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10 DOWNING STREET

copied to
UK/Ind Relations
INDIA Pt 4.

From the Private Secretary

15 April 1985

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ACT 2000

Dear Len,

Prime Minister's Visit to South-East Asia, Sri Lanka, India
and Saudi Arabia

There are a number of points arising from the Prime Minister's visits which need to be followed up. The main ones are:

(i) Malaysia We need to ensure that pressure is maintained on Dr. Mahathir for the early removal of the discriminatory tax concessions in favour of Malaysian Airway System. It is important that this should be pursued multilaterally, either through the Board of Airline Representatives or by joint diplomatic representations by the Governments affected, rather than bilaterally.

Dr. Mahathir accepted the Prime Minister's invitation to visit the United Kingdom next year. We need in due course to consider dates. We also need to consider Dr. Mahathir's suggestion, which the Prime Minister favours, that there should be more contacts between British and Malaysian Ministers.

A number of points were raised in discussion with Dr. Mahathir and his Ministers about trade with the EC, notably quotas for plywood and review of the GSP. We shall need to take these into account.

(ii) Brunei Although the Prime Minister's discussions with the Sultan were once more cordial, it was clear that the Sultan is no nearer decisions on a number of key issues, notably conclusion of a Defence MOU or the management of Brunei's funds. [REDACTED]

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[REDACTED] I should be grateful for advice.

(iii) Indonesia The main question here concerns the terms of our aid. It would be helpful to see

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recommendations from the ODA on this, in the light of Mr. Vereker's discussions in the margins of the visit.

The Prime Minister agreed with Dr. Habibie (Minister of Technology) that we would give further consideration to concluding a science and technology agreement with Indonesia, with the aim of having a draft ready for signature by the time of Dr. Habibie's visit to the United Kingdom in June.

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(iv) Sri Lanka There are several points for action here. On the Tamil problem, the Prime Minister asked President Jayewardene to let her have further material to illustrate, in particular, the firm action which he claimed that his Government was taking to punish indiscipline in the security forces. The High Commissioner will want to ensure that we receive this. Following her subsequent discussions with Mr. Gandhi, the Prime Minister would also want us to encourage the Sri Lanka Government to respond to Mr. Gandhi's ideas on parallel steps by India and Sri Lanka to reduce tension.

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The Prime Minister promised to look into allegations that Tamil organisations in the United Kingdom were raising funds to purchase arms for terrorists. We shall need to let President Jayewardene have a reply on this.

As agreed in EX, the Prime Minister avoided any commitment to provide ATP for the Samanala Wewa dam project, but agreed to consider the case on her return to London. There are to be further discussions between Mr. Raison and the Sri Lanka Minister of Finance today. We need the ODA's full evaluation of the project before the issue is returned to EX for a decision. The Prime Minister would want the evaluation to be conducted and completed as rapidly as possible.

Two further issues were raised: OCL's share of container trade with Sri Lanka, on which the Prime Minister said that the Sri Lanka Government's offer was inadequate; and Air Lanka's wish to transfer its services from Gatwick to Heathrow. It was agreed that both would be pursued through the High Commissioner.

(v)

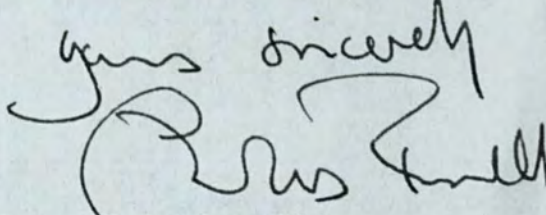
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(vi) Saudi Arabia King Fahd appeared to want to take up later this year the invitation to him to pay an official visit. We shall need to consider dates.

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(vii) Commercial Prospects The Prime Minister discussed both sectors of interest to British firms and particular contracts in Malaysia and Indonesia. It would be helpful to have a note from Mr. Benjamin on the follow-up action required.

I am copying this letter to John Mogg (Department of Trade and Industry), Richard Mottram (Ministry of Defence), Hugh Taylor (Home Office), Richard Allan (Department of Transport), Richard Broadbent (Chief Secretary's Office), Michael McCulloch (ODA) and Richard Hatfield (Cabinet Office).

Yours sincerely

(C.D. Powell)

L.V. Appleyard, Esq.,
Foreign and Commonwealth Office.