



10 DOWNING STREET

*From the Private Secretary*

30 May 1984

MALAYSIA

The Prime Minister read with interest your Minister's minute of 22 May about his recent visit to Malaysia.

A. J. COLES

Neil McMillan, Esq.,  
Department of Trade and Industry.



PRIME MINISTER

Prime Minister.

A.S.C.  $\frac{29}{5}$

MALAYSIA

I have recently returned from Malaysia where I led a Trade Mission, and as you will be going there in September you may welcome my views.

1. Dr Mahatir is very firmly in control and his personality and strength adds a lot to the stability of the country. During my visit he was being asked by the various groups of Chinese politicians who are in disarray to resolve their problems - a clear indication of his pre-eminence.
2. The bad phase of "Buy British last" is over. Your meeting with him in Downing Street was crucial in healing the breach. However there are still some sensitivities. I hope that the Carcosa issue will be resolved before your visit.
3. Our recovery is also due to a much more professional approach by British companies. The old condescending and indolent period of the Dunlop and Guthrie companies has come to an end. British companies are now fighting on their merits and doing it very professionally. David Gillmore, the High Commissioner, said that over the last year the number of visiting British businessmen has doubled. British investment in Malaysia is increasing and currently is just ahead of the Japanese.
4. I detected a strong anti-Japanese feeling: Malaysians are taking the view that "the Japanese buy our wood, our rubber, our cocoa and sell us their cars - they don't really invest and transfer technology". In the other Asean countries I visited there is also a growing hostility to Japanese economic imperialism. Our trump card is that British companies really do transfer technology and are keen to train Malaysians.
5. The economy is growing at about 4% a year but there are balance of payment problems. The budgets of all Government Departments have been cut and the free and easy days of big projects are over. This is all for the good.
6. There are three projects which may be ready for your visit.

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- a) A small dam project in Dr Mahatir's home state. Balfour Beatty are principally involved in this project which will cost about £25M. David Gillmore is very keen on this and sees symbolic importance in you going to the site with Dr Mahatir.
- b) A water project by Biwater Shellabear for the conservation of rain water, the discovering of new land sources and purification. A free costed survey (not a feasibility study) was accepted by the Malaysian Government at a cost of £1M. This could lead to a £250M project. Ministers and members of the Prime Minister's Department all stressed how important this project was - it is a real return to basic development needs. This is by far the biggest project in the offing in Malaysia. Biwater Shellabear are world leaders in this technology. The survey may just be completed by September.
- c) I gave some Acorn computers to Malaysian schools. This may be followed up by establishing a software writing unit at one of their technical colleges. This could write programmes in Malay, a step which is technologically and symbolically important.
7. They are looking forward very much to your visit and you will find our relations improving. You will find British business much more optimistic and professional.

*KenB.*

KENNETH BAKER  
22 MAY 1984

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