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From the Private Secretary

1 August 1988

Dear Bob,

PRIME MINISTER'S MEETING WITH THE
 PRIME MINISTER OF SINGAPORE

The Prime Minister had a talk with the Prime Minister of Singapore at the Istana in Singapore on the evening of 31 July followed by dinner. Lee Kuan Yew was accompanied for the talk by Professor Jayakumar (Minister of Home Affairs). A number of other Ministers were present for the dinner. The conversation was very informal and Lee Kuan Yew was in his usual trenchant form.

Lee Kuan Yew opened up by saying that he would not dream of having the sort of programme the Prime Minister was undertaking, it was absolute madness. He did not know anyone else who would even contemplate it.

Lee Kuan Yew continued that the Prime Minister was clearly doing very well as was Britain. The Prime Minister said that our growth was perhaps a bit too fast. Lee Kuan Yew said that he was sure the Government had been right to bring down taxes. Singapore was bringing its top rate down to US levels. He was confident of steady growth averaging four to six per cent an annum over the next ten to twelve years. He was unimpressed with Germany: they were going through the same malaise of welfare-ism that Britain had previously suffered and Kohl was failing to tackle the problems. He was also worried about the United States. They were just postponing all the difficult decisions. The Prime Minister said that at least Greenspan had not let the money supply go. Lee Kuan Yew said that, of all the major economies, that of Japan was the best managed. He was impressed with Thailand's performance. It was clearly going to be the next NIC and a powerful machine for growth.

Malaysia

Lee Kuan Yew said that he was very worried about the situation in Malaysia. The economy was improving, which might help, but Mahathir's action in splitting UMNO had been ill-considered. He had some sympathy with Mahathir in his dispute with the judges: the Lord President had been wrong to try to intervene so directly in politics. The best course now would probably be to let the Lord President return, complete his outstanding cases and retire. There was no way he should be allowed to continue in office in the light of some of the things he had said. Some of the other judges might need to be disciplined too. He had spoken to Mahathir and tried to help him get back on course, but Mahathir had only been half-listening. All

in all, he was holding his breath and had no idea how the situation was going to end. It was rather frightening. How were Britain's relations with Malaysia?

The Prime Minister said that we had worked hard at our relations and they were now fairly good. She thought the political instability would be bad for investor confidence in Malaysia. She wondered whether she ought to try to raise these matters with Dr. Mahathir. He clearly needed friends in this difficult situation. Lee Kuan Yew thought it would be helpful if the Prime Minister could find a way to raise them, although she should not let on that she had discussed them with him otherwise Mahathir would suspect collusion. It was right to try to help him to retrieve the situation. Virtually all the people of any standing were now in the opposition and Mahathir was an isolated figure. He had noticed that at CHOGM in Vancouver Mahathir had never exchanged a word with his own Foreign Minister.

Cambodia

The Prime Minister said the situation in Cambodia was a terrible mess for which Vietnam was primarily responsible. She remembered that Lee Kuan Yew had said at the Melbourne CHOGM that just at the very moment when Vietnam could have dedicated itself to achieving higher living standards they had indeed turned on Cambodia. Was there any way the situation could be retrieved?

Lee Kuan Yew said that a way must be found to get Vietnam out of Cambodia so that the lesson was learnt that borders must not be violated. If they were allowed to continue their occupation while at the same time other countries developed economic and trade relations with them, it would be a victory for Vietnam. He thought on balance that the Vietnamese would pull out because they needed trade and investment so badly. The necessary steps were: Vietnam's withdrawal, establishment of an international peace keeping force, disarming of all the various groups and finally free elections. He thought that the Chinese now understood that the Khmer Rouge could not become the dominant force in Cambodia. It was helpful that Japan had offered to finance the peace keeping force.

The Prime Minister asked whether Lee Kuan Yew thought that Prince Sihanouk could really lead Cambodia again. Lee Kuan Yew said that he was convinced that in free elections the Khmer Rouge would lose and Sihanouk would win. Sihanouk was a great politician: he could sing, dance and give lovely speeches. The one thing he could not do was run a government. But his son was able and should be brought on. All in all, he thought the Vietnamese would withdraw by the end of 1990.

Soviet Union

The Prime Minister spoke about the changes taking place in the Soviet Union. Lee Kuan Yew commented that Gorbachev would take a long time to succeed. But provided he continued to move in the direction he was going, we would have a less tense world.

China

The Prime Minister said her impression was that the Chinese Communist Party would never agree to give up its central control. Lee Kuan Yew agreed. Communism went against the grain of Chinese character and could not in the very long term succeed. Four thousand years of habit would return, but the habit in China was authoritarian with no tradition of democracy. The Chinese were very realistic about themselves and the difficulty of reconciling ideology with the needs of their economy. One of them had said to him that they were like crabs: to move forwards they had to move sideways. The truth was that to move forwards they had to break the mould of the present system, but that they could not do.

Iran

The Prime Minister said that Iran's decision to accept SCR 598 had been unexpectedly good news but the Iraqis were now being difficult. Lee Kuan Yew said that he could see what the Iraqis feared. In ten or fifteen or twenty years time some younger Ayatollah would emerge who would want to get revenge by beating the brains out of the Iraqis. The Iraqis needed a settlement which made Iran reluctant to try again. But they were not going about it very sensibly. They were creating a lot of bad blood.

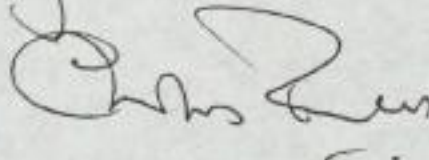
North Korea

The North Koreans were dismissed by Lee Kuan Yew as the Last of the Mohicans. They were in a world of their own and would simply have to change.

The Prime Minister summed up that there was encouraging progress in solving quite a number of the world's problems. We must make sure they were not just replaced by even worse new ones. Lee Kuan Yew said that the most positive fact was the reduced fear of a major conflagration involving the super powers. His personal fear was centred on a clash between new nuclear powers or the acquisition by some lunatic regime like Libya of nuclear weapons.

On this cheerful note, we adjourned to a poolside supper.

I am copying this letter to Brian Hawtin (Ministry of Defence) and Trevor Woolley (Cabinet Office).

Yours sincerely,


(CHARLES POWELL)

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