



Foreign and Commonwealth Office

London SW1A 2AH

26 June 1985

ESP
26/6

Dear Charles,

Prime Minister's Reception for British/Malaysian Society:
27 June

I enclose a brief list of conversation points for the Prime Minister's use at the reception she is to give on 27 June for the British/Malaysian Society and their Malaysian guests. I also enclose a background note on the Societies prepared by the Secretary of the British/Malaysian Society, and personality notes.

The air services issue remains the only significant bilateral problem. Mr Ridley's letter of 20 June to the Prime Minister set out recent developments. The Prime Minister will know of the strong feelings expressed by some British companies (Bewater Shellabear, Hawker Siddley and Taylor Woodrow) that the Malaysians appear once again to be seeking to link it with important commercial contracts.

The only significant political development in Malaysia since the Prime Minister's visit was the recent surprise defeat of the Chief Minister of Sabah, Datuk Harris Salleh and his ruling (Malay) party by Datuk Pairin and his Kadazan Party (the largest single racial group in Sabah), the PBS. The political situation in Sabah is now tense and future stability in the State will depend on the extent of cooperation afforded Pairin by the Federal Government which has only grudgingly recognised his victory.

During his private visit to Britain in April, Dr Mahathir made a speech at Trinity College, Oxford, and in May he was interviewed on the BBC's phone-in programme "It's your World". Dr Mahathir, the first ASEAN leader to have appeared on the programme, performed reasonably well, although he only rather grudgingly conceded that UK/Malaysian relations had been helped by Mrs Thatcher's visit.

Yours ever,

(P F Ricketts)
Private Secretary

Peter Ricketts

C D Powell Esq
10 Downing Street



PRIME MINISTER'S RECEPTION FOR BRITISH/MALAYSIAN SOCIETY, 27 JUNE

CONVERSATION POINTS

1. Greatly impressed by dynamism, friendliness I found throughout Malaysia. Long remember visit to Housing Project.
2. Most useful talks with Dr Mahathir. Augurs well for future of UK/Malaysian relations. Both sides have worked hard to achieve this. Must keep up the pace. Not allow individual issues to get in the way.
3. Our economic philosophies have much in common. Visits to Kedah, International Expo '85, lunch with Malaysian businessmen gave good opportunities to promote British trade, technology and investment.
4. Paul Channon now following up. In Malaysia next week. British companies keen to take up challenge.
5. Bilateral trade figures, first quarter 1985 promising. Malaysian exports to UK up 45%; our exports up 15%.

Projects

6. Britain well placed to renovate rail system. Our firms highly competitive. Paul Channon will be pursuing this.
7. Ingersoll Engineering hope to be involved in foundry machine shop for Malaysian car project.
8. Many other areas: rural water supply (Biwater Shellabear); Railbus (visited in Kuala Lumpur); optical fibre communications (GEC/STC).

/Invisibles



Invisibles

9. Keen to help Malaysia over invisibles deficit. Have provided adviser for Investment Development Authority. Invisibles trade mutually advantageous; Malaysia benefits from our investment, transfer technology and training packages.

Students

10. Students at heart of our relations. Vital our young people meet. More than 1,000 Malaysian students here on UK Government grants. I announced extra £1.75 million grant in Kuala Lumpur.

Visits

11. Dr Mahathir and I keen for more Ministerial exchanges. Malaysian Ministers of Education, Agriculture and Defence here recently. Paul Channon visiting Malaysia. Michael Jopling, going in November.

British/Malaysian Society - Malaysian/British Society Meeting

12. Societies have vital role to play in boosting relations. Cannot just be left to governments. Proposals discussed at your meeting?



FACT SHEET

MALAYSIA (FEDERATION)

DEMOGRAPHY

Population: 14.8 million (mid-1983 estimate)
Population Increase: 2.2% (1980)
Religion: Islam
Language (official): Bahasa (Malay)

GEOGRAPHY

Area: 329,749 sq kms
Capital: Kuala Lumpur

GOVERNMENT

Government: Federal (with bicameral legislature)
Ruling Party: UMNO (The United Malays National Organisation)
Head of State: The Yang di-Pertuan Agong
Prime Minister: Dr Mahathir Mohamed

ECONOMY

Basis: Commodities: Agriculture and semi-manufactures
Gross Domestic Product: US \$29,070 million (1983)
Per capita income: US \$1,964 (1983)
Inflation: 3.7% (1983)

TRADE

Total exports: US \$14,135 million (1983)
Total imports: US \$13,368 million (1983)

TRADE WITH BRITAIN

Exports to Britain: £320.3 million (1984)
Imports from Britain: £283.3 million (1984)

BRITISH AID

Capital Aid: Nil
Technical Cooperation: £1.3 million (1983)
CDC loans: £0.9 million (1983)
ATP: £0.8 million (1983)

March 1985



Malaysia: Oil and Gas Profile

1. Not a member of OPEC. Attended the December 1984 and January 1985 OPEC meetings as an observer. After the December meeting, Malaysia announced a cutback of 40,000 bd from their projected 1985 production of 440,000 bd.

2.

Oil

Production:	1983	365,000 bd
	1984	400,000 bd
Exports:	1984	350,000 bd (compare UK 1.6 mbd (1 mbd net of imports).
Reserves:		3 billion barrels: about 20 years at current production: (compare UK 13 billion barrels, about 15 years at current production).
Refining Capacity:		207,000 (compare UK 2.0 mbd)
Companies:		State oil company is Petronas. Shell (Sarawak Shell and Sabah Shell) have a production- sharing contract with Petronas (about 170,000 bd). Esso produce about 130,000 bd.

Natural Gas

Production	1984	86 billion cubic feet.
Reserves		4.9 trillion cubic feet: over 100 years at current production (compare UK 25 trillion cubic feet): about 21 years at current production

3. The gas export scheme is owned by Petronas 65%; Shell 17.5% and Mitsubishi 17.5%. Sales are on a 20 year contract to Japanese utility companies.



Background

1 No major projects have been awarded to the UK since the Prime Minister's visit. However, British firms are working very hard to win new business. The Prime Minister may wish to be reminded of the major projects which British firms are pursuing:

- i) Upgrading of Malaysia's rail system (Davy, BRE, Taylor Woodrow, Wimpey and Balfour Beatty).
- ii) Rural water supply (Biwater Shellabear).
- iii) Optical fibre communications network (GEC/STC).
- iv) Railbus (BREL/BL).
- v) Cross braced bogies (BREL).
- vi) Locomotives (Brush).
- vii) Foundry machine shop complex for Malaysia's car project (Ingersoll Engineering).
- viii) Synthetic protein plant (ICI and John Brown).

Visits


2 Dr Mahathir, who suggested to the Prime Minister that there should be more contact between British and Malaysian Ministers, has accepted the Prime Minister's invitation for an official visit to the UK. The Malaysians have put forward September 1986 as a possible date. Mr Channon is visiting Malaysia from 3-6 July. Plans are being made for Mr Jopling to visit Malaysia in November and Mr Heseltine also hopes to go there in November (accompanying a group of war veterans and



widows to South East Asia which would also incorporate a working programme in Malaysia) but we have yet to obtain Malaysian Government's agreement.

FOREIGN AND COMMONWEALTH OFFICE

JUNE 1985



NOTE ON ASPECTS OF THE VISIT TO LONDON OF THE DELEGATION OF
THE MALAYSIAN-BRITISH SOCIETY, 25-27 JUNE

Introduction

- 1 The Malaysian-British Society (MBS), in visiting London with a 50-man delegation and 23 wives, will be returning the visit made last year by a British-Malaysian Society (BMS) delegation led by Lord Richardson, which went to Kuala Lumpur in mid-September.

Both Societies are of recent formation. The MBS will be a year old this July and its British counterpart is a little older, having been set up in November 1983. The common objective of the two Societies is, in summary, to promote close and harmonious cultural, educational, economic and trade relations between Britain and Malaysia.

- 2 Programme of Activities

With this objective in mind, the Societies decided at the Kuala Lumpur meeting to set up in KL and London three joint Committees covering the main aspects of these relations:

- (i) Trade and Investment, including invisible trade.*
British Chairman: Sir Jasper Hollom, Chairman of the Commonwealth Development Finance Corporation.

Malaysian Chairman: Tunku Ahmad Yahaya (see below).

- (ii) Education, Training and Technology Transfer.
British Chairman: Sir Arnold Hall, Chairman of Hawker Siddeley.

Malaysian Chairman: Tan Sri Haji Basir bin Ismail (see below).

* The large Malaysian deficit in invisible trade is perhaps their principal current economic problem. Hence the appointment of Sir Jasper Hollom, formerly Deputy Governor of the Bank of England, as British Chairman with long experience in this sector.



- (iii) Cultural and Social Affairs and Tourism:
British Chairman: Sir Eric Norris, Deputy Chairman
of Inchcape.
Malaysian Chairman: Tan Sri Nasruddin bin Mohamed,
Chairman of the Malaysian Tourist Development Corporation.

Each Chairman is supported by six or more members selected for their expertise in their respective fields.

In the London programme (attached) these Committees will meet and discuss current problems and their future activities, reporting to the Councils of the two Societies. They will also provide a standing forum in which a dialogue on problems will be sustained and the scope for positive cooperation investigated.

A Plenary Session of both Societies will include presentations by their respective Presidents, analysis of the reports by the Committees, and an open debate for members.

3 Personalities in the Malaysian Delegation

The delegation of the Malaysian-British Society is led by the Society's President, Tun Ismail bin Mohamed Ali (curriculum vitae attached).

Other officers of the Society and also members of its 12-man Council, who will be with us in London, are:

Tan Sri Haji Basir bin Ismail
Chairman of Bank Bumiputra

Vice President



Mr Din Merican
Group Treasurer, Sime Darby
Berhad

Secretary

Mr Chuah Teong Hooi
Senior Partner, Price
Waterhouse & Co

Treasurer

According to our most recent information, all the MBS
Council members will be attending the London meeting.

The Delegation is strong, very representative of Malay ^{"Bumiputra"} ~~business~~
business and industry and of the membership of MBS, numbering
150 (last year's figures) and by now probably more. Indeed,
the MBS may now be in sight of Tun Ismail's target of 100
companies and 100 individual members.

Among leading personalities listed in the Malaysian delegation
are: Tan Sri Ghazali bin Shafie, who served with the Allied
forces during the second World War and was an active member of
the resistance movement in Malaysia. He has had a long and
distinguished career in politics and government, in the Malaysian
Foreign Ministry and in representing his country abroad.
After serving as Minister of Home Affairs from 1974 onwards,
he was appointed Foreign Minister by Dr Mahathir in 1981
(being replaced last year by Tunku Rithaudeen). Is 63 years
old and well-known in London; is currently an active promoter
of more UK investment in Malaysia. Survived a very serious
air crash last year.

Prominent businessmen in the delegation are: Dato' Jaffar bin
Hussein, Chairman of Malayan Banking, the second largest
Malaysian Bank. Tan Sri Haji Basir bin Ismail was recently
appointed Chairman of Bank Bumiputra, the largest bank, and is
also Chairman of the Rubber Growers' Association in Malaysia.



Tunken Ahmad Yahaya is Group Chief Executive of Sime Darby, originally a UK-based company with head office in London, but now fully Malaysianized. It is Malaysia's largest conglomerate with important and diversified activities, e.g. in plantations, insurance, food manufacturing, commodities and heavy equipment.

One should also mention Tunku Imran, a prince of the Negri Sembilan royal household, who sits on the board of a number of British companies including Commercial Union Assurance, runs his own conglomerate (Antah Holdings) and was recently elected to the Executive Committee of the British-Malaysian Industry and Trade Association, being the first Malaysian so to be elected. Is also Malaysia's leading cricketer!

G. H. Campbell

GHC/KRS
CBI Far East and South-east Asia
Department
2 May 1985

ARRANGEMENTS FOR THE JOINT MEETING OF
THE BRITISH-MALAYSIAN AND MALAYSIAN-BRITISH SOCIETIES

IN JUNE

Tuesday, 25th June

6.00 p.m.

- His Excellency The Malaysian High Commissioner's Reception for the delegation from the Malaysian-British Society and members of the British-Malaysian Society. Details will be announced later.

Wednesday, 26th June

09.45 a.m.

- Coffee for those participating in the Specialist Committee Meetings will be served in Committee Rooms 2a, 2b and The President's Committee Room, at CBI Centre Point, (first floor).

10.00 a.m.

- Meetings of the following joint committees, at CBI Centre Point:-

Committee on Trade and Investment -
Committee Room 2a

(Chairmen: Sir Jasper Hollom and
Tunku Ahmad Yahaya)

Committee on Education, Training and
Technology Transfer -
The President's Committee Room

(Chairmen: Sir Arnold Hall and
Tan Sri Haji Basir bin Ismail)

Committee on Cultural and Social Affairs
and Tourism -
Committee Room 2b

(Chairmen: Sir Eric Norris and
Tan Sri Nasruddin bin Mohamed)

11.30 a.m.

Break for refreshments in The Concourse

continued/ ...2.

12.00 noon

The 3 Committees report to their respective national Councils:-

The Malaysian-British Society in the President's Committee Room

The British-Malaysian Society in Committee Rooms 2a and 2b, which will be made into a single room

12.45 for
1.00 p.m.

- Lunch for members of the 2 Councils, together with members of the Specialist Committees, in The Concourse.

2.30 p.m.

- Joint meeting of the Councils of the British-Malaysian Society and the Malaysian-British Society in the President's Committee Room.

7.00 p.m. for
7.30 p.m.

- Dinner for members of both Societies at the Mansion House by courtesy of the Rt. Hon. The Lord Mayor of London. The foreign Secretary, Sir Geoffrey Howe, and Tun Ismail bin Mohamed Ali, The President of the Malaysian-British Society, will be the principal speakers.

Dress: Black Tie

(A separate notice is being issued in connection with this.)

Thursday, 27th June

10.00 a.m. to
10.30 a.m.

- Coffee at the Balmoral Room, Connaught Rooms, Great Queens Street, London WC2, for all members of both Societies.

10.30 a.m. to
12.00 noon

- Plenary Session of both Societies, at which the respective Presidents will make presentations, including findings of the Specialist Committees reports, followed by open debate.

12.00 noon

- Drinks and light food.

Afternoon

- Free for individual arrangements.

6.30 p.m. to
8.30 p.m.

- Reception by the Prime Minister, The Right Hon. Margaret Thatcher, at 10 Downing Street, for the British-Malaysian Society and their Malaysian guests.

(Numbers will be limited, but those invited will receive invitations from No. 10.)

- N.B. 1. There will be small charges payable by those attending the lunch and drinks at Centre Point and at the Connaught Rooms.
2. Corporate Members and Affiliated Members may, of course, send up to 5 representatives to the Plenary Session.

17.4.85



TUN DATUK ISMAIL BIN MOHAMED ALI, SSM PMN PMB PNBS SPMS SPMJ

Chairman of Permodalan Nasional Berhad since July 1980.
President of the Malaysian/British Society.

Born 1918. Educated Malaya and Britain (Trinity, Cambridge and Middle Temple). MCS 1946. Minister, Malayan Embassy in Washington 1957-60. Executive Director of International Bank for Reconstruction and Development, Washington, 1958-60; Deputy Governor of Bank Negara 1960-62; Governor 1962-80; Member of National Development Planning Committee; Council of University of Malaya; Chairman, Malaysian Industrial Development Finance; Chairman, Capital Issues Committee; Member of Foreign Investment Committee; Adviser to PERNAS; Fellow, Malaysian Institute of Management.

Plays a most important role in Malaysian economic and financial affairs and is one of the main architects of Malaysia's sound economy. A strong nationalist, his patriotic feelings and banking principles sometimes seem in conflict. He is generally regarded by expatriates as a difficult member of the Foreign Investment Committee and a hard chairman of the Capital Issues Committee. But he can be most charming, friendly and helpful when he chooses, and is said to have mellowed with age. As the doyen of the Commonwealth National bankers he is well known and respected by senior members of the Bank of England and other National Banks throughout the world.

Mahathir's brother-in-law. A difficult customer, he is very able but harbours grudges and can be irrational. He has a reputation for being aggressive and short tempered but also totally uncorrupt. He has been a strong critic of Britain in the past, but he played a helpful and important role in recent difficulties in Anglo-Malaysian relations and more recently agreed to lead the Malaysia/British Society, whose inaugural dinner he hosted, with attendance by the Counterpart British/Malaysia Society, in September 1984.

Plays keen but not very good golf.

Married, Toh Puan Maimunah. 2 children.

CONFIDENTIAL

TAN SRI MUHAMMED GHAZALI BIN SHAFIE, PMN SSAP SIMP SPDK SAAP SODK

Former Minister of Foreign Affairs. MP for Kuala Lipis (Pahang) (UMNO).

Born in 1922 in Kuala Lipis, Pahang. Educated Malaya, Singapore (Raffles College) and Britain (University College of Wales, LSE and Lincoln's Inn). Briefly in resistance movement during Japanese occupation. Attached to UK High Commission, New Delhi 1955-56. Commissioner for Malaya in India 1957. Deputy Permanent Secretary Ministry of Foreign Affairs 1957. Permanent Secretary 1959-70. Member of the National Operations Council (NOC) 1969. Was made a Senator and Minister with Special Functions and subsequently Minister of Information by Tun Razak in 1970. Resigned in 1972 to contest the Kuala Lipis by-election. Reappointed Minister with Special Functions and of Information 1972. Appointed Minister of Home Affairs following Tun (Dr) Ismail's death in 1973, a post he retained until becoming Minister of Foreign Affairs in 1981. He resigned from the Government in 1984.

Ghazali's energy, inventiveness and political ambitions were given scope in the early days of the NOC. He is believed to have been a principal architect of the late Tun Razak's long-term strategy to solve Malaysia's racial problems. As Minister of Home Affairs he played the central role in directing the government response to the communist threat and supervised the police. He also had close working links with the armed forces. His energy and ability brought him important support in these areas.

During his time, first as an official then as Minister at the MFA, he played an important part in the formulation and execution of Malaysia's foreign policy, and will be particularly remembered for his role in the negotiations to end Indonesia's "confrontation" with Malaysia, and in the formulation of Malaysia's role in ASEAN.

Given their rivalry over top party posts in the mid-70s, Ghazali and Dr Mahathir never saw eye to eye, and when Mahathir became Prime Minister in 1981, it was thought to be only a matter of time before he removed Ghazali. In the event, he was retained until 1984, when his failure to retain his Supreme Council seat at the party elections finally pushed him to resign.

Quick-minded and impulsive, he is frequently a difficult man to talk to and he is only willing to talk totally frankly to those he has known well for a long time. He was highly respected by his own subordinates but made many enemies with his sharp tongue. His failure to cultivate popular support in Pahang or within UMNO undoubtedly cost him the chance of rising higher.

In January 1982 he incredibly survived a controversial light airplane crash in which his co-pilot and another man died. The subsequent inquest, delayed until 1983, found him responsible, but no charges were brought against him.

Generally well-disposed towards Britain and the Commonwealth although in recent years he was either unwilling or unable to influence the attitude of the Prime Minister towards us. Sensitive and conceited, he can be excessively rude – not always on purpose – and can rub some people up the wrong way. On occasion he can be extremely charming. His family is of Sumatran origin. Recreations are golf, flying, photography.

Received an honorary degree from University of Wales, Aberystwyth, in 1983.

Married to Khatijah. 2 sons, both educated at Harrow.