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DESKBY 251000Z
FM KUALA LUMPUR 250900Z OCT 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 412 OF 25 OCTOBER

cc: PM Tows.
Possible visit to
Malaysia July '85
ms

? cc No 10.

YOUR TELNO 309: CALL ON DR MAHATHIR.

SUMMARY.

1. I SPENT 40 MINUTES WITH THE PRIME MINISTER THIS MORNING. HE WAS COURTEOUS, EVEN AFFABLE, THROUGHOUT. I GAVE HIM THE PRIME MINISTER'S LETTER ACCEPTING HIS INVITATION TO VISIT MALAYSIA AND INFORMED HIM OF OUR AGREEMENT IN PRINCIPLE TO HAND BACK CARCOSA IN EXCHANGE FOR THE JALAN AMPANG SITE. WE ALSO DISCUSSED THE PROSPECTS FOR BRITISH INVESTMENT IN MALAYSIA AND FOR INCREASED ANGLO-MALAYSIAN TRADE FOLLOWING LORD JELLICOE'S VISIT.

PRIME MINISTER'S VISIT.

2. DR MAHATHIR WAS CLEARLY PLEASED AT THE PRIME MINISTER'S ACCEPTANCE. HE SAID MRS THATCHER WOULD ALWAYS BE WELCOME IN THIS COUNTRY AND HE LOOKED FORWARD TO RECEIVING HER. HE SUGGESTED THAT NO ANNOUNCEMENT SHOULD BE MADE FOR THE TIME BEING BUT HOPED THAT IT WOULD BE POSSIBLE TO COME TO AN AGREEMENT ON APPROXIMATE TIMING FIRST. HE PERSONALLY WOULD WELCOME A VISIT IN THE FIRST QUARTER OF 1984. I SAID THAT THE PRIME MINISTER'S PROGRAMME WAS UNDOUBTEDLY VERY FULL, AS WAS HIS OWN. I UNDERTOOK TO CONTINUE DISCUSSIONS ON TIMING WITH THE MFA. (COMMENT: GRATEFUL FOR EARLY GUIDANCE ON THIS).

CARCOSA.

3. I SPOKE TO THE PRIME MINISTER ON THE LINES OF YOUR TELNO 311 BUT DID NOT REPEAT NOT LEAVE AN ANDE MEMOIRE. I EXPLAINED THAT THERE WAS A GOOD DEAL OF DETAIL YET TO BE SORTED OUT. THIS INCLUDED SITE SURVEY, APPROPRIATE PLANNING CONSENT FOR THE JALAN RITCHIE SITE, THE HOUSING OF STAFF FROM JALAN RITCHIE, PLANNING CONSENT FOR COMMERCIAL DEVELOPMENT OF THE CONSULAR SITE AND THE ADAPTATION OF THE DHC'S HOUSE AS A NEW RESIDENCE.

4. DR MAHATHIR WARMLY WELCOMED OUR DECISION IN PRINCIPLE TO RETURN CARCOSA AND WAS EQUALLY ENTHUSIASTIC ABOUT OUR PLANS TO BUILD A NEW HIGH COMMISSION ON THE JALAN AMPANG SITE. INDEED HE SAID THAT THESE DECISIONS WOULD BE WELCOMED BY ALL MALAYSIANS. AS REGARDS TIMING, HE SAID IT WAS THE DECISION THAT WAS IMPORTANT NOT ITS IMPLEMENTATION. THE MALAYSIAN GOVERNMENT WOULD BE AS HELPFUL AS POSSIBLE IN ALLOWING US TIME TO CARRY THROUGH THE RE-ORGANISATION OF OUR ESTATE. HE AGREED READILY THAT I SHOULD CONTINUE DISCUSSIONS ON THE DETAIL WITH TAN SRI HASHIM, SECRETARY GENERAL TO THE GOVERNMENT WHO, HE SAID, HAD KEPT HIM INFORMED OF DEVELOPMENTS IN THE PAST. I SAID THAT I WOULD OF COURSE AS A MATTER OF COURTESY WISH TO SPEAK TO TUNKU ABDUL RAHMAN BEFORE ANY ANNOUNCEMENT WAS MADE. DR MAHATHIR SAID THAT THIS WAS QUITE RIGHT AND PROPER. BUT MUSA HITAM HAD IN FACT ALREADY MENTIONED THE MATTER TO THE TUNKU AND THE LATTER HAD EXPRESSED HIS UNDERSTANDING.

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5. COMMENT: THE NEXT STEP THEREFORE IS FOR ME TO GO OVER THE DETAILS WITH HASHIM. IT IS VITALLY IMPORTANT THAT WE SHOULD HAVE A CLEAR UNDERSTANDING WITH THE MALAYSIANS ABOUT THE CONDITIONS UNDER WHICH THE RETURN OF CARCOSA WILL TAKE PLACE. IN ADDITION TO THE QUESTION OF PLANNING PERMISSION FOR THE JALAN RITCHIE AND CONSULAR SITES WE NEED, AS WE UNDERSTAND IT, A TECHNICAL SURVEY OF THE PROPOSED HIGH COMMISSION SITE. IN THE IMMEDIATE VICINITY THE AMERICANS FOR EXAMPLE HAVE RUN INTO CONSIDERABLE, AND EXPENSIVE, DIFFICULTIES DUE TO THE EXISTENCE OF DISUSED TIN MINES BENEATH THE SURFACE. THE PROPER RE-HOUSING OF STAFF PRESENTLY LOCATED ON THE JALAN RITCHIE SITE IS OF COURSE ALSO ESSENTIAL.

ECONOMIC/COMMERCIAL RELATIONS.

6. I TOLD DR MAHATHIR THAT WE HAD BEEN PLEASED BY THE RECEPTION GIVEN TO LORD JELICOE AND HIS COLLEAGUES. THIS HAD BEEN THE MOST HIGH POWERED MISSION OF ITS KIND THAT I HAD SEEN AND IT HAD BEEN FOCUSED SPECIFICALLY AND SOLELY ON MALAYSIA. BRITISH INDUSTRY NOW HAD A FAR BETTER UNDERSTANDING OF THE OBJECTIVES OF THE NEW ECONOMIC POLICY AND WERE KEEN TO WORK WITH THE MALAYSIANS TO CONTRIBUTE TOWARDS THEIR ACHIEVEMENT. I HAD BEEN IMPRESSED BY THE ENTHUSIASM AND INTEREST SHOWN, NOT ONLY DURING THE JELICOE VISIT, BUT ALSO IN THE COURSE OF MY CALLS ON BRITISH INDUSTRY AND IN THE CITY BEFORE I LEFT LONDON. MAHATHIR SAID HE WAS ENCOURAGED TO HEAR THIS. HE THOUGHT THE WAY WAS NOW OPEN FOR MORE CONSTRUCTIVE AND BENEFICIAL RELATIONS. TWO-WAY TRADE WAS IMPORTANT IN MALAYSIA. THE COUNTRY HAD TO SELL ABROAD AS WELL AS BUY ABROAD. HE SAID THAT JAPANESE AND KOREAN COMPANIES HAD BEEN TOLD THAT THIS WAS NOW A SINE QUA NON FOR INCREASED ECONOMIC ACTIVITIES HERE. HE THOUGHT IN PARTICULAR THAT THERE WAS GREATER ROOM FOR THE INVOLVEMENT OF SMALL AND MEDIUM SIZE COMPANIES IN THE MALAYSIAN MARKET. SOME OF THE JAPANESE CORPORATIONS WERE TOO BIG AND FOUND IT HARD TO THINK OR OPERATE AT THE MALAYSIAN LEVEL. I TOLD DR MAHATHIR THAT A LARGE NUMBER OF BRITISH TRADE MISSIONS WOULD BE HERE IN THE NEXT SIX MONTHS. IN MANY CASES, EG WITH CHAMBER OF COMMERCE MISSIONS, SMALL AND MEDIUM SIZE COMPANIES WERE INCLUDED. WE WERE ALSO EXPECTING A VISIT BY THE BRITISH AGRICULTURAL EXPORT COUNCIL: MANY OF THE FIRMS INVOLVED HERE WERE OF A SCALE WHICH SEEMED TO ME IDEALLY SUITED TO THE MALAYSIAN MARKET.

ROYAL NAVAL VISIT.

7. I TOLD DR MAHATHIR OF THE VISIT OF HMS INVINCIBLE YESTERDAY AND SAID THAT I THOUGHT OUR MALAYSIAN GUESTS, INCLUDING THE DEPUTY DEFENCE MINISTER, HAD FOUND THEIR DAY ON BOARD BOTH ENJOYABLE AND REWARDING. DR MAHATHIR SAID HE WAS SORRY NOT TO HAVE BEEN ABLE TO JOIN US. I SAID THAT THE FLOTILLA WOULD BE BACK IN THE SECOND WEEK IN MARCH AND WE HOPED VERY MUCH THAT DR MAHATHIR WOULD AGREE TO VISIT THE SHIPS, PARTICULARLY AS THEY WOULD BE AT THAT TIME CONDUCTING EXERCISES WITH THE MALAYSIAN ARMED FORCES. DR MAHATHIR TOOK NOTE BUT DID NOT AGREE ON THE SPOT. I SAID THAT WE WOULD CONTINUE TO BADGER HIM ABOUT THIS AS THE PROGRAMME FOR THE VISIT MATERIALISED.

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8. IT WAS INTERESTING THAT THE PRIME MINISTER DID NOT RAISE ANY OF THE MORE CONTENTIOUS ISSUES. THERE WAS NO MENTION OF THE BANK BUMIPUTRA AFFAIR, (MY TELNOS 408, 409 AND 411) ALTHOUGH THIS IS CLEARLY MUCH ON HIS MIND. NOR DID HE REFER TO THE ISSUE OF STUDENT FEES, THE MALAYSIAN PROPOSAL FOR A CONFERENCE ON PALESTINE OR THEIR INITIATIVE ON FAVTARCTICA AT THE UN. I TOLD DR MAHATHIR THAT I HOPED VERY MUCH THAT HE WOULD NOT HESITATE TO LET US KNOW IF THERE WERE PROBLEMS AHEAD IN OUR RELATIONSHIP. THIS HE PROMISED TO DO AND SAID HE WOULD GET IN TOUCH WITH ME PERSONALLY IF NECESSARY. FOR THE PRESENT HE THOUGHT THAT DIFFICULTIES WERE BEHIND US. WE BOTH AGREED THAT WE NEEDED NOW TO LOOK TO THE FUTURE AND TO THE ESTABLISHMENT OF A MORE HEALTHY AND CONSTRUCTIVE RELATIONSHIP.

COMMENT.

9. SO FAR SO GOOD. IT WAS USEFUL TO HAVE THIS OCCASION TO ESTABLISH A PERSONAL CONTACT WITH DR MAHATHIR. BUT, HOWEVER WARM AND FRIENDLY HE IS ON SUCH OCCASIONS, WE CAN NEVER EXCLUDE THE POSSIBILITY THAT, SOMEWHAT BELEAGUERED AS HE IS WITH THE BANK BUMIPUTRA AFFAIR AND THE ISSUE OF THE CONSTITUTIONAL AMENDMENTS (MY LETTER OF 19 OCTOBER TO DONALD), HE WILL LASH OUT IN OUR DIRECTION WHEN HIS BACK IS TO THE WALL. HIS COMMENTS LAST WEEK ABOUT OUR CONDUCT OF THE NEGOTIATIONS WITH CHINA OVER HONG KONG ARE BOTH AN EXAMPLE AND A CAUTION.

GILLMORE

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MR GIFFARD
MR DONALD

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