



Foreign and Commonwealth Office

London SW1A 2AH

29 March 1985

Dear Charles,

Prime Minister's Visit to Asia: 4-13 April

I enclose a set of Briefs for the Prime Minister's visit to Malaysia, Singapore, Brunei, Indonesia, Sri Lanka and India. Some of these, particularly that covering the Malaysian air services problem, may need to be updated to take account of last minute developments. We will send revised versions as necessary next week. Personality notes and fact sheets are enclosed with individual country Briefs.

You may find it useful to have as an introduction the following notes, on a country-by-country basis.

Malaysia (Country Brief C i)

Since taking over as Prime Minister in 1981 Dr Mahathir has succeeded in placing a strong personal stamp on his Government. His record, both politically and economically, has been impressive.

Recently, however, his grip has faltered. Strains have appeared within his own Party (UMNO) and his main Chinese Coalition partners, provoking speculation that he may decide to hold an early election (not due until 1987).

Against a background of reduced petroleum exports, low commodity prices and diminishing investments, the economy has also shown signs of performing less well. Foreign indebtedness has increased (the debt service ratio is now 12%) and there is a stubborn current account deficit (£1.8 billion in 1984).

Although Mahathir views Malaysia's relationship with Britain in a very much starker and more critical light than his predecessors, he accepts that Malaysia can still derive important benefits from it. But he is insistent that the relationship should be seen to be on a strictly equal basis and is hyper-sensitive to any impression of condescension from our side. He regards the period of the "Buy British Last policy" (1981-83) as having been a necessary reminder to us of how the relationship needed to be changed. He now looks to the Prime Minister's visit to set the seal for a new era, on the terms he has prescribed. His main objectives are likely to be:

/(a)



- (a) to have a detailed exchange of views on current international issues, especially Indo-China, the implications of recent developments in China for South East Asia, the Soviet leadership and the Middle East (Brief B);
- (b) to put the case, on behalf of both Malaysia as a New Industrialising Country and the developing world, for a "fairer deal" on trade and economic issues and for better access to EC markets (Brief C i);
- (c) to urge the need for increased foreign investment in Malaysia and in particular for finding ways of reducing our favourable surplus in invisibles on our bilateral trade account (Brief C i);
- (d) to secure a commitment on our part to continue the financial assistance we give to the large number of Malaysian students studying in Britain (Brief C i).

His approach to these objectives is likely to be conditioned very largely by the response he receives on air services. We shall be in a better position to assess the prospects on that front when our High Commissioner has seen Mahathir on 2 April.

If we can first settle the air services problem we shall then be able to move on to the main substance of the programme, designed to consolidate the steady improvement in UK/Malaysian relations which has followed Dr Mahathir's meeting with the Prime Minister in March 1983 and the withdrawal of the "Buy British Last" directive. The Prime Minister will be able to emphasise our commitment to a forward looking relationship, particularly in the trade field, where there are a number of promising prospects (both civil and military) which we wish to promote. On educational assistance, the Prime Minister will be able to underline our continuing wish to help Malaysian students studying in Britain and to give this concrete form by announcing additional funding beyond the existing support package which runs out in 1985/86 (approximately £1.75 million for 1986/87).

One of the high spots of the visit will be the visit to Dr Mahathir's home state, Kedah, where the Prime Minister will visit the site for a large and successful British/Malaysian joint venture, the Sungei Ahning Dam.

/Singapore



Singapore (Country Brief C ii)

After the relatively poor showing of his Party at last December's elections, Mr Lee Kuan Yew is in a somewhat chastened mood - accentuated no doubt by the recent resignation of the country's President, because of alcoholism. Partly in response to the election result he has recently been concerned to demonstrate that his Government is not a one man band, and that he is aware of grass roots opinion. For this reason, although he will as usual expect to play the leading role in discussion, selected members of his new team of Ministers will also be taking part.

His Government's phenomenal economic record has also recently showed signs of fragility. The pace of economic expansion appears to be slowing, with growth forecast this year at between 5% and 7% - respectable enough, but the slowest for 10 years. There are also some serious sectoral weaknesses e.g. in shipbuilding, oil refining and construction. The Budget, announced on 8 March, reflected reduced expectations.

Against this background Mr Lee's main objective will be to exchange views on current international and regional issues (Brief B). He will want to talk in particular about Brunei and the Philippines (Brief B), where recent developments have worried him; and in the light of the evolving situation in Cambodia (Brief B) he will want to probe the extent of our continuing interest in the region as well as our joint commitment under the Five Power Defence Arrangements (Brief C ii).

There is one outstanding bilateral issue, air services (Brief C ii), which he is likely to raise. But we do not expect him to press for an immediate decision, nor will he want the issue to affect the atmosphere for the main discussions. The holding line recommended in the Brief should be sufficient.

We ourselves see the main objective for the visit as to build on our already excellent relations with the Singapore Government and to give backing to Singapore as an important member of ASEAN, a force for moderation internationally and a major regional trading and communications centre. We also want to use the occasion to disabuse Mr Lee of the impression that Britain is in decline, by underlining our ability to compete internationally and to cooperate in Singapore's economic development. The Prime Minister may want to probe Mr Lee Kuan Yew's views on international issues such as the Sino-Soviet dispute and China's role in the region.

/Brunei



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Brunei (Country Brief C iii)

In the 16 months since full independence, Brunei has been moving cautiously to establish herself on the international scene. The Sultan will be particularly pleased to welcome the Prime Minister, since she will be the most senior non-ASEAN foreign visitor to his country since the independence celebrations in February 1984. He himself has recently shown signs of taking on a greater role in the government of the country.

The economy is firmly based on the country's oil wealth, which brings in an estimated £3.2 billion in annual revenues. This has made possible the accumulation of substantial reserves (US\$14 billion).

Our principal objective is to set the seal on our post-independence relationship, particularly following the Sultan's successful recent visit to Britain in January 1985. The Prime Minister will also want to explore further with the Sultan the ideas he outlined to her in January of doing more business with the United Kingdom. The best opportunities are in the financial sector, where there may be a chance to secure a return to British institutions of much of the investment management portfolio which was lost in 1983. But there are also significant possibilities for defence sales and possibly construction contracts.

Indonesia (Country Brief C iv)

After the turbulent period of the 1950s and early 1960s, Indonesia has steadily emerged as not only the largest power in the region but also a stable and rapidly growing political force backed by a soundly administered economy.

President Soeharto, who came to power after a failed Communist coup in 1965, can take much of the personal credit for this. Basing his political philosophy on the tolerant

/and



and vaguely theistic philosophy of "Pancasila" (the "five principles" - see Brief C iv), he has united the widely spread archipelago and its differing cultural and ethnic elements under a broadly democratic, though military dominated, system. His personal position is secure, despite some recent rather worrying minor manifestations of Islamic extremism on the political side and pressures on the economy from reduced oil revenues, coupled with a rapidly growing population (now over 160 million). His Government's prudent response to these pressures has been sharp reductions in public expenditure and reduced borrowing.

Soeharto has also played a major role in guiding his country's foreign relations. These are now rooted firmly in ASEAN and a generally pro-Western stance, though Indonesia is an active member of the Non-Aligned Movement (NAM) and is holding a conference on 24-25 April to mark the 30th anniversary of the Bandung Conference (which gave the crucial impetus to the NAM). Following a difficult period in the 1960s (Confrontation), Indonesia's relations with the United Kingdom have tended to lack substance, though recent evidence suggests a desire on the Indonesian part to match our own wishes to see this improved.

The Indonesians will welcome the Prime Minister's visit (the first by a British Prime Minister) as an opportunity to deepen the relationship as well as to try to take advantage of it to ensure that their policies and concerns are better understood abroad. They will want to explain to the Prime Minister their domestic political policies, their economic strategy and their aspirations to play a larger part in ASEAN and the NAM. They will also wish to hear our views on international political and economic issues (Brief B). President Soeharto will be particularly keen to hear the Prime Minister's views on East-West relations and our assessment of developments in China (including the Hong Kong settlement); the Indonesians remain deeply suspicious of Chinese regional intentions and have no diplomatic relations with China. He will wish to secure our continuing support for ASEAN's policies towards Indo-China. He will press for more attention to be paid to EC/ASEAN relations, and will also wish to discuss the Bonn Economic Summit (he particularly welcomed the briefing he received by the Prime Minister's personal representative, Sir C Tickell, after the London Summit - Brief B).

Our own principal objective is to place Anglo-Indonesian relations on a strong footing by building up personal relations at the highest level so as to enhance the prospects for British commercial and defence sales (e.g. Hawk aircraft). The visit will also provide an opportunity to encourage Indonesia to exercise a moderating role in international fora.

/Much



Much of the visit will be devoted to bilateral trade matters (Brief C iv). There are a number of projects where the Prime Minister will wish to press the interests of British companies, but the Indonesians can be expected to hold out strongly for concessionary terms.

A cosmetic move to improve our trade would be the conclusion of an umbrella agreement on scientific and technical cooperation. The Indonesians have suggested this and the brief recommends that the Prime Minister should agree the idea in principle during her visit if the Indonesians should raise it.

We also need to present our aid programme in the best possible light, since the Indonesians have tended to complain that it is over-modest in comparison to what they receive from our Western competitors.

Sri Lanka (Country Brief C v)

In Sri Lanka the Prime Minister will find a government which is disunited, faction-ridden and poorly led. It shows little understanding of the political compromises which will be required if there is to be any effective settlement of the Tamil problem; and has endeavoured, in desperation, to impose a military solution. Nor do the full dimensions of the problem appear to have been grasped by the predominantly conservative Sinhalese population, who adamantly oppose concessions to the Tamils. President Jayewardene is not in a strong position and the contenders for the succession cannot afford to alienate Sinhalese chauvinists. The Prime Minister, particularly in her speech to the Sri Lankan Parliament, will be trying to bring home to her audience the facts of life, and the growing international concern about Sri Lanka's internal situation.

Against this depressing background, the only practical hopes of progress lie in Sri Lankan dialogue with the Indians, who if they choose to restrain the terrorists in Tamil Nadu could help to bring about a political settlement. We hope that the Prime Minister's visits to Colombo and to Delhi will help to bring about closer cooperation between the two countries.

The Sri Lankan Government are likely to ask the Prime Minister for forms of support which we are unable/unwilling to provide. They will not be surprised when she does not offer them encouragement. The mere fact of her visit will have achieved their most important objective: a demonstration of support, in their beleaguered condition, from one of their few reliable friends.

India (Country Brief C vi)

In India, by contrast, the Prime Minister will find the Government in confident mood. Since his accession, Rajiv Gandhi has scarcely put a foot wrong. His landslide victory in the general elections, followed by a less overwhelming but

/satisfactory



satisfactory result in the state assembly elections, has ensured his dominance over his party and the country. A budget which has accelerated India's economic liberalisation has been widely acclaimed. Rajiv's immediate preoccupations now are the situation in Punjab, where he has released much of the Sikh leadership but where a healing touch remains necessary, and Sri Lanka.

The problems relating to the Westlands helicopters and Sea Harrier contracts may well have been resolved by the time of the Prime Minister's visit. Whether or not this is so, the main objective of the Prime Minister's visit is publicly to signal a return to a more normal relationship between the UK and India. Specifically, the Prime Minister will want to convince Mr Gandhi that we are on the side of the angels over the Sikh and Sri Lanka problems. Mr Gandhi may well be open to conviction (even though some of his officials will not).

I am copying this letter, with a set of briefs, to Richard Hatfield in the Cabinet Office. Copies of the letter go also to the Private Secretaries at the Department of Trade and Industry, the Overseas Development Administration and the Ministry of Defence. Copies of the briefs are being sent to them separately.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

TEL: 01-588 6464.

114, OLD BROAD STREET,
LONDON, E.C.2.

Charles Powell, Esq.,
10 Downing Street,
London SW1

29 March 1985

Dear Charles,

I promised you a note, as a possible brief for the Prime Minister, about Samuel Montagu's business activities in Malaysia, Indonesia and Brunei. This is enclosed.

Mr. Robert Opiat, one of my senior colleagues on the Board of Samuel Montagu and the Head of our Singapore Branch will be in Kuala Lumpur at the time of the Prime Minister's visit and has been invited to the reception and dinner being given in her honour there by the Malaysian-British Society. As I told you, it would be a great encouragement to the pursuit of our business there, in cooperation with other British companies, if Mrs. Thatcher could spare a moment during the course of the reception for a brief exchange with Mr. Opiat. It would undoubtedly give a significant fillip to our efforts in these S.E. Asian countries.

If you agree, I will ask Robert Opiat to try to make himself known to you at a convenient moment during or before the reception. Many thanks for your help over this.

Yours ever,

Michael

Michael Palliser

P.S. Don't be surprised by Robert Opiat's accent: He is American: but a staunch upholder of S.M.'s British-based activities! D.

BUSINESS CURRENTLY BEING PURSUED BY SAMUEL MONTAGU (SM) IN MALAYSIA,
INDONESIA AND BRUNEI

A. MALAYSIA

1. JABATAN TELEKON MALAYSIA

UK Suppliers : GEC
Contract Value : Up to £120 million

GEC, in consortium with Marconi Italiana and CIT Alcatel have been shortlisted for a contract to provide optical fibre telecommunications equipment to Jabatan Telekom Malaysia (equivalent to British Telecom). Marconi Italiana is the syndicate leader, bidding through its Bumiputra company, Marconi Malaysia.

SM has been mandated by GEC (up to 40% of the contract) and is in discussions with Marconi (up to 40% of the contract) with a view to obtaining a mandate from them.

We already have agreement from the British Government to provide aid up to 25.1% of the UK content under the Aid and Trade Provisions.

2. MALAYSIAN AIRLINES SYSTEM

UK Suppliers : Rolls Royce

SM are pursuing a mandate from Rolls Royce who are discussing with Malaysian Airlines System the supply of 1 or 2 engines to complement their recent purchase of Boeings.

3. NATIONAL ELECTRICITY BOARD

UK Suppliers : Various
Contract Value : US\$5.75mm

SM are seeking to obtain a mandate to provide an ECGD backed General Purpose Line of Credit in support of British exports.

4. PETRONAS

UK Suppliers : Possible export credit opportunities for various UK suppliers

Petronas, the government oil company, is responsible for the planning and implementation of a US\$1 bn gas distribution network for gas from East Malaysia. SM are actively working with Malayan Banking Berhad (Malaysia's second largest bank) and Midland Bank in submitting finance proposals. In addition, SM are seeking a possible advisory role to evaluate supplier finance packages as they arise.

5. MINISTRY OF DEFENCE

UK Supplier	:	Gomba Stonefield Ltd
Contract Value	:	US\$3.5 mm (forerunner to a much larger order)

SM have been mandated as export financing bank by Gomba Stonefield Ltd, who are seeking a contract to supply soft skin personnel carriers to the Ministry of Defence.

B. INDONESIA

1. In association with Foster Wheeler World Services and L H Manderstam, SM are completing an 11-month contract to study the eastern part of an urban rail system designed to link the major towns surrounding Jakarta. SM's role is as financial adviser, with a report to be submitted to the Indonesian Ministry of Land and Communications later this year.
2. Samuel Montagu is the mandated bank for the United Scientific Holdings (ALVIS) proposal to the Republic of Indonesia for £200 m. of defence vehicles/defence technology transfer.

C. BRUNEI

1. The Crown Agents were replaced as managers of Brunei's foreign reserves in 1983 by two American firms: Citibank and Morgan Guaranty. Although some British firms are still involved as investment managers in a subsidiary capacity, the main outside influence on Brunei's foreign investment policy is now American.
2. There is clearly a strong British interest in ensuring that Brunei's foreign investments are properly managed, and the Auditor General in Brunei has a statutory obligation to ensure this. In the Auditor General's opinion, the audit of the Brunei Investment Agency should involve two tasks:
 - (a) an accounting audit, which is designed to ensure that the Brunei Investment Agency's accounts give a true and fair view: a firm of chartered accountants has already been appointed to assist the Auditor General in doing this; and
 - (b) a financial management audit, which is designed to give an independent professional view of whether the Brunei Investment Agency's funds have been prudently managed at a reasonable cost.
3. The Auditor General has indicated that he is looking for a financial institution to help him in conducting the financial management audit. We understand that he has recommended to the Sultan that Samuel Montagu should be appointed, on three grounds: that they have relevant experience; that they have been represented in Brunei for some time; and that they do not have a conflict of interest, because they are not managing investments on behalf of Brunei. The Sultan has yet to give his reply.

29 MAR 1985

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DG/MR/LHM

29 March 1985

Rt. Hon. Mrs Margaret Thatcher M.P.
The Prime Minister
10 Downing Street
London S.W.1.

Dear Prime Minister,

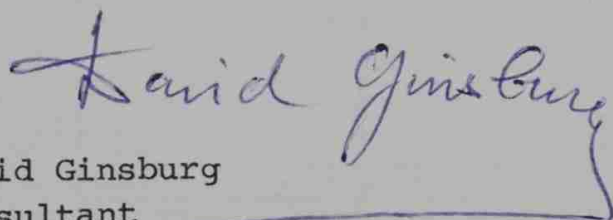
I have been advising L.H. Manderstam and Partners (UK) Ltd about the Jabotabek Railway Project, naturally I declare an interest. I would also add that I came into contact with Manderstam's through personal friendship with the late L.H. Manderstam who rendered considerable services to this country in SOE during the war and I believe in SIS subsequently. He has also rendered great services to British Industry. His son Andrew, the Washington correspondent of ITN is also a friend of mine and will I think be known to you.

The proposal is outlined in the attached paper on the Jabotabek Railway Project. Manderstams and their partners are working with the Indonesian National Railroad to create the Jabotabek railroad system. The Company has for the last 3 years been endeavouring to obtain for the U.K. a one third share amounting to £500 million over 10 years. It has undertaken a feasibility study for this funded by H.M.G. We are now poised to undertake the first section implementation and for this we require support from UK Government Departments in structuring a package which meets Indonesian financial requirements. It is clearly an important venture from the country's point of view.

A representative of Manderstam's Mr E Hewitt will be present at one of the official receptions in Indonesia and would be available to brief you should you require. Any help which you can give would be very much appreciated not only by the British firms who are principals in the project but also by the U.K. railway manufacturing industry who will benefit substantially if the orders are obtained.

Every good wish.

Yours sincerely,

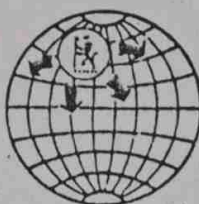


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JABOTABEK RAILWAY PROJECT

INDONESIA

The above Association was formed in 1982 in an effort to obtain engagements within the Jabotabek Authorities which would eventually lead to the supply of goods and services from U.K. Industries. At that time the Jabotabek Area was divided into three sectors, West, Central and East, France and Japan were actively engaged within the first two areas, which left the Eastern Sector open for approaches from the U.K. Association.

Early in 1984, and after much consultation with the Indonesian Government Depts. Min Sumarlin wrote a letter to the British Ambassador in Jakarta, asking for the U.K. Association to undertake a full Feasibility Study for the Eastern Corridor. This study was awarded and funded by the O.D.A. through the Aid and Trade Provision, the Study is scheduled for completion by May 1985.

It was intended by the Indonesian Government that following this, the detailed design engineering of the full Eastern Corridor would be undertaken by the U.K. Association and that full implementation involving total U.K. supply would follow at a later date, seen at that time to be 1987 onwards. However, in November 1984 the Association was approached by the Jabotabek Authority to consider, outside the existing terms of reference, the implementation of a section of line between the Cibinong Cement Complex and Citayam a location on the Central Line. This would allow P.J.K.A. the facility to deliver by rail, supplies of coal essential to the increased volume of cement production at the Cibinong complex, at the same time complying with Government Regulations to economise on domestic oil consumption.

This escalation of the implementation programme is the basis of the Associations present submissions to the U.K. Government and is considered to be extremely valuable in as much as,

- a) it allows supply of U.K. goods to be brought forward by two years.
- b) it means that such supply has timely influence on the standards to be introduced into the National System.

At the present time all relevant Ministers and Heads of Department are aware of the planned proposals, as too is the British Embassy in Jakarta. It is expected that the Head of Bappenas, Minister Sumarlin, will again approach the Ambassador, in writing, for the British Government to consider offering a financial package for the installation of the vital section of line, and that the U.K. Association for Jabotabek should head the project which could be the forerunner of many years of U.K. involvement, in railways, in the Republic of Indonesia.

Present indications are that the value of the Eastern Corridor project will be approximately £300M with the Citayam to Cibinong Cement Works section now considered for implementation having an indicative value of £30M.

29 MAR 1985

14 27 23

Imperial Chemical Industries PLC

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From **Sir Robin Ibbs**

29th March, 1985

COMMERCIAL IN CONFIDENCE

The Rt. Hon. Mrs. Margaret Thatcher, PC, MP,
Prime Minister,
10, Downing Street,
London SW1

Dear Prime Minister,

I know that you will be visiting Malaysia at Easter. I shall be there myself next week before going on to Australia on Saturday night, 6th April.

There is currently a potential Single Cell Protein Project under consideration in Malaysia based on ICI technology. Negotiations are well advanced and prospects of securing it are fairly good but the scheme is nevertheless still at a critical stage. I imagine that you will be briefed on this by the DTI or ODA. However, in view of its importance to ICI and the UK engineering industry, I attach a short note that sets out the main facts.

yours sincerely,

R.Ibbs

encl.

Imperial Chemical Industries PLC
Biological Products Business

28th March, 1985

ICI SINGLE CELL PROTEIN FOR ANIMAL FEED
TECHNOLOGY SALES INITIATIVE IN MALAYSIA

Over the past fifteen years ICI has developed technology to produce a high quality animal feed Single Cell Protein (SCP) from methanol. ICI operates its own plant (which was commissioned in 1980) in the North East of England. ICI's SCP - 'PRUTEEN' - sells in 25 countries. This development represents the World's first large scale biotechnology venture, giving ICI a World lead in large scale fermentation technology for which it received the Queen's Award for Industry in 1983.

ICI hopes to license this valuable new technology in parts of the World where protein must currently be imported, and yet gas - the feedstock for methanol production - is in abundant supply. South East Asia - and Malaysia in particular - falls into this category.

Sabah Energy Corporation (SEC) is currently commissioning a 600,000 tpa methanol plant in Sabah. However, the methanol market is depressed and SEC are known to be concerned about their short and long term ability to sell their methanol.

The ICI SCP project offers them a domestic use for one third of the methanol plant's output, as well as providing a good real projected rate of return for an agricultural project (above 15%). It would add significantly to Malaysia's production of food from its own resources and make a very significant contribution to Malaysia's balance of payments.

A detailed feasibility study has been completed on the proposed Malaysian SCP project.

The preferred contractor for the project is John Brown of the UK. ICI as licensor, and John Brown as main contractor will provide customary guarantees on plant performance. In addition, ICI would ensure that engineering, production and marketing support is provided to the project to help it achieve complete success.

The total investment required for a Malaysian SCP project is around £130m, of which approximately 70% will be spent in the UK. The provision of UK Government aid (through DTI and ODA) would increase very significantly the possibility of securing this project. (The Commonwealth Development Corporation has also indicated an interest in providing finance to the project.)

.../...

Securing this project would bring the following benefits for the UK:

1. The UK heavy engineering and process equipment sectors would benefit from the fabrication and equipment orders for the plant.
2. ICI would be assisted in retaining its World lead in fermentation technology by having an opportunity to build an SCP plant incorporating its most up-to-date technology.
3. John Brown would secure a contract to design the key parts of the plant.
4. Approval of this project would stimulate other projects in other parts of the World giving UK companies, including ICI and John Brown, the opportunity to strengthen further the UK lead in large scale biotechnology.

The benefits to Malaysia can be summarised as follows:-

1. A better than 15% real rate of return on the project.
2. Significantly increased self-sufficiency of food supplies from an abundant natural resource. (Protein imports reduced by one third.)
3. A domestic outlet for 200,000 tpa of methanol from the Sabah plant.
4. Malaysian balance of payments improved by approximately US\$70 m/pa.
5. Major entry into biotechnology. (Malaysia could become South East Asia's leader in this field as a result of acquiring this technology.)

The main judgement for Malaysia will be whether they accept the assessment of future soya prices which will govern the value of protein from this project. The feasibility study and the calculated benefits assume a strengthening of soya prices which have been very depressed for the last two years. Against their view of soya prices, they will have to balance the likely future prices they could obtain for their methanol from alternative uses. The wider the gap between soya and methanol the stronger the project.

Ferranti Computer Systems Limited

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Wythenshawe Division

From: FERRANTI PLC,
MILLBANK TOWER,
MILLBANK,
LONDON SW1P 4QS

Right Hon. Margaret Thatcher M.P.,
Prime Minister,
10, Downing Street,
LONDON, S.W.1.

29th March, 1985

Dear Prime Minister,

We very much appreciate the enormous help which you gave our company during your recent visit to China when you promoted our Chinese Word Processor. Circumstances are again upon us where we believe you could make a major contribution to a British success.

Ferranti are heavily involved in the preparation of a bid to supply a Flight Information System to the Singapore Civil Aviation Authority for Changi Airport. This is a multi-million pound project which, if achieved, following our successes in London, Zurich, Geneva and Lisbon, will keep Ferranti in the forefront of the world's suppliers of Information Technology in airport systems. We believe we can supply a very competitive tender to an authority which has always received the "British approach" with warmth and enthusiasm.

During recent weeks there has been considerable publicity concerning the application of Singapore Airlines to operate a service between Manchester and Singapore. Press comment and Singapore Airline advertisements in the British national press suggest that this application has the backing of the Singapore Civil Aviation Authority and that the subject is likely to be raised during your meeting next month with Mr. Lee Kuan Yew.

Continued.....

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FERRANTI COMPUTER SYSTEMS LTD

continuation sheet no. 1

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

date 29th March, 1985

Ferranti have several factories in the North West of England and we are actively extending our export activities in the Far East. Direct flights between Manchester and Singapore would be of considerable assistance to us as a Northern company, but in the present circumstances surrounding our bid for Changi Airport we would not like the Singapore Civil Aviation Authority to feel that they are not fairly treated in their aspirations for Singapore Airlines and Manchester Airport.

We are sure that our ongoing activities towards achieving this major Information Technology project against strong Japanese, American and European competition will be of great interest to you and would hope that a solution to the question of Singapore Airline flights into Manchester will be quickly and amicably found between the two Governments.

Yours sincerely
Basil de Ferranti.

Basil de Ferranti,
Chairman.

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

28th March, 1985.

R29

The Rt. Hon. Margaret Thatcher, F.R.S.,
Prime Minister,
10 Downing Street,
London. SW1

Dear Prime Minister.

Thank you for your letter dated 19th March about Indonesia. I have passed a brief to the Department of Trade and Industry on that situation, as well as on another major project there in which we are interested. A copy of the note on this is attached.

Having in mind that, as I understand it, you are visiting Malaysia and Singapore, I am also attaching a note on a major railway locomotive project in Malaysia, about which I hear that it is possible that you may be asked. As you will see, the problem is one that has become almost usual - our price is lower than the Japanese competition, but the Japanese Government are offering finance terms which are sufficiently easier than the British to more than offset our competitive price advantage.

I also enclose a brief note on the Singapore Metro, about which I am sure you will hear while there.

Yours sincerely,



A.A. HALL.

Encs.

THE JAMBU AYE PROJECT, INDONESIA

Jambu Aye is a multi-purpose hydro electric irrigation and water supply scheme in Northern Sumatra.

Hawker Siddeley, Tarmac and a small group of U.K. consultants led by Rendel, Palmer & Tritton formed an association to promote the scheme in conjunction with HMG.

OPF support was granted for the feasibility study which was generally to be conducted by the consultants with financial and technical support from Hawker Siddeley and Tarmac.

The first phase of the study was completed in January 1984 and has been enthusiastically received by the Indonesian authorities. The final phase of the study is now near completion and will be ready for presentation in Indonesia in early April 1985.

Hawker Siddeley involvement comprises the turnkey provision of 160MW of hydro generation plant in four units together with associated gates, valves, switchgear, transformers and control equipment. In addition, there is 130km of 150KV transmission line and two or more 150KV sub-stations and a number of pumping stations. Total value of the Hawker Siddeley part of the scheme amounts to about £70m.

The total value of the project is about £328m of which the U.K. element would be approximately £185m.

MALAYAN RAILWAYS

25 MAIN LINE LOCOMOTIVES

1. Technical Evaluation

4 contenders identified - see below.

2. Bid Price Comparison

1) Hawker Siddeley (Brush)	54,513,138 M\$
2) Mitsui/Toshiba (Japan)	60,206,335 M\$
3) Mitsubishi/Hitachi (Japan)	61,300,115 M\$
4) Alsthom (France)	63,147,027 M\$

British offer is : 11% cheaper than Japan
 16% cheaper than France

3. Finance Terms

Japan : 100% finance at 4.5% interest over
 25 years with 7 years grace period.

France : 100% finance consisting of 37% over
 30 years at 2.5% interest plus 63%
 credit at 10.7% interest over 10 years.

U.K. : 100% finance consisting of 25% grant aid
 plus 75% credit at 10.7% interest over
 10 years.

4. Net Present Value

Relating the above bid prices and credit terms, the net present values of the offers to the Malaysians are :

Japan :	31,497,000 M\$
U.K. :	35,588,000 M\$
France :	41,655,000 M\$

In order to match the Japanese finance terms, the British Government would be required to provide grant aid worth 41% of the contract value.

SINGAPORE MASS TRANSIT CORPORATION

In January 1984, Hawker Siddeley through its subsidiary Westinghouse Brake & Signal Co., was awarded the £42m contract for the signalling and automatic train operation for Phases I, IA and II covering 40 stations. The contract also covers automatic Platform Edge Screen Doors. Under a separate £5.4m contract, the company is also supplying the braking system for the Japanese built coaches. An extension to the Singapore Mass Transit Corporation system (Phase III) is under consideration by the Corporation.



CAP Group

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Telex 267152
Telecopier 01-242 5968

AAB/BAR

28 March 1985

The Rt Hon Mrs Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW1

RU

Dear Prime Minister

On the occasion of your visit to Singapore I would like to draw your attention to the successful establishment of CAP in that country.

We have focussed upon and won some substantial orders in the Financial Services markets which are growing very rapidly in Singapore. We have brought to Singapore, CAP's experience and technology and we now employ 20 local staff who are being trained in both London and Singapore.

Amongst our most recent successes, which total over US\$5 million of exports, is the securing of a contract to build Singapore's Electronic Funds Transfer Point of Sale (EFTPOS) network for the banking industry. In this we were also instrumental in obtaining a sizeable export order for Fortronics in Scotland.

CAP expects Singapore to be its regional base for further export success and we are well know to the Singapore Government's National Computer Board in matters of technical training and co-operation.

I hope this information may prove useful to you, and I wish you a pleasant and successful trip.

Kind regards.

Yours sincerely

ALAN BENJAMIN
DIRECTOR



THORN EMI

THORN EMI House,
Upper Saint Martin's Lane,
London WC2H 9ED
telephone 01-836 2444
telex Thorn London 24184/5

27th March 1985

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

*Pl. copy to
FCO & Mr Benjamin,
DTI
Ren resubmit with
SE Asia briefing.
CDI.*

Dear Mr Powell,

You kindly agreed in our telephone conversation this morning to include in the Prime Minister's papers a note on the bid by one of our companies for the contract to supply a computerised Police and Fire/Ambulance system (COP/SAFEST) to the Singapore Government.

I know that the Prime Minister's time in Singapore is very short, but any support that she could give to this British bid, which has already involved Software Sciences in considerable effort and expense and is very important to our future Technology business in South East Asia, would be greatly appreciated. The Ministry of Home Affairs, as the user, is primarily responsible for the project; supported by the National Computer Board.

*Yours sincerely,
Derek Empson*

Admiral Sir Derek Empson

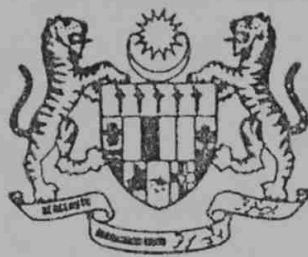
COMPUTERISED POLICE AND FIRE/AMBULANCE SYSTEM FOR SINGAPORE

Software Sciences Limited, a THORN EMI Company, has been negotiating with the Singapore National Computer Board for some 2½ years in a bid for the contract to supply a Computerised system similar to that in successful operation on Merseyside. Negotiations have been complicated by frequent changes to the specifications, but a revised tender is being submitted by 8th April, with presentations following on 16th April in Singapore.

This determined bid by a British Company using British-made equipment, is worth 12 million Singapore dollars, and if the contract can be won it would in all probability lead to similar orders in other ASEAN countries. From the Singapore point of view, it would provide an ideal vehicle for the transfer of technology to their people by which they set such store, and would encourage Software Sciences to invest in Singapore.

28 MAR 1985





CT 10/85

The High Commission of Malaysia presents its compliments to the Foreign and Commonwealth Office and has the honour to convey the following message from the Honourable Minister of Foreign Affairs, Malaysia, as Chairman of ASEAN Standing Committee to the Rt. Honourable Sir Geoffrey Howe, Secretary of State for Foreign and Commonwealth Affairs:

"Excellency,

I have the honour to transmit to your Government the enclosed ASEAN Memo to the Bonn Summit expressing the collective views of the Association of Southeast Asian Nations (ASEAN) re economic matters of great concern to them in the expectation that the views will be given serious consideration by the Summit of Industrialised Nations which will be held in Bonn, the Federal Republic of Germany, in May 1985. At the same time I would like to seek the strong support of your Government for the ASEAN views at the Summit.

I would like to inform Your Excellency that a letter with the same content has been sent to the Foreign Minister of the other participating countries.

Accept, Excellency, the assurances of my highest consideration.

(TENGGU AHMAD RITHAUDDEEN BIN TENGGU ISMAIL)
Foreign Minister of Malaysia,
Chairman, ASEAN Standing Committee"

ASEAN Memo to the Bonn Summit

1. Despite the strong economic upturn in certain industrialised countries, developing countries continue to be plagued by uncertainties caused by market inaccessibility, persistent decline in prices of many primary commodities of interest to them and unresolved debt problems.
2. For an international economic recovery to be widespread and sustained, a global, integrated and comprehensive approach to international

economic issues is essential. The relative absence of an ongoing North-South Dialogue constitutes an undesirable situation, particularly as it defies the reality of the growing relationship between economic problems and interdependence among nations. Only through global initiatives for international cooperation can solutions to the present economic problems be found and the development and revitalization of the world economy achieved.

3. The developing countries, including the ASEAN member countries rely heavily on their export earnings to maintain economic growth and social development. The countries proliferation of protectionist measures taken against exports of developing countries is a problem of pressing concern to ASEAN. Protectionism also hampers the ability of developing countries to contribute to global economic recovery. ASEAN therefore wishes to reiterate that an open international trading system is essential both to the health of the world economic and to the continuing economic dynamism of all countries. With the apparent improvement in the world economic situation it is now timely to implement effectively trade liberalization.
4. In order for a new round of multilateral trade negotiations to renew wide support, commitments undertaken at the took round as well as those undertaken at the 1982 GATT Ministerial Meeting and previous Economic Summits should be fully implemented. In negotiations for a new round of multilateral trade negotiations, emphasis should be given to issues and topics of interest to ASEAN and other developing countries. The principle of special and differential treatment for developing countries on a non-reciprocal basis should also be strictly adhered to and should not be interpreted as unfair trade practices.
5. In order to accelerate the economic recovery in both the developed and developing countries ASEAN strongly urges the developed countries to fully implement the commitments made at previous Economic Summits to a standstill and roll-back on protectionist measures.
6. With regard to falling commodity prices and hence export earnings of developing countries including most ASEAN members there is a need for constructive dialogue between producers/exporters and consumers to find joint solutions to urgent commodity related problems. This could be carried out along the lines stipulated in the integrated programme for commodities.
7. The linkage between economic growth, trade and finance is widely recognised. Large budget deficits, high real interest rates, and appreciation of a key international currency have direct repercussions on the financial situations of developing countries.

The investment capital in international financial markets which should be made available for development projects in developing countries has been seriously curtailed or is available at higher costs thereby increasing the debt burden and adversely affecting the economic development of developing countries. ASEAN therefore supports extensive discussions and urges the summit to find satisfactory solutions to redress this situation.

8. Long term solutions to the debt problem fundamentally requires that national economies, particularly of those heavily-indebted nations, grow at faster rates. This would be achieved by easing interest rates, stabilising the volatile exchange rates, sustaining the recovery in major industrialised countries and more importantly, maintaining and expanding market access for exports of developing countries. Furthermore multilateral financial institutions should provide liquidity to meet the requirements of a long term development projects in developing countries in addition to short term financing.
9. High expectations are once again generated by the summit of advanced industrialised nations. However the results of the previous summit, particularly over the questions of market accessibility and export earnings, have not fulfilled the expectations of developing countries.
10. ASEAN enjoys with each of the summit participants cooperative dialogue arrangements and shares with them certain basic social and other value. At the same time, ASEAN as a group of developing countries recognizes the necessity for the developed countries to address in a just and equitable manner the various issues facing the international economy. Statesmanship of a high order and strong political will are required and it is ASEAN's hope that the Bonn Summit will produce tangible results, which would ensure a stable and a sustained international economic growth as well as foster an international trading and financial system responsive to the needs of, and be of benefit to all nations.

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.

20th March, 1985.



Clear demonstration of the political will to revive such a dialogue between North and South, to ensure sustained economic recovery of the industrialized countries and to reactivate the development process of the developing countries, should figure highly on the agenda of the London Summit.-

FROM: Eldon Griffiths, M.P.

CONFIDENTIAL



HOUSE OF COMMONS
LONDON SW1A 0AA

20th March, 1985.

Trade with India

We spoke about this.

One current project that merits your interest and support is that for refurbishment of the Durgapur Steel Plant (DSP) built by a U.K. group with financial support from HMG in the 1950's. This DSP plant needs up-dating. The Indian Steel Authority has allotted £850 million (in rupees) to pay for the local element. The MECON (Consultancy) division of India Steel have parcelled out the work into some 40 "packages" and invited international contractors to pre-qualify to bid; and, not surprisingly, there is keen competition for the job.

British Steel (Overseas) did a feasibility study two or three years ago. A U.K. consortium (principals Davy McKee and Babcock) then submitted an aid-supported bid; but changes at the Indian Steel Ministry (and, in my view) the Government of India's distaste for the government of Bengal!) so far have stymied progress.

The project has now come to life again. Babcock International and Davy McKee are now actively seeking a large share of the work, and according to BSC (Overseas) the total FOB value of plant would amount to £250 million, if we get the business.

There is no reason why we should not do so!

Three things, I believe, would help.

1. A sophisticated financial support package. Depending upon the policy (and resources) of ECGD and anything that may be available under your aid programme, a U.K. merchant bank could, I think, put forward proposals to match, and possibly surpass, those of the competition.
2. A political approach to Natwar Singh, now the Indian Steel Minister (and a close personal friend of Swraj Paul and myself). I doubt if Natwar would be able to take a decision of this magnitude without full Cabinet support, especially from Rajiv Gandhi; but it should be possible to obtain an insider assessment of the prospects from him. Your own meetings with the Indian Commerce Minister will obviously be important, as will the Prime Minister's talks with Rajiv on her way home from Malaysia.



HOUSE OF COMMONS
LONDON SW1A 0AA

(In this connection I very much hope that the idiotic little matter of the Indira Gandhi memorial at the British Council's office on Portland Place can be tied up soon!)

3. Some coaching of the Davy-Babcock consortium on their presentation. Davy McKee ought to have the inside track, since it was they who constructed the original Durgapur plant; but in my view the scar tissue in Delhi over their previous abortive efforts on the Indian coastal steel plant is apt to be an impediment to their success on the DSP project. Far better, I suspect, to have Babcock in the lead, with Davy as junior partner (even though their part of the job - steel making plant - is the thick end of the investment). It is essential, too, that the consortium finds a strong Indian partner - not Trafalgar as originally suggested - for as much of the civil engineering as can be done at the local level.

The role of the merchant bank will also be important. I personally would recommend a change from the financial team who advised on the Coastal plant - despite the excellent job they did then.

I have no interest to declare in this business, save only in my capacity as a friend of India - and Swraj Paul; but if you would find it useful for me to have a talk with your officials, or yourself, I am at your disposal.

The Rt. Hon. Paul, Channon, M.P.
Minister of State,
Department of Trade and Industry,
1 Victoria Street,
LONDON, S.W.1.



HOUSE OF COMMONS
LONDON SW1A 0AA

With Compliments,

Eldon Griffiths, M.P.
22.3.85.

Morgan Grenfell & Co. Limited

23 Great Winchester Street
London
EC2P 2AX

Telephone: 01-588 4545
Telex: 8953511 MG LDN G
Cables: Morganfell, London

18th March, 1985

From: C. R. REEVES
Chairman and Group Chief Executive

Robin Butler, Esq.,
10 Downing Street,
LONDON S.W.1

Dear Robin,

While I was in Kuala Lumpur I saw a number of senior members of Government including the Deputy Prime Minister and the Finance Minister. I thought it worth letting you know, as I did the High Commissioner, that there does seem to be an expectation that the Prime Minister will make a substantial gesture regarding MAS London lending rights on her forthcoming visit and that the talks are likely to be very much tougher and less productive if it is not possible to make some sort of concession.

I know that you will all have had a lot on this subject but it was a universal theme with all the senior people I met.

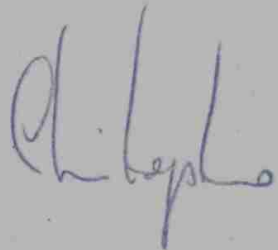
Apart from this, I found a most enthusiastic approach to the whole visit. I was also asked specifically:-

- (a) Has the British Civil Service really been reduced in numbers;
- (b) About Pensions Portability and Tax;
- (c) The Government's relationship with Nationalized Industries with regard to policy and performance.

There was a general feeling that the British were not taking advantage of the UK / Malaysian exchange rate.

I hope these comments may be of some use to you.

Yours ever,





MR Lowen -
TO SEE

10 DOWNING STREET

From the Principal Private Secretary

20 March 1985

Many thanks for your letter of 18 March. It is enormously useful. We expect to have to deal with the MAS point, but it is useful to know that the Malaysians are interested in other matters mentioned in your letter.

Christopher R. Reeves, Esq.



DEPARTMENT OF TRADE
PROJECTS AND EXPORTS POLICY
DIVISION

1 Victoria Street
London SW1H 0ET

Telex: 8811074/5DTHQG

Telephone Direct Line:
01-215

Switchboard: 01-215 7877

CV

With the Compliments of

C B BENJAMIN

The attached is in amplification
of the copy telex sent over to
you yesterday.

CS 344



PM'S VISIT TO KEDAH

We have no knowledge of any other projects within PEP and PT2 apart from the Biwater Rural Water Supply Schemes. The position here is that of the 49 schemes approved to date by the Malaysians 7 are in Kedah.

Balfour Beatty are also hoping to gain other contacts in Kedah through their joint venture.

Post have advised on other projects in the attached telex (OTTER 50), and we have requested them to provide Mr Benjamin with an update on arrival.

PEP/DTI
26 March 1985



DEPARTMENT OF TRADE
PROJECTS AND EXPORTS POLICY
DIVISION

1 Victoria Street
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Telephone Direct Line:

01-215

Switchboard: 01-215 7877

Ana Powell

With the Compliments of

C. B. BENJAMIN

CB

CS 344

85-03-26 07:49

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TO IMMEDIATE DESKBY DTI

TELEGRAM NUMBER OTTER 50 OF 26 MARCH

YOUR TELNO OTTER 59: PM'S VISIT TO KEDAH

1. SIR M McDONALD AND PARTNERS LTD IN ASSOCIATION WITH WATSON HAWKSLEY AND WATER RESEARCH CENTRE HOPE TO SECURE (IN NEXT WEEK OR SO) CONTRACT TO UNDERTAKE ADB FUNDED 'ALOR SETAR WATER LEAKAGE CONTROL PROJECT'. VALUE APPROX. £300,000.

2. WE EXPECT UK FIRMS TO PREQUALIFY FOR ADB FUNDED SUNGAI PETANI WATER SUPPLY SCHEME (MS 55.5M) BUT NO DETAILS AVAILABLE. PREQUALIFICATION DATE 2 APRIL.

3. JITRA PROJECT ASSOCIATION (A JOINT VENTURE BETWEEN TRAVERS MORGAN INTERNATIONAL AND LOCAL PARTNER) ARE JUST COMPLETING SITE SUPERVISION CONTRACT ON CONSTRUCTION OF 24 KM SECTION OF NORTH-SOUTH HIGHWAY FROM JITRA TO BUKIT KAYU HITAM (ON THAI BORDER). PROJECT COMMENCED MARCH 1981. HIGHWAY OPENED TO TRAFFIC AUGUST 1984. TRAVERS MORGAN NOW IN MAINTENANCE PERIOD (UNTIL AUGUST 1985). APPROXIMATE VALUE £700,000.

GILLMORE

MANN

8811074DTHG A B

CR



For Sec. or Mr. Luce

David Wilson
Paul Channon
Mr. Benjamin - Dir

10 DOWNING STREET

From the Private Secretary

Tim Raison - ODA
John Verker - ODA

A. Adair.

Nick Ridley (or substitute)
to cover Malaysian

Air services.

CDP

for East Trip

Briefing meeting

P. Gault - if he
PERB wants

I have bloused out

11.00 on wed

3 April for 1 1/2 hrs.

Who do you

want invited?

CR



10 DOWNING STREET

CF

arranged p.

1600 ^{on}
wed 3 April

CR

2213