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Foreign and Commonwealth Office

London SW1A 2AH

3 April, 1985

Dear Charles,

Prime Minister's Visit to Asia: Briefing

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

Malaysia (Country Brief C i)

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

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

Singapore (Country Brief C ii)

Updated to reflect the resignation of President Nair

Indonesia (Country Brief C iv)

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

Sri Lanka

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

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

/India

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India

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

Briefs for Officials

These have been amended as follows:

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

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

Yes over,
P F Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street



From: Michael Morris MP Northampton South

VISIT TO INDONESIA

12th - 17th January, 1985

Background

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

Meetings

During my stay in Jakarta I had formal meetings with :

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

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

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

Foreign Minister: Prof. Dr. Mochtar Kusumaatmadja

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

British Ambassador: H.E. Alan Donald

Harrisons & Crosfield: G. Browne

Belawan Harbour management.

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

Dr. J.C. Blackwell



Assessment

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

Attitude

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

Development Finance

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

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



Opportunities

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

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



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

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

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

Conclusion

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



From: Michael Morris MP Northampton South

VISIT TO SRI LANKA

5th - 12th January 1985

Meetings

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

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

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

Hon. Lalith Athulathmudali - Minister of National Security

Hon. A. de Alwis - Minister of State

Hon. G. Jayasuriya - Minister of Agricultural Research

Hon. Festus Perera - Minister of Fisheries

Dr. Tiruchelvan - Former MP and member of TULF

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

Observations

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

(1) All Party Conference

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



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

(2) Terrorist Groups

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

(3) India

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

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

(4) Armed Forces

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



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

(5) Human Rights

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

(6) Economy

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

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

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

(7) Aid

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



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

(8) Tamil Problems

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

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

Future

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



From: Michael Morris MP Northampton South

Sri Lanka - Aid Programme

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

Background

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

Samanalawewa

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

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

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

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

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

Question:

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

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

Britain	£60M
France	£55M
Japan	£55M



ii. British Finance to be :

ODA design engineering : £9M over 5 years

ATP : £12M

Private sector finance : £39M
with ECGD cover

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

The point of contact in the UK is :

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

01 684 6922

04 APR 1985

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FM CABINET OFFICE
TO AIRBORNE 002 IMMEDIATE
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AIRBORNE TELEGRAM NUMBER 002

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

GREENFINGERS

GRS 00100
NNNN

08036 FFNRE

E. R.

04 APR 1985

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

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

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

Percy Thrower to you.

TOD 04/1420

NR 003

D.T.F. 04/1400

TOR 04/1236

04 APR 1985

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FM CABINET OFFICE

TO AIRBORNE 1 IMMEDIATE

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RESTRICTED

TELEGRAM NUMBER AIRBORNE 001

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

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

ANY MORE FOR GARDENERS' QUESTION TIME?

GRS 00100

NNNN

E. R.

04 APR 1985
04 APR 1985

FOR FLESHER, 10 DOWNING STREET, FROM POWELL

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

D.T.G. 04/1105 ≠ NR002
10D 04/1109 ≠

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041105Z APR 85

FM AIRBORNE

TO CABINET OFFICE 002 IMMEDIATE

BT

~~SECRET~~

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

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

BT

GRS 00080

NNNN

Mr Powell

I have delivred
to Jim Wightman
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Bumbe Leaps

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10 DOWNING STREET

From the Private Secretary

1 April 1985

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

C D POWELL

The Rt Hon Sir Michael Palliser, GCMG



liti SS

10 DOWNING STREET

From the Private Secretary

1 April 1985

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

C D POWELL

Callum McCarthy Esq
Department of Trade and Industry

SM



file SM

10 DOWNING STREET

From the Private Secretary

1 April 1985

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

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

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

C D POWELL

Callum McCarthy Esq
Department of Trade and Industry

SM



10 DOWNING STREET

From the Private Secretary

1 April 1985

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

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

(C.D. Powell)

David Ginsburg, Esq.

CCMS

BRADBURY, WILKINSON P.L.C.

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

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



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

Our Ref: BJW/JMM

1st April 1985

Dear Mr. Powell,

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

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

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

Yours sincerely,

P.P. B.J. Wauters





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01 APR 1985

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MISSAH ENGLAND
NEW WINDERS PARK
502 BURLINGTON ROAD

BRADBRILL WILKINSON PCC

SPRING
BLOS
LETON 410
BRADBRILL WILKINSON PCC
ATTENTION DIRECTOR
OF POLICE (IN CHARGE)
LETON 410