHANGE IN APPROACH THAT IS NEEDED IF WE ARE TO GET THINGS BACK ON THE RAILS - THOUGH NOT THE SAME SET OF RAILS AS BEFORE.

BENTLEY

MALAYSIA TRADE DISCRIMINATION

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LIMITED

PS

SEAD

PS/LPS

TRED

PS/LORD TREFGARNE

ERD

PS/PUS

ESID

LORD BRIDGES

MAED

MR DONALD

COD

MR EVANS

DEF DEPT

EOD(E)

NEWS DEPT

INF DEPT

PUSD

COPIES TO:

SIR A DUFF CABINET OFFICE

CRE2, DOT

MR KIRBY BANK OF ENGLAND

MR STEVENS C/AIR DOT

PS/MR BAKER

MR G.E. HAINES (ICA) } DO I

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## CONFIDENTIAL



Malaysia

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GRS 170

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FM KUALA LUMPUR 120315Z NOV 81

TO IMMEDIATE FCO

TELNO 282 OF 12 NOVEMBER

CAT 1 VISIT: MINISTER OF PUBLIC ENTERPRISES

1. WE HAVE JUST HEARD THAT THE MINISTER'S VISIT TO BRITAIN HAS BEEN CANCELLED. WE WERE GIVEN NO REASONS.

2. THE MALAYSIAN CABINET MET YESTERDAY AND IT SEEMS LIKELY THAT THIS DECISION STEMMED FROM THAT MEETING AND PROBABLY REFLECTS THE PERSONAL VIEW OF THE PRIME MINISTER. ALTHOUGH THE VISIT HAD PREVIOUSLY RECEIVED HIS APPROVAL.

3. WE APOLOGISE FOR THE CANCELLATION AT THIS LATE STAGE. WE ARE VERY GRATEFUL FOR ALL THE HARD WORK THAT HAS GONE INTO THIS PROGRAMME, AND WE SHOULD BE GRATEFUL IF YOU WOULD THANK ALL THOSE CONCERNED FOR THEIR HELP AND COOPERATION.

4. THIS LATEST DECISION MAY WELL RESULT IN THE CANCELLATION OF FURTHER VISITS TO BRITAIN BY SENIOR MALAYSIANS, EG THE FORTHCOMING VISITS OF DATUK SAMY VELLU, MINISTER OF WORKS AND PUBLIC UTILITIES (ALTHOUGH THIS IS PRIVATE) AND DATO' NAJIB, DEPUTY MINISTER OF FINANCE, WHO IS SCHEDULED TO VISIT BRITAIN AS A CAT 1 VISITOR W E F 9 DECEMBER.

5. GRATEFUL IF YOU WOULD URGENTLY INFORM VISITS SECTION.

6. FURTHER COMMENT SHORTLY.

BESTLEY

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PS/LPS  
PS/LORD TREFGARNE  
PS/PUS  
LORD BRIDGES  
MR DONALD  
MR EVANS

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MR B E HAINES DOI(ICA)

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**CONFIDENTIAL***Malaysia*

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FM FCO 291845Z OCT 81

TO ROUTINE SINGAPORE

TEL NO 241 OF 29 OCTOBER 1981

INFO ROUTINE KUALA LUMPUR

*mf*

MALAYSIAN DISCRIMINATION AGAINST BRITISH COMPANIES.

PLEASE PASS FOLLOWING TO BENTLEY ON ARRIVAL:

1. ALTHOUGH THE FREQUENCY AND TONE OF MAHATHIR'S UTTERANCES TO THE MEDIA ARE MAKING THIS INCREASINGLY DIFFICULT, I CONCLUDE THAT WE MUST FOR THE TIME BEING SEEK TO DEAL WITH THIS PROBLEM BY DIPLOMACY.

2. IN THIS CONTEXT, THE MOST IMPORTANT POINT TO BRING HOME TO THE MALAYSIAN GOVERNMENT IS THAT ANY BOYCOTT DIRECTED AGAINST BRITISH COMPANIES MUST DAMAGE GOVERNMENT - TO - GOVERNMENT RELATIONS. MAHATHIR HIMSELF MUST SURELY REALISE THIS (MR NOTT PUT IT CLEARLY TO HIM WHEN THEY MET ON 5 OCTOBER), BUT IT MAY BE COUNTER - PRODUCTIVE TO CONFRONT HIM TOO BLUNTLY WITH A PROPOSITION THAT HE MIGHT CHOOSE TO MISINTERPRET AS A THREAT RATHER THAN AS AN INESCAPABLE POLITICAL REALITY.

3. BEARING THESE CONSIDERATIONS IN MIND, YOU SHOULD TAKE WHATEVER OPPORTUNITIES PRESENT THEMSELVES TO GET OVER TO THE MALAYSIAN MINISTERS (AND SENIOR OFFICIALS) THE MESSAGE THAT:

A) BRITISH MINISTERS HAVE NOTED THAT THE PRESENT PROBLEM IS SAID TO LIE BETWEEN THE MALAYSIAN GOVERNMENT AND BRITISH BUSINESS AND THAT THE GOVERNMENT - TO - GOVERNMENT RELATIONSHIP REMAINS UNAFFECTED:

B) BRITISH MINISTERS ARE GLAD TO KNOW THAT THERE ARE NO MATTERS OF CURRENT (AS OPPOSED TO PAST) DIFFICULTY:

C) THE FACT IS HOWEVER THAT IF BRITISH FIRMS ARE IN FACT FACED WITH EFFECTIVE BOYCOTT OF THEIR BIDS FOR GOVERNMENT ETC. CONTRACTS, IT WILL NOT BE POSSIBLE FOR THE WIDER RELATIONSHIP TO REMAIN UNTOUCHED:

D) WHEN FRIENDS RUN INTO DIFFERENCES OR MISUNDERSTANDINGS THE RIGHT THING TO DO IS DISCUSS THEM FRANKLY BUT PRIVATELY AND TRY, TOGETHER, TO RESOLVE THEM.

4. THERE IS THE SEPARATE BUT RELATED QUESTION OF WHAT TO SAY TO THE MALAYSIANS ABOUT MY PROJECTED VISIT TO MALAYSIA IN EARLY FEBRUARY. I HAVE NATURALLY MENTIONED THIS IN GENERAL TERMS TO GHAZALI AND THE DEPARTMENT ARE IN PROCESS OF ARRANGING FOR DATES TO BE SUGGESTED TO THE OTHER FOUR ASEAN GOVERNMENTS. TO SAY NOTHING TO THE MALAYSIANS WOULD SEEM TO RUN THE RISK OF MISUNDERSTANDING. ON THE OTHER HAND, TO

**CONFIDENTIAL***/PROPOSE*



# CONFIDENTIAL

PROPOSE DATES FOR A VISIT BLANDLY AS THOUGH NOTHING WERE CURRENTLY  
AMISS MIGHT STRIKE THE MALAYSIANS AS INSENSITIVE. I SHOULD BE  
GRATEFUL IF YOU WOULD BROACH THE MATTER AT WHATEVER LEVEL AND IN  
WHATEVER TERMS YOU THINK BEST CALCULATED TO PRODUCE A CONSTRUCTIVE  
RESPONSE.

5. INSTRUCTIONS ON YOUR LINE TO TAKE WITH MEDIA ON RETURN TO KUALA  
LUMPUR (IF PRESSED) AND ON ADVICE TO BUSINESSMEN ARE IN MY TWO  
IMMEDIATE FOLLOWING TELEGRAMS.

CARRINGTON

MALAYSIA TRADE DISCRIMINATION

LIMITED

SEAD

TRED

ERD

ESID

MAED

CCD

DEF DEPT

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NEWS DEPT

INF DEPT

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PS

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PS/LORD TREFGARNE

PS/PUS

LORD BRIDGES

MR DONALD

MR EVANS

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COPIES TO:

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CRE2, DOT

MR KIRBY BANK OF ENGLAND

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Malaysia

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GRS 400  
CONFIDENTIAL  
DESKBY 150800Z  
FM KUALA LUMPUR 150545Z OCT 81  
TO IMMEDIATE FCO  
TELNO 240 OF 15 OCTOBER  
AND TO DOT DESKBY 150800Z (FOR CRE2)  
INFO SINGAPORE

MS

PARAGRAPH 2 OF MY TELNO 204: DISCRIMINATION AGAINST BRITISH COMPANIES

1. THE PRIME MINISTER'S DIRECTIVE HAS NOW REACHED VIRTUALLY EVERY PUBLIC SECTOR AGENCY INCLUDING STATE BODIES AND PARASTATALS. WE HAVE ALSO BEEN TOLD THAT THE DIRECTIVE COVERS THE SUPPLY OF GOODS TO GOVERNMENT AGENCIES FROM BRITISH JOINT VENTURE COMPANIES OPERATING IN MALAYSIA.

2. IN AN EFFORT TO OFFSET PROBLEM THAT JUNIOR OFFICIALS, BELIEVING THE MESSAGE FROM ON HIGH THAT EVERYTHING BRITISH IS BAD, ARE OR WILL IGNORE OR DISQUALIFY BRITISH BIDS FROM GOVERNMENT CONTRACTS, WITHOUT REFERENCE TO THE PM'S DEPARTMENT, COMMERCIAL COUNSELLOR AND HIS STAFF ARE TRYING TO SEE AS MANY SENIOR OFFICIALS IN THE MAIN SPENDING AGENCIES AS POSSIBLE. HE HAS ALREADY RECEIVED ASSURANCES FROM THE RAILWAYS AND TREASURY THAT WHERE BRITISH BIDS ARE THE MOST ATTRACTIVE, THEN THEY WILL BE SUBMITTED TO THE PM'S OFFICE WITH REASONS WHY THEY SHOULD BE APPROVED. THE PRIME MINISTER HIMSELF HAS TOLD THE GM OF THE RAILWAYS THAT ALTHOUGH HIGHLY CRITICAL OF UK, HE WOULD BE PREPARED TO CONSIDER THE PURCHASE OF CROSS-BRACE BOGIES AND THE ESTABLISHMENT OF A JOINT VENTURE WITH BRITISH RAIL TO MANUFACTURE WAGGONS ETC IF MRA BELIEVE THIS TO BE IN THE COUNTRY'S BEST INTEREST. THE GM WAS TOLD TO SUBMIT HIS REASONS FOR APPROVING THE DEAL.

3. WE HAVE BEEN TOLD OF AT LEAST TWO SIZABLE CONTRACTS (POST OFFICE HANDLING EQUIPMENT AND WATER METERS) THAT HAVE ALREADY BEEN APPROVED UNDER THE NEW PROCEDURE. DEPUTY SECRETARY GENERAL IN TREASURY RESPONSIBLE FOR FINANCE FOR MAJOR CONTRACTS HAS ADMITTED TO VARCOE THAT MALAYSIA FACES LIQUIDITY SQUEEZE AND GROWING BALANCE OF PAYMENT DEFICIT AND ACCORDINGLY PRICE COMPETITIVENESS AND CREDIT TERMS ARE OF CRUCIAL IMPORTANCE. HE WOULD QUOTE BUY GOODS FROM THE DEVIL HIMSELF IF THEY REPRESENTED THE BEST DEAL UNQUOTE. HE HOPES TO APPLY THIS TO BRITISH GOODS SO FAR AS THE DIRECTIVE PERMITS. FOR WHAT IT IS WORTH HE GAVE ASSURANCES THAT WHERE LETTERS OF INTENT HAVE ALREADY BEEN ISSUED, THEY WILL BE HONOURED. WE THINK THIS SAFEGUARDS SALE OF 1300 LANDROVERS TO MINISTRY OF DEFENCE.

CONFIDENTIAL

/ 4. SAME



CONFIDENTIAL

4. SAME OFFICIAL SAID MALAYSIA ALSO INTENDS TO QUOTE PUNISH UNQUOTE THE FRENCH AND THE KOREANS FOR THEIR INTRANSIGENCE OVER AIR SERVICE RIGHTS. HE BELIEVED THIS COULD BENEFIT UK FOR CERTAIN DEFENCE AND RAILWAY CONTRACTS BUT IT DOES REVEAL GROWING MALAYSIAN PRACTICE OF LINKING COMMERCIAL DEALS WITH POLITICAL FACTORS. (SEE ALSO MY TEL ALLOT 7).

5. WE WILL CONTINUE TO REPORT PRACTICAL EFFECTS OF DIRECTIVE BUT IT LOOKS INCREASINGLY LIKELY THAT A GOOD DEAL OF ROUTINE BUSINESS WILL BE LOST FOR REASONS IN PARA 2 ABOVE. MOREOVER IT IS CLEAR THAT POLITICAL PRESSURES BOTH REAL AND IMAGINED WILL MAKE IT MORE DIFFICULT FOR DEPARTMENTS AND AGENCIES TO BUY BRITISH.

6. FCO PLEASE PASS THESE AND OTHER RELEVANT TELS TO BANK OF ENGLAND, MOD, DOI AND ECGD AS APPROPRIATE.

WHITE

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PS/PUS  
LORD BRIDGES  
MR DONALD  
MR EVANS

COPIES TO:  
CRE2/DOT  
PTM DIV DOI



Subject a Middle East - 1/67  
Sat.

Extract S/S def. to Malaysia  
PM 8.10.81 reporting  
on Middle + Far East trip.

6. The visit to Jordan was particularly valuable in terms of defence sales. The Jordanians have also been especially helpful in introducing us as defence suppliers to Iraq and particularly on the repair of captured Iranian Chieftain tanks. On the latter they have provided repair facilities in Jordan, but now feel that the rest of the work would be more sensibly undertaken in Iraq: I shall be in touch with Peter Carrington on this separately.

7. The Jordanians have also helped us considerably over the prospect of aircraft sales to the Middle East. And they will be speaking strongly in favour of the British "family" of aircraft at this month's meeting of their consortium partners. But there are certainly problems ahead. The Jordanians stressed the wish of Iraq to buy the Tornado strike version, though they accepted the need for it to be "sanitised". They also stressed the need for the P110 air combat aircraft to be in service with the RAF as a pre-requisite for its purchase by Arab countries. Considerable emphasis had been laid in the consortium on French undertakings to acquire for the French Air Force the new Mirage 2000 and 4000. I was able to say that we had already earmarked some funds for R&D towards the engine (actually an enhanced RB199 also to be used in the Tornado ADV) for the P110. The Jordanians assured me that this would be very favourably viewed in the consortium.

#### Far East

8. In Malaysia, the scene was dominated by the Prime Minister's stated intention to examine himself all contracts with British firms. I have reported separately the outcome of my discussion with him on this subject.

9. Despite this, our discussions with the Deputy Defence Minister (the Prime Minister himself holds the Defence portfolio) went well.





We had a useful exchange on the strategic situation in the area, the Malaysians being predictably gloomy about the future cohesion of Thailand. The Malaysians are embarking on a major expansion of their defence programme, and there should be prospects for us as a result, in aircraft and armoured vehicles as well as in defence infrastructure projects. We were criticised on the costs of training and Loan Service Personnel we provide; a subject which I am currently examining. But I stressed here, and to others who made the same complaint, that reduced charges had an opportunity cost to us in terms of our own capability and would be very much easier to contemplate in cases where substantial sales of British defence equipment were involved.

10. In the context of Five Power Defence Arrangement we also discussed the prospects of more joint training and exchanges, possibly using British units in Hong Kong. The Malaysian Military Staffs welcomed this, though their Prime Minister's current attitude to FPDA might require them to stress the bilateral aspects of any such developments.

11. Sales prospects in Thailand seem far less certain. The Americans have largely dominated the market. We sensed however that for a number of reasons, not least the growing links between the US and China (whom the Thais regard as the most significant long term threat), Thailand was anxious to improve their defence relationship with us. But our prospects will depend heavily on being able to offer a good credit package, and an IMS team is today in Bangkok discussing the possibilities.

12. On the wider issues I concentrated in my talks with Thai leaders and in public statements on our support for ASEAN, especially in regard to attempts to resolve the Cambodian problem. The Thais saw Sino/Russian rivalry in the area as the main hindrance to a peaceful solution on Cambodia.



British Forces

13. Finally, I also saw something of the British Forces in Cyprus and Hong Kong and of the Gurkha facilities we maintain in Nepal. I found our Forces in good heart and working well. I was especially interested to see their operations in Hong Kong and I was encouraged by the smooth functioning of the new Defence Costs Agreement.

14. I am copying this minute to the other members of OD, and to Sir Robert Armstrong.

*John Nott*

John Nott

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

Ministry of Defence  
8th October 1981



Malaysia

MR. WHITMORE

HUI  
bx.NOTE FOR THE RECORD

I spoke Sunday evening, Melbourne time, to Richard Evans, Lobby Editor, Financial Times, in connection with its coverage of Malaysian discrimination against Britain.

I filled him in on the background, including:

- the extent to which Mahathir appears to be disaffected with Britain and how sensitive Malaysia is to criticism in the British press;
- the deep concern of British companies there about their future; and
- the Prime Minister's fears that further FT criticism of Malaysian policies could cost us jobs.

I apologised for troubling Evans and said that I was making no requests or attempting in any way to interfere with their editorial judgement. It did, however, seem to me that the FT should be aware of the Prime Minister's concern.

Evans thanks me for ringing and said he would pass on the information immediately to Geoffrey Owen, Editor. I left him my Melbourne telephone number in case Owen cared to ring but I have so far not received one.

Baker

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CANBERRA

Prime Minister

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UNCLASSIFIED

FM FCO 030052Z OCT 81

TO IMMEDIATE CANBERRA

TELEGRAM NUMBER 412 OF 3 OCTOBER

FOLLOWING TELEGRAM NOW REPEATED TO YOU AT REQUEST OF PS TO SOFS  
WAS RECEIVED FROM SINGAPORE TELEGRAM NO CREDA 54 OF 2/10.

INFO IMMEDIATE KUALA LUMPUR AND IMMEDIATE HONG KONG (PSE/MR NOTT)  
FOLLOWING FOR MRS SHAH DOT PRESS OFFICE FROM WOODS  
VISIT BY MINISTER FOR TRADE TO SE ASIA.

1. MINISTER FOR TRADE MET A GROUP OF JOURNALISTS AT BHC  
SINGAPORE TODAY. THEY INCLUDED REUTERS AND FINANCIAL TIMES  
AS WELL AS LOCAL PAPERS.

2. JOURNALISTS KNEW OF MALAYSIAN PM'S ANNOUNCEMENT ON BRITISH  
TENDERS (SEE TELEX FROM KL EARLIER TODAY) AND SOUGHT A REACTION  
FROM MR REES.

3. THE MINISTER SAID THAT HE WAS SURPRISED BY THE ANNOUNCEMENT  
IN THE LIGHT OF THE FRIENDLY AND CONSTRUCTIVE DISCUSSIONS  
HE HAD HAD WITH MALAYSIAN MINISTERS AND OFFICIALS WHILE IN KL.  
HE REPEATED THAT HE HAD HAD DENIALS FROM BOTH THE DEPUTY  
MINISTER FOR TRADE AND INDUSTRY AND THE CHAIRMAN OF THE MALAYSIAN  
INDUSTRIAL DEVELOPMENT AUTHORITY THAT ANY SUCH DIRECTIVE EXISTED.

4. HE ALSO REPEATED THAT WE UNDERSTOOD THE NATIONAL ASPIRATIONS  
WHICH LAY BEHIND THE TAKEOVER OF GUTHRIE. HE SAID THAT THE OFFER  
HAD BEEN MADE AT A PRICE WHICH OBVIOUSLY ATTRACTED SHAREHOLDERS.  
THAT WAS THE WAY OUR SECURITIES MARKET OPERATED AND THE BRITISH  
GOVERNMENT HAD NO POSITION ON IT. THE CSI WAS NOT A PART OF THE  
BRITISH GOVERNMENT, HE WAS AWARE THAT THE QUESTION OF DAWN  
RAIDS HAD BEEN A MATTER OF DISCUSSION FOR AT LEAST A YEAR SINCE  
THE CONGOLD CASE.



5. HE ADDED THAT IT WAS QUITE WRONG TO REGARD THE CSI'S ACTIVITIES ON DAWN RAIDS AS THE PETULANT REACTION OF THE BRITISH TO THE GUTHRIE TAKEOVER.

6. MR REES STRESSED THAT WE WOULD HAVE TO WAIT AND SEE HOW THE PM'S DIRECTIVE WORKED OUT IN PRACTICE. BUT THAT HE WOULD BE SURPRISED AT ANY GOVERNMENT PREPARED TO ACCEPT SECOND BEST BIDS. HE REFUSED TO SPECULATE ON WHY THE PM HAD MADE THIS MOVE. AS YOU WILL KNOW, ALL KINDS OF REASONS ARE BEING SUGGESTED IN PRESS. HE ALSO MENTIONED THAT MR. NOTT WILL BE IN KL DURING THE NEXT FEW DAYS.

7. PLEASE KEEP US INFORMED OF UK PRESS COVERAGE.

CARRINGTON

NNNN



CAN 36/03

FDW G 066/03

OO CANBERRA

GRS 150

CONFIDENTIAL

DESKBY 050800Z

FM KUALA LUMPUR 030330Z OCT 81

TO IMMEDIATE FCO

TELNO 219 OF 3 OCTOBER

AND TO UK DEL MELBOURNE (DESKBY 030530Z) , SINGAPORE (PS TO MR REES),  
DOT

FCO TELNO 163 TO UKDEL MELBOURNE  
DISCRIMINATION AGAINST BRITAIN

1. WHEN I CALLED ON MUSA I HAD NOT THEN SEEN THE FINANCIAL TIMES  
OF 1 OCTOBER WHICH CONTAINS AN OPEN WARNING TO MAHATHIR NOT TO  
QUOTE OVERPLAY HIS HAND UNQUOTE. THE ARTICLE WAS WRITTEN BEFORE  
THE NEW MEASURES WERE FIRST MENTIONED IN THE KUALA LUMPUR PRESS.

2. I AM AFRAID THIS IS LIKELY TO MAKE THE SITUATION WORSE.  
DURING OUR TALK MUSA MENTIONED THE CONSTANT SNIPING AT MALAYSIA  
OF THE BRITISH PRESS AS AN EXAMPLE OF BRITISH ATTITUDES WHICH  
PARTICULARLY ANNOYED MAHATHIR. HE MENTIONED AN EARLIER FT ARTICLE  
AS AN EXAMPLE.

3. MAHATHIR'S STATEMENT HAS BEEN WIDELY REPORTED IN TODAY'S PRESS  
ALTHOUGH IT HAS NOT ATTRACTED FURTHER EDITORIAL COMMENT.

4. WE ARE UNDER HEAVY PRESSURE FROM BRITISH COMPANIES WHO ARE  
NATURALLY DEEPLY CONCERNED ABOUT THEIR FUTURE. WE HAVE BEEN  
MAKING MUCH THE SAME LINE AS THAT IN PARA 4 OF TUR.

WHITE

NNN

Imm: Minister

the  
37



I think we should  
have a word with  
Owen. The F.T.  
will have  
if they go on  
like this  
no.



CAN 37/03

FDW G 065/03

OO KUALA LUMPUR

OO CANBERRA

GRS 460  
CONFIDENTIAL



FM UKDEL MELBOURNE 030140Z OCT 81  
TO IMMEDIATE HONG KONG  
TELEGRAM NUMBER 1 OF 3 OCTOBER 1981  
INFO IMMEDIATE KUALA LUMPUR, CANBERRA (FOR WHITMORE) AND FCO

PERSONAL FOR GOVERNOR.

FROM PRIVATE SECRETARY/LORD CARRINGTON TO PS/MR NOTT

MALAYSIAN DISCRIMINATION AGAINST BRITAIN.

GRATEFUL IF YOU COULD PASS THE FOLLOWING MESSAGE, DATED 3 OCTOBER,  
FROM THE FOREIGN AND COMMONWEALTH SECRETARY TO THE DEFENCE SECRETARY.

BEGINS

2. YOU WILL HAVE SEEN A BRIEF ACCOUNT OF MY TALK YESTERDAY WITH  
GHAZALI SHAFIE, AND I UNDERSTAND THAT YOU HAVE BEEN GIVEN FULL  
BRIEFING ON MAHATHIR'S SURPRISING MOVES AGAINST US. I GATHER THAT  
YOU WILL BE SEEING MAHATHIR ON MONDAY. THIS IS FORTUNATE, AS WE MUST  
CLEARLY GET THE MEASURE OF HIM AS SOON AS WE CAN. GHAZALI GAVE ME  
NO INKLING THAT THE MALAYSIAN GOVERNMENT WAS ABOUT TO TAKE FORMAL  
STEPS TO DISCRIMINATE AGAINST US: BUT HE STRESSED THAT MAHATHIR  
WAS A VERY PRICKLY CUSTOMER, WHO DID NOT SHARE GHAZALI'S  
INSTINCTIVELY WARM FEELINGS TOWARDS THE UK. (THIS COMES OUT  
STRONGLY FROM THE TELEGRAM SENT BY OUR ACTING HIGH COMMISSIONER  
IN KUALA LUMPUR ON 2 OCTOBER).



3. GHAZALI DID NOT KNOW PRECISELY WHAT HAD CAUSED MAHATHIR TO TAKE UNBRAGE. BUT HE THOUGHT THAT, IN HIS PREVIOUS MINISTERIAL OFFICES (WAS HE MINISTER FOR TRADE?), WE MIGHT HAVE TRODDEN ON MAHATHIR'S CORNS BY NOT GIVING HIM PROPER MINISTERIAL ATTENTION, OR PERHAPS BY DEALING OVER HIS HEAD WITH PREVIOUS MALAYSIAN PRIME MINISTERS ON MATTERS IN MAHATHIR'S PROVINCE.

4. I SHALL NOT BE SEEING GHAZALI AGAIN BEFORE YOUR MEETING WITH HIS PRIME MINISTER, THOUGH I SHALL CERTAINLY HAVE A FURTHER CHAT WITH HIM ON 5 OR 6 OCTOBER (NO DOUBT ENLIGHTENED BY THE WAY THINGS HAVE GONE BETWEEN YOU AND MAHATHIR). IN THE MEANTIME, NEEDLESS TO SAY THAT, AS OUR REAL OR IMAGINED SLIGHT TO MAHATHIR COULD DO CONSIDERABLE HARM TO BOTH OUR COMMERCIAL AND POLITICAL INTERESTS IN SOUTH EAST ASIA,

*Passage deleted and closed under FOI Exemption  
(b)(7)(D) Wayland. 17 April 2014*

5. SUBJECT TO THE ADVICE OF OUR MAN ON THE SPOT YOU MIGHT WISH TO MENTION TO MAHATHIR THAT WE ARE TAKING THE EC/ASEAN MEETING IN LONDON ON 13/14 OCTOBER VERY SERIOUSLY, AND THAT I AM FLYING HOME DIRECTLY FROM CHGM TO PREPARE FOR IT (I SHALL BE CHAIRING THE MEETING). YOU COULD ALSO REMIND HIM THAT I HAVE PLANS TO PAY AN OFFICIAL VISIT TO MALAYSIA IN FEBRUARY OF NEXT YEAR.

6. WITH MEMORIES OF THE UNFORTUNATE ROW WITH INDONESIA WHICH YOU MANAGED TO RESOLVE AS TRADE SECRETARY, I HOPE THAT WE CAN NIP THIS ONE IN THE BUD. I HAVE ALREADY SOUGHT GHAZALI'S ADVICE ON ANY GESTURES THAT WE MIGHT MAKE TO SOOTHE MAHATHIR. YOU MAY HAVE FURTHER THOUGHTS ON THIS YOURSELF.

ENDS

FCO PASS TO ALL

CARRINGTON

NNNN





LCK 13/2

ms

Prime Minister.

We touched on this last night, and you were considering whether to have a word with the Malaysian Foreign Minister during the week-end.

RL

3x.

LDX NR 709

FDW G094/02

OO KUALA LUMPUR

OO CANBERRA

OO SINGAPORE

GRS 400

CONFIDENTIAL

FM UKDEL MELBOURNE 021105Z OCT 81

TO IMMEDIATE F C O

TELEGRAM NUMBER 46 OF 2 OCTOBER

INFO IMMEDIATE KUALA LUMPUR, CANBERRA (FOR PS TO PM) SINGAPORE, HONG KONG.



FROM PRIVATE SECRETARY.

CHGM: MEETING WITH MALAYSIAN FOREIGN MINISTER

1. LORD CARRINGTON HAD A PRIVATE CONVERSATION WITH GHAZALI SHAFIE ON 2 OCTOBER. NO ONE ELSE WAS PRESENT.
2. GHAZALI SAID THAT ASEAN'S PRESENT STRATEGY WAS TO BRING ABOUT A COALITION BETWEEN THE FORCES OF POL POT, SON SANN AND SIHANOUK: THEN TO BUILD UP SAN SANN'S FORCES, AND TO BOOST HIS PERSONAL POSITION WITHIN THE COALITION: THEREBY MAKING IT POSSIBLE TO DITCH POL POT: AND FINALLY, TO JOIN UP WITH HENG SAMRIN. GHAZALI SAID THAT HENG SANRIN WAS KEEN TO BE RID OF THE VIETNAMESE, AND HAD THEREFORE AGREED TO THIS PLAN. HE ALSO SAID THAT THE VIETNAMESE WANTED TO BE SHOT OF THE RUSSIANS, AND TO BRING ABOUT A NEW COMMUNIST STRUCTURE IN INDO-CHINA, EMBRACING THREE STATES UNDER ONE PARTY. GHAZALI THOUGHT THAT THE PRC WOULD ACCEPT THIS, IF IT HAD THE EFFECT OF REMOVING SOVIET INFLUENCE FROM INDO-CHINA.
3. LORD CARRINGTON ENQUIRED ABOUT THE NEW MALAYSIAN PRIME MINISTER'S ATTITUDE TOWARD THE UNITED KINGDOM. GHAZALI DID NOT THINK THAT DR MAHATHIR HAD ANY POLITICAL QUARREL WITH THE UK, BUT THOUGHT THAT MAHATHIR HAD BEEN PERSONALLY OFFENDED ON SOME PAST OCCASION. MAHATHIR WAS VERY TOUCHY. LORD CARRINGTON ASKED HOW WE MIGHT PUT MATTERS RIGHT. GHAZALI PROMISED TO THINK ABOUT THIS, AND TO GIVE ADVICE WHEN HE CAME TO LONDON SHORTLY FOR THE EC/ASEAN MEETING.
4. THIS CONVERSATION TOOK PLACE BEFORE WE RECEIVED KUALA LUMPUR TELNO 217 (NOW COPIED TO CANBERRA FOR THE PS TO PM). IF GHAZALI WAS AWARE OF THE ACTION ORDERED BY MATHATHIR, THIS WAS NOT REFLECTED IN HIS CONVERSATION WITH THE S OF S. HIS GENERAL LINE WAS THAT, WHILE MAHATHIR WAS PERSONALLY ANNOYED WITH US, IT WOULD BE WRONG TO PORTRAY RELATIONS AS HAVING DETERIORATED IN GENERAL. THE SECRETARY OF STATE WILL CLEARLY WISH TO TALK FURTHER TO GHAZALI IN THE LIGHT OF TELEGRAM UNDER REFERENCE. IT WOULD BE USEFUL TO HAVE ANY ADVICE FROM THE DEPT BY 042300Z.

FCO PSE PASS TO ALL

CARRINGTON

NNNN



Malaysia  
p.a. vb

Wm  
12/6

11 August 1981

The Protocol and Conference Department of the Foreign and Commonwealth Office has passed to this office your letter of 6 August enclosing a letter addressed to the Prime Minister from the Prime Minister of Malaysia.

This will, of course, be placed before the Prime Minister as soon as possible.

WFSR

His Excellency Raja Tan Sri Aznam

6





GR/ " Thanks, will be placed  
before pm asap. "  
wh

CT 61/81.

... The High Commission of Malaysia presents its compliments to the Protocol and Conference Department of the Foreign and Commonwealth Office and has the honour to forward herewith a letter addressed to the Rt. Hon'able Mrs. Margaret Thatcher, Prime Minister. This letter is from the Rt. Hon'able Datuk Sri Dr. Mahathir bin Mohamad, Prime Minister of Malaysia.

The High Commission of Malaysia would appreciate it highly if this letter could be transmitted to its highest destination.

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

LONDON

6th August, 1981







CT 61/81.

... The High Commission of Malaysia presents its compliments to the Protocol and Conference Department of the Foreign and Commonwealth Office and has the honour to forward herewith a letter addressed to the Rt. Hon'able Mrs. Margaret Thatcher, Prime Minister. This letter is from the Rt. Hon'able Datuk Seri Dr. Mahathir bin Mohamad, Prime Minister of Malaysia.

The High Commission of Malaysia would appreciate it highly if this letter could be transmitted to its highest destination.

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

LONDON

6th August, 1981







PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T. 108A/87

PRIME MINISTER  
MALAYSIA

27 July, 1981.

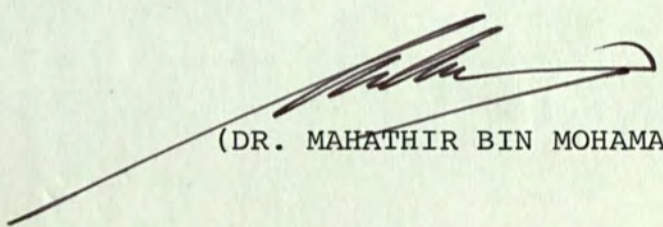
The Right Hon'ble Mrs. Margaret Thatcher, MPPC,  
Prime Minister of the United Kingdom,  
United Kingdom.

Dear Prime Minister,

Thank you for your message of  
congratulations on my appointment as the Prime  
Minister of Malaysia. The relations between  
our two countries have been close and I look  
forward to working together to strengthen the  
existing ties.

With my best wishes and warm  
regards.

Yours Sincerely,



(DR. MAHATHIR BIN MOHAMAD)



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Malaysia

→ NO 10.

Mr. Bown, SEAS, W83

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OO KUALA LUMPUR

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FM FCO 101900Z JULY 1981

IMMEDIATE KUALA LUMPUR

TELEGRAM NUMBER 153 OF 13 JULY

NO DISTRIBUTION

MESSAGES TO HUSSEIN ONN AND MAHATHIR

1. PLEASE CONVEY AT THE APPROPRIATE TIME FOLLOWING MESSAGES  
FROM THE PRIME MINISTER TO

(1) DATUK HUSSEIN ONN

BEGINS

AS YOU LEAVE OFFICE AFTER FIVE DISTINGUISHED YEARS AS MALAYSIA'S  
PRIME MINISTER I WOULD LIKE TO SEND YOU - ON MY OWN BEHALF  
AND THAT OF THE BRITISH GOVERNMENT - OUR VERY BEST WISHES FOR  
THE FUTURE. WE HAVE GREATLY ENJOYED WORKING WITH YOU, AND  
HAVE PARTICULARLY APPRECIATED THE CLOSE AND FRIENDLY TIES WHICH  
YOU HAVE INSPIRED BETWEEN BRITAIN AND MALAYSIA. I HOPE THAT WE  
SHALL HAVE THE OPPORTUNITY OF SEEING YOU IN LONDON.

MARGARET THATCHER

ENDS

(2) DR MAHATHIR MOHAMMED

BEGINS

PLEASE ACCEPT MY CONGRATULATIONS ON YOUR ASSUMPTION OF OFFICE  
AS MALAYSIA'S PRIME MINISTER. I VALUE THE CLOSE RELATIONS  
BETWEEN OUR TWO COUNTRIES AND HOPE THAT WE MAY WORK  
TOGETHER TO STRENGTHEN THESE STILL FURTHER.  
I LOOK FORWARD TO MEETING YOU IN MELBOURNE AT THE  
COMMONWEALTH HEADS OF GOVERNMENT MEETING IN SEPTEMBER.  
WITH BEST WISHES FOR THE FUTURE.

MARGARET THATCHER

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|-------------|
| PA-014/1    |
| 15 JUL 1981 |



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ENDS

CARRINGTON



13 July 1981

Prime Minister of Malaysia

The Prime Minister has seen and approved the draft messages enclosed with your letter to me of 10 July.

MICHAEL ALEXANDER

Roderic Lyne, Esq.,  
Foreign and Commonwealth Office.

A





*Michael*

Prime Minister

Agreed draft messages?

Foreign and Commonwealth Office

London SW1A 2AH

10 July 1981

*Dear Michael,*

Prime Minister of Malaysia

Datuk Hussein Onn is stepping down as Prime Minister of Malaysia on health grounds and will be replaced on about 12 July by Deputy Prime Minister Datuk Dr Mahathir Mohamed. Our High Commissioner in Kuala Lumpur considers that messages of farewell to Hussein Onn and of welcome to Mahathir from the Prime Minister would be well received in Malaysia. We agree. I attach a draft telegram.

Dr Mahathir's attitude towards the UK has been ambivalent and he has not shown much warmth for us, although his children are being educated here. He is more forceful and outgoing than Hussein Onn, and, on foreign policy, Malaysia may move towards a more non-aligned stance, although dependence on the West for her economic future will no doubt be recognised by Dr Mahathir. A message should help us to get along side him.

Hussein Onn became Prime Minister in 1976. Under his determined leadership, the threat of internal racial conflict and communist insurgency have much diminished. The economy has prospered and Britain's special relationship with Malaysia has been preserved. He is stepping down because of ill health - you will recall that he came to London twice in the past year for heart surgery.

*yours ever*  
*Roderic Lyne*

(R M J Lyne)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street  
LONDON  
SW1



# OUT TELEGRAM

Classification and Caveats

**RESTRICTED**

Precedence/Deskby

**IMMEDIATE**

|         |    |                                                                      |
|---------|----|----------------------------------------------------------------------|
| ZCZC    | 1  | ZCZC                                                                 |
| GRS     | 2  | GRS                                                                  |
| CLASS   | 3  | RESTRICTED                                                           |
| CAVEATS | 4  |                                                                      |
| DESKBY  | 5  |                                                                      |
| FM FCO  | 6  | FM FCO 101900Z JULY 1981                                             |
| PRE/ADD | 7  | IMMEDIATE KUALA LUMPUR                                               |
| TEL NO  | 8  | TELEGRAM NUMBER                                                      |
|         | 9  | MESSAGES TO HUSSEIN ONN AND MAHATHIR                                 |
|         | 10 | 1. Please convey at the appropriate time following messages          |
|         | 11 | from the Prime Minister to                                           |
|         | 12 | (1) Datuk Hussein Onn                                                |
|         | 13 | Begins                                                               |
|         | 14 | As you leave office after five distinguished years as Malaysia's     |
|         | 15 | Prime Minister I would like to send you - on my own behalf           |
|         | 16 | and that of the British Government - <u>our very best wishes</u> for |
|         | 17 | <u>the future</u> . We have greatly enjoyed working with you, and    |
|         | 18 | have particularly appreciated the close and friendly ties which      |
|         | 19 | you have inspired between Britain and Malaysia. I hope that we       |
|         | 20 | shall have the opportunity of seeing you in London.                  |
|         | 21 | Margaret Thatcher                                                    |
| ///     | 22 | Ends                                                                 |
| //      | 23 | (2) Dr Mahathir Mohammed                                             |
| /       | 24 | Begins                                                               |
|         | 25 | Please accept my congratulations on your assumption of office        |

NNNN ends  
telegram

BLANK

Catchword

as

File number

Dept

Distribution

S/S office

Drafted by (Block capitals)

R M J Lyne

Telephone number

233 4641

Authorised for despatch

Comcen reference

Time of despatch



# OUT TELEGRAM (CONT)

Classification and Caveats  
RESTRICTED

IMMEDIATE

Page  
2

<<<<

1 <<<<

2 as Malaysia's Prime Minister. I value the close relations  
3 between our two countries and hope that we may work  
4 together to strengthen these still further.

5

6 I look forward to meeting you in Melbourne at the  
7 Commonwealth Heads of Government meeting in September.

8 With best wishes for the future.

9 Margaret Thatcher

10 Ends

11

12 CARRINGTON

13 NNNN

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NNNN ends  
telegram

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Catchword



**SUBJECT**

*Malaysia M*

**PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T184c/80**

**RESTRICTED**

GR 90

**R E S T R I C T E D**

FM F C O 271855Z JUN 80

TO ROUTINE KUALA LUMPUR

TELEGRAM NUMBER 247 OF 27 JUNE

YOUR TELNO 230. INSTALLATION OF AGONG

1. PLEASE CONVEY AT AN APPROPRIATE TIME BEFORE 10 JULY THE FOLLOWING MESSAGE TO DATUK HUSSEIN FROM THE PRIME MINISTER. BEGINS: ON THE JOYOUS OCCASION OF THE INSTALLATION OF HIS MAJESTY THE YANG DI-PERTUAN AGONG, I SEND TO YOU AND TO THE PEOPLE OF MALAYSIA MY VERY BEST WISHES AND THOSE OF THE GOVERNMENT AND PEOPLE OF THE UNITED KINGDOM. MARGARET THATCHER. ENDS.

CARRINGTON

**FILES**

SEAD

P & C I

**RESTRICTED**



Malaysia JS

27 June 1980

MALAYSIA: INSTALLATION OF THE  
NEW HEAD OF STATE

The Prime Minister has seen your letter to me of 26 June on this subject and has approved the message enclosed with it.

M O'D B A

R.M.J. Lyne, Esq.,  
Foreign and Commonwealth Office.

GB





Foreign and Commonwealth Office

London SW1A 2AH

26 June 1980

Dear Michael,

Prime Minister

Apex list?

①  
Yes not  
RML

Malaysia: Installation of the new Head of State

In April 1979 the Malaysian Rulers Conference elected His Royal Highness, the Sultan of Pahang, to be the next Head of State (Yang Di-Pertuan Agong). His formal installation takes place on 10 July and will be the occasion of public celebrations in Malaysia.

On previous occasions, The Queen has sent messages to the new Agong. We are submitting to the Palace separately about this.

Previous Prime Ministers have also congratulated their Malaysian counterparts. The Malaysians have made it clear that they attach importance to these messages.

/ I attach the draft of a message which could be transmitted through our High Commission in Kuala Lumpur.

yours na  
Roderic Lyne

(R M J Lyne)  
Private Secretary

Michael Alexander Esq  
10 Downing Street  
London



File No. PAF 390/1Department SEAD

OUTWARD

Drafted by

TELEGRAM

(Block Capitals) J J BEALETel. Extn. 233 4670

|                         |
|-------------------------|
| Security Classification |
| RESTRICTED              |
| Precedence              |
| ROUTINE                 |
| DESKBY .....Z           |

FOR  
COMMS. DEPT.  
USE

Despatched

(Date) .....

(Time) .....Z

POSTBY .....Z

## PREAMBLE

(Time of Origin) ..... Z (G.M.T.)

(Restrictive Prefix) .....

(Security Class.) ..... RESTRICTED

(Caveat/

Privacy marking) .....

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TO ..... ROUTINE KUALA LUMPUR  
(precedence) (post)

Tel. No. .... of .....

AND TO (precedence/post) .....

AND SAVING TO .....

REPEATED TO (for info) .....

SAVING TO (for info) .....

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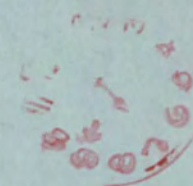
YOUR TEL NO 230: INSTALLATION OF AGONG

1. Please convey the following message to Datuk Hussein from the Prime Minister. Begins: On the joyous occasion of the installation of His Majesty the Yang Di-Pertuan Agong, I send to you and to the people of Malaysia my very best wishes and those of the government and people of the United Kingdom. Margaret Thatcher. Ends.

Copies to:-



10961 NPT 924





GRS 050

Malaysia

UNCLASSIFIED

DESKBY 290100Z

FM FCO 281733Z AUG 79

TO IMMEDIATE KUALA LUMPUR

TELEGRAM NUMBER 237 OF 28 AUG

YOUR TELNO 312: MALAYSIA DAY.

1. PLEASE CONVEY TO DATUK HUSSEIN THE FOLLOWING MESSAGE FROM THE  
PRIME MINISTER:

BEGINS

ON MALAYSIA'S NATIONAL DAY I AM VERY GLAD TO SEND YOU, AND THROUGH  
YOU TO THE MALAYSIAN PEOPLE, MY CONGRATULATIONS AND WARMEST  
GREETINGS.

MARGARET THATCHER

ENDS

CARRINGTON

FILES

SEAD

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ced

PS

PS/MR BLAKER

MR MURRAY

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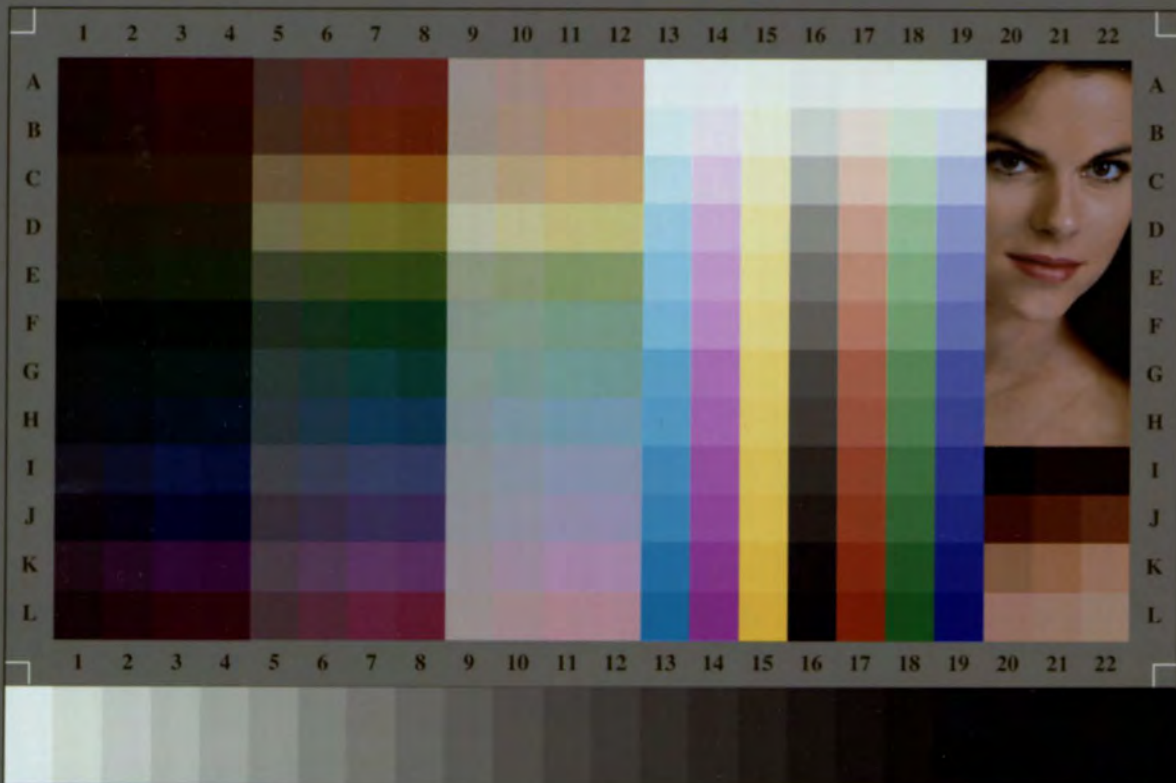
No. 10 DOWNING STREET

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29/8





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