



052117

cc: DTI

10 DOWNING STREET

From the Private Secretary

6 May 1985

Dear Mr. Russell,

Thank you for briefing me in your letter of 3 April for the Prime Minister's visit to Malaysia.

You will have seen that the air-services problem was resolved and we secured a clear assurance from Dr. Mahathir that British companies would be given full and fair treatment in future. In their discussions, the Prime Minister and Dr. Mahathir noted Aerospace as a potential field of co-operation, and Mr. Benjamin of the Projects Division in DTI subsequently met Malaysian procurement officials.

As you recognise, the Malaysian Government is concerned to establish its own capability for participating in the manufacture of Aerospace products and in their continuing maintenance and support. Your collaboration and understanding with AIM is therefore likely to be a crucial first step. I hope that you will now be able to follow up discussions on both the 146 and Rapier, though the Hawk production sharing does seem to be rather later in terms of feasibility.

Yours sincerely

Charles Powell

Colin Russell, Esq.

052

292AHT

DRAFT REPLY FOR PS/PRIME MINISTER TO SEND TO:

Colin Russell Esq  
Head of Marketing  
Far East and Australasia  
British Aerospace plc  
Richmond Road  
KINGSTON UPON THAMES  
Surrey  
KT2 5QS

Thank you for briefing me in your letter of 3 April for the Prime Minister's visit to Malaysia.

You will have seen that their-services problem was resolved and we secured a clear assurance from Dr Mahathir that British companies would be given full and fair treatment in future. In their discussions, the Prime Minister and Dr Mahathir noted Aerospace as a potential field of cooperation, and Chris Benjamin. of the Projects Division in DTI subsequently met Malaysian procurement officials.

As you recognise the Malaysian Government is concerned to establish its own capability for participating in the manufacture of Aerospace products and in their continuing maintenance and support. Your collaboration and understanding with AIM is therefore likely to be a crucial first step. I hope that you will now be able to follow up discussions on both the 146 and Rapier, through the Hawk production sharing does seem to be rather later in terms of feasibility.

*Chris Benjamin*

JH3BQI

**British Aerospace**  
PUBLIC LIMITED COMPANY

②

**Aircraft Group**  
**HEADQUARTERS**

Richmond Road  
Kingston-upon-Thames  
Surrey KT2 5QS

CR/sjs/R016

Telephone: 01-546 7741  
Telegrams: Britair Kingston-upon-Thames  
Telex: 23726

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.

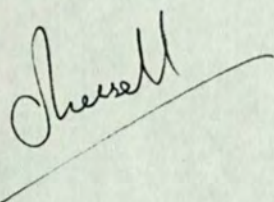
and

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.~~

cont'd.../2

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 cursive script, appearing to read "Russell", is written above a horizontal line.

COLIN RUSSELL  
Head of Marketing  
Far East & Australasia