

CONFIDENTIAL*Malaysia*

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FM FCO 291845Z OCT 81
TO ROUTINE SINGAPORE
TEL NO 241 OF 29 OCTOBER 1981
INFO ROUTINE KUALA LUMPUR

mf

MALAYSIAN DISCRIMINATION AGAINST BRITISH COMPANIES.

PLEASE PASS FOLLOWING TO BENTLEY ON ARRIVAL:

1. ALTHOUGH THE FREQUENCY AND TONE OF MAHATHIR'S UTTERANCES TO THE MEDIA ARE MAKING THIS INCREASINGLY DIFFICULT, I CONCLUDE THAT WE MUST FOR THE TIME BEING SEEK TO DEAL WITH THIS PROBLEM BY DIPLOMACY.

2. IN THIS CONTEXT, THE MOST IMPORTANT POINT TO BRING HOME TO THE MALAYSIAN GOVERNMENT IS THAT ANY BOYCOTT DIRECTED AGAINST BRITISH COMPANIES MUST DAMAGE GOVERNMENT - TO - GOVERNMENT RELATIONS. MAHATHIR HIMSELF MUST SURELY REALISE THIS (MR NOTT PUT IT CLEARLY TO HIM WHEN THEY MET ON 5 OCTOBER), BUT IT MAY BE COUNTER - PRODUCTIVE TO CONFRONT HIM TOO BLUNTLY WITH A PROPOSITION THAT HE MIGHT CHOOSE TO MISINTERPRET AS A THREAT RATHER THAN AS AN INESCAPABLE POLITICAL REALITY.

3. BEARING THESE CONSIDERATIONS IN MIND, YOU SHOULD TAKE WHATEVER OPPORTUNITIES PRESENT THEMSELVES TO GET OVER TO THE MALAYSIAN MINISTERS (AND SENIOR OFFICIALS) THE MESSAGE THAT:

A) BRITISH MINISTERS HAVE NOTED THAT THE PRESENT PROBLEM IS SAID TO LIE BETWEEN THE MALAYSIAN GOVERNMENT AND BRITISH BUSINESS AND THAT THE GOVERNMENT - TO - GOVERNMENT RELATIONSHIP REMAINS UNAFFECTED:

B) BRITISH MINISTERS ARE GLAD TO KNOW THAT THERE ARE NO MATTERS OF CURRENT (AS OPPOSED TO PAST) DIFFICULTY:

C) THE FACT IS HOWEVER THAT IF BRITISH FIRMS ARE IN FACT FACED WITH EFFECTIVE BOYCOTT OF THEIR BIDS FOR GOVERNMENT ETC. CONTRACTS, IT WILL NOT BE POSSIBLE FOR THE WIDER RELATIONSHIP TO REMAIN UNTOUCHED:

D) WHEN FRIENDS RUN INTO DIFFERENCES OR MISUNDERSTANDINGS THE RIGHT THING TO DO IS DISCUSS THEM FRANKLY BUT PRIVATELY AND TRY, TOGETHER, TO RESOLVE THEM.

4. THERE IS THE SEPARATE BUT RELATED QUESTION OF WHAT TO SAY TO THE MALAYSIANS ABOUT MY PROJECTED VISIT TO MALAYSIA IN EARLY FEBRUARY. I HAVE NATURALLY MENTIONED THIS IN GENERAL TERMS TO GHAZALI AND THE DEPARTMENT ARE IN PROCESS OF ARRANGING FOR DATES TO BE SUGGESTED TO THE OTHER FOUR ASEAN GOVERNMENTS. TO SAY NOTHING TO THE MALAYSIANS WOULD SEEM TO RUN THE RISK OF MISUNDERSTANDING. ON THE OTHER HAND, TO

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PROPOSE DATES FOR A VISIT BLANDLY AS THOUGH NOTHING WERE CURRENTLY
AMISS MIGHT STRIKE THE MALAYSIANS AS INSENSITIVE. I SHOULD BE
GRATEFUL IF YOU WOULD BROACH THE MATTER AT WHATEVER LEVEL AND IN
WHATEVER TERMS YOU THINK BEST CALCULATED TO PRODUCE A CONSTRUCTIVE
RESPONSE.

5. INSTRUCTIONS ON YOUR LINE TO TAKE WITH MEDIA ON RETURN TO KUALA
LUMPUR (IF PRESSED) AND ON ADVICE TO BUSINESSMEN ARE IN MY TWO
IMMEDIATE FOLLOWING TELEGRAMS.

CARRINGTON

MALAYSIA TRADE DISCRIMINATION

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