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3rd April 1985

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

Dear Mr. Powell,

MALAYSIA

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

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

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

These were:-

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

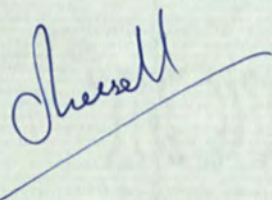
and

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

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

Yours sincerely,

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

COLIN RUSSELL
Head of Marketing
Far East & Australasia

3 APR 1985



PHOTOCOPIER

