

NRK 208/8

DESKBY

SEAD  
TRED

OO FCO DESKBY 081200Z

ADVANCE COPY

CCD

OO SINGAPORE

IMMEDIATE

PS

RR MANILA

NEWS

PS/LPS

RR JAKARTA

PS/Ld Trefgarne

RR BANGKOK

No 10

PS/POUS

GRS 1300

Lord Carrington

CONFIDENTIAL

M' Donald

DESKBY 081200Z

M' Evans

FM KUALA LUMPUR 081015Z FEB 82

TO IMMEDIATE FCO

TELNO 68 OF 8 FEBRUARY

INFO IMMEDIATE SINGAPORE, ROUTINE JAKARTA MANILA BANGKOK

MIPT: SECRETARY OF STATE'S CALL ON DR MAHATHIR:  
BILATERAL RELATIONS

mt

SUMMARY

1. A USEFUL MEETING. MAHATHIR WAS CRITICAL BUT MODERATE IN TONE AND SHOWED SOME SIGNS OF HUMOUR. LORD CARRINGTON GAVE HIM THE OPPORTUNITY TO EXPLAIN THE PROBLEM AS HE SAW IT AND HE REPLIED ONLY TO THE EXTENT NECESSARY TO SET THE RECORD STRAIGHT AND TO INDICATE OUR WILLINGNESS TO DO WHAT WE COULD TO IMPROVE MATTERS. DESPITE SOME AMBIGUITY OF FORMULATION, IT SEEMED CLEAR THAT MAHATHIR RECOGNISED AND INTENDED THAT HIS POLICY INVOLVED DISCRIMINATION AGAINST BRITISH FIRMS. LORD CARRINGTON FLOATED THE IDEA OF WORKING GROUPS OR A JOINT COMMISSION WHICH WOULD ALLOW OFFICIALS TO IRON OUT POINTS OF DIFFICULTY BEFORE THEY REACHED THE STAGE OF MAJOR IRRITANTS IN BILATERAL RELATIONS. MAHATHIR SAID THAT HE COULD NOT GIVE AN IMMEDIATE RESPONSE BUT HE SHOWED INTEREST IN THE IDEA (AS DID GHAUQLI) AND UNDERTOOK TO CONSIDER IT.

2. IN CONCLUSION, MAHATHIR SAID THAT HE WAS GLAD THAT LORD CARRINGTON HAD COME. THE VISIT SHOULD HELP TO IMPROVE MATTERS, BUT WE SHOULD NOT LOOK FOR SUDDEN CHANGE. THE MALAYSIAN GOVERNMENT HAD DECIDED TO FOLLOW THE BEST MODEL AND HE REGARDED THIS AT PRESENT TO BE JAPAN AND SOUTH KOREA. THIS DID NOT MEAN THAT HE WOULD NOT BE PREPARED TO DO BUSINESS WITH BRITAIN, BUT THERE WOULD



HAD DECIDED TO FOLLOW THE BEST MODEL AND HE REGARDED THIS AT PRESENT TO BE JAPAN AND SOUTH KOREA. THIS DID NOT MEAN THAT HE WOULD NOT BE PREPARED TO DO BUSINESS WITH BRITAIN, BUT THERE WOULD BE NO FAVOURITISM. LORD CARRINGTON REPLIED THAT HE DID NOT WANT SPECIAL FAVOURS BUT DID WANT THERE TO BE NO DISCRIMINATION.

#### MAIN POINTS

3. MAHATHIR, BY WAY OF GENERAL INTRODUCTION, SAID THAT HE DID NOT EXPECT LORD CARRINGTON TO BE ABLE TO DO VERY MUCH ABOUT THE PROBLEMS WHICH HE SAW. HE RECOGNISED THAT WE COULD NOT CONTROL OUR PRESS OR TRADE UNIONS, BUT THERE WAS NEED FOR BETTER UNDERSTANDING OF THE MALAYSIAN CASE AND OF WHAT THEY WERE TRYING TO DO TO STABILISE THE COUNTRY IN THE LIGHT OF THE SITUATION THEY HAD INHERITED FROM THE COLONIAL ERA. THE PROBLEMS HAD BEEN A LONG TIME IN THE MAKING, AND THE GUTHRIES CASE HAD MERELY BEEN THE STRAW THAT BROKE THE CAMEL'S BACK.

4. MAHATHIR ADDED THE FOLLOWING POINTS OF DETAIL:

1) THE MAJORITY OF CHINESE RECOGNISED THE NEED TO GIVE MALAYS A SHARE IN THE ECONOMY, BUT THE MINORITY STILL UNWILLING TO ADAPT WERE ENCOURAGED BY ELEMENTS IN THE FOREIGN COMMUNITY.

11) MALAYSIA HAD ACTED IN THE GUTHRIES CASE IN EXACTLY THE WAY FOREIGN INTERESTS WOULD HAVE SAID THEY SHOULD HAD THEY DECIDED INSTEAD TO NATIONALISE, IE WITH MORE THAN ADEQUATE COMPENSATION. THEY HAD PLAYED BY MARKET RULES AND THEN SEEN THEM CHANGE AGAINST THEM. IN RESPONSE TO LORD CARRINGTON'S EXPLANATION, MAHATHIR AGREED THAT A CHANGE IN STOCK EXCHANGE RULES HAD BEEN UNDER CONSIDERATION BEFORE THE GUTHRIES CASE BUT CLAIMED THAT THIS HAD BEEN IN RESPONSE TO THE EARLIER MALAYSIAN TAKE OVER OF SIMEADARBY:

111) MAHATHIR RAISED TIN ON PREDICTED LINES AND EMPHASISED THAT MALAYSIA COULD NOT REMAIN AT THE MERCY OF LONDON BROKERS AND THE GSA. THEY WOULD THEREFORE WORK VERY SERIOUSLY TO FORM AN ASSOCIATION OF TIN PRODUCERS (MALAYSIA WAS THE SAUDI ARABIA OF TIN) AND THEY INTENDED IN ANY CASE TO CUT BACK PRODUCTION TO A LEVEL WHICH WOULD IN DUE COURSE REPRESENT A REDUCTION OF 15,000 TONNES PER YEAR. THEY ALSO INTENDED TO ESTABLISH WAYS OF SELLING DIRECT, THUS BY-PASSING THE LME. LORD CARRINGTON SAID THAT THE BANK OF ENGLAND HAD ASSURED HIM THAT THERE HAD BEEN NO CHANGE IN THE RULES AND THAT THE LME HAD ACTED TO LIMIT THE DAMAGE FROM HIGH PRICES TO SHORT SELLERS: THEY HAD SHOWN NO SIMILAR WILLINGNESS TO HELP OUT WHEN PRODUCERS HAD BEEN IN TROUBLE WITH UNDULY LOW PRICES.



TO HELP OUT WHEN PRODUCERS HAD BEEN IN TROUBLE WITH UNDULY LOW PRICES.

1V) MAHATHIR SPOKE IN GENERAL TERMS ABOUT A RELUCTANCE TO WORK IN MODERN BRITAIN, AND COMPLAINED MORE SPECIFICALLY THAT BRITISH TRADE UNIONS WERE SEEKING TO INFLUENCE THEIR MALAYSIAN COUNTERPARTS IN A HARMFUL DIRECTION. (HE CITED IN PARTICULAR A CASE CONCERNING MALAYSIAN AIRLINES). THE MALAYSIANS HAD HAD TO CHANGE THEIR TRADE UNION LAWS TO MAKE THEM MORE RESTRICTIVE. STRIKES AGAINST POLICY COULD NOT BE ACCEPTED.

V) ON THE BRITISH PRESS, MAHATHIR DESCRIBED AS QUOTE SHEER NONSENSE UNQUOTE THE DAILY TELEGRAPH STORY ABOUT THE JAPANESE SEMINAR (LORD CARRINGTON AGREED) AND WENT ON TO ASK THAT THE BRITISH PRESS SHOULD GENERALLY DO MORE TO PUBLISH THE MALAY SIDE OF THE STORY. THE FINANCIAL TIMES PRODUCED A FAIR REVIEW OF MALAYSIA ONCE A YEAR - IN RETURN FOR SUBSTANTIAL ADVERTISING REVENUE. BUT THE GENERAL PICTURE REMAINED ONESIDED.

5. MAHATHIR DID NOT RAISE THE AIR SERVICES PROBLEM OR THE QUESTION OF STUDENT FEES. LORD CARRINGTON RAISED THE LATTER IN HIS REPLY AND GAVE A FRANK ACCOUNT OF OUR DIFFICULTIES. MAHATHIR REPLIED THAT THE PROBLEM WAS NOT ONLY ONE OF FEES; THERE HAD ALSO BEEN A REDUCTION OF PLACES ESPECIALLY IN MEDICINE AND LAW. LORD CARRINGTON UNDERTOOK TO LOOK INTO THIS ON HIS RETURN. MAHATHIR THEN WENT ON TO EXPLAIN THAT THE PROBLEM HAD ~~AFFECTED~~ <sup>AFFECTED</sup> PRIMARILY THE CHINESE STUDENTS WHO WERE ALSO BEING SQUEEZED OUT BY REDUCED QUOTAS IN AUSTRALIA AND NEW ZEALAND. QUOTAS AGAINST THE CHINESE HAD ALSO BEEN INTRODUCED IN MALAYSIAN UNIVERSITIES, BECAUSE THE FORMER SYSTEM OF ADMISSION BY MERIT HAD LED TO THEM BEING SWAMPED BY CHINESE. MAHATHIR CONCLUDED BY SAYING THAT IF WE WERE NOT ABLE TO DO SOMETHING ABOUT IT, WE WOULD FIND ON FUTURE VISITS TO MALAYSIA THAT OUR INTERLOCUTORS WERE ALL TALKING JAPANESE AS THEIR ONLY FOREIGN LANGUAGE EXCLAIM.

16. MAHATHIR WAS DIFFICULT TO FOLLOW ON THE QUESTION OF DISCRIMINATION IN HIS FIRST REFERENCE TO THE SUBJECT, HE SAID THAT IT HAD BEEN DIFFICULT FOR MALAYSIA TO REJECT BRITISH GOODS BECAUSE THE LOW POUND PUT BRITAIN IN AN ADVANTAGEOUS POSITION. HE THEN ADDED QUOTE WE ARE NOT DISCRIMINATING AGAINST YOU BUT ALL THINGS BEING EQUAL WE WILL NOT BUY BRITISH UNQUOTE. LORD CARRINGTON REPLIED THAT HE HOPED MALAYSIA WOULD BUY FROM US IF ALL THINGS WERE EQUAL AND MAHATHIR COMMENTED THAT IN THAT CASE THERE WOULD BE NO DISCRIMINATION AT ALL. AT ANOTHER STAGE IN THE CONVERSATION HE SAID THAT BRITISH COMPANIES IN MALAYSIA QUOTE DID NOT COME UNDER OUR POLICY OF DISCRIMINATION UNQUOTE. HE THEN IN CONCLUSION SEEMED TO IMPLY



OF DISCRIMINATION UNQUOTE. HE THEN IN CONCLUSION SEEMED TO IMPLY THAT DISCRIMINATION AGAINST BRITAIN WAS NOT A FIXED ELEMENT IN FUTURE MALAYSIAN POLICY.

7. LORD CARRINGTON'S GENERAL LINE WAS TO PUT OUR SIDE OF THE CASE ON RECORD WHERE APPROPRIATE, TO EMPHASISE HIS WILLINGNESS TO DO ALL THAT HE COULD TO INCREASE UNDERSTANDING OF MALAYSIA'S PREOCCUPATIONS BOTH IN WHITEHALL AND THE CITY AND TO SUGGEST THAT THERE WAS ALREADY A RATHER GREATER APPRECIATION BY THE BRITISH GOVERNMENT AND TRADING COMMUNITY OF THE POINTS MADE BY MAHATHIR THAN HE SEEMED TO REALISE. LORD CARRINGTON THEN SUGGESTED THAT IT MIGHT PROVE HELPFUL TO ESTABLISH A GROUP OF SENIOR OFFICIALS REPORTING TO MINISTERS WHICH COULD LOOK INTO SPECIFIC PROBLEMS, GET EXPERT ADVICE WHERE NECESSARY, AND TRY TO DEAL WITH MATTERS BEFORE THEY CAUSE MAJOR PROBLEMS. HE QUOTED THE SUCCESSFUL PRECEDENT OF THE INDONESIAN WORKING PARTY, BUT ADDED THAT HE THOUGHT THAT SOMETHING MORE HIGH POWERED MIGHT BE NEEDED FOR MALAYSIA BECAUSE OF THE WIDER RANGE OF PROBLEMS. MAHATHIR SAID THAT HE COULD NOT GIVE A REPLY OFF THE CUFF BUT THIS WAS CERTAINLY SOMETHING WHICH COULD BE LOOKED INTO AND HE AGREED TO DO SO.

#### COMMENT

<sup>WAS A</sup>  
<sup>L</sup> 8. DESPITE MAHATHIR'S COURTEOUS MANNER IT WAS CLEAR THAT THERE WAS A STRONG ELEMENT OF ANTI-BRITISH PREJUDICE UNDERLYING HIS PHILOSOPHY. BUT IT WAS CLEAR ALSO FROM THE EMPHASIS HE REPEATEDLY PLACED ON THE JAPANESE EXAMPLE THAT IT GOES WIDER THAN THAT. HE REGARDS THE JAPANESE AND SOUTH KOREANS AS HAVING MORE TO OFFER MALAYSIAN DEVELOPMENT NEEDS THAN THE WEST. TO SOME EXTENT THEREFORE WE ARE SUFFERING NOT SO MUCH BECAUSE WE ARE BRITISH BUT BECAUSE THE BRITISH REPRESENT A LARGE PART OF THE WESTERN INVOLVEMENT IN MALAYSIA.

BENTLEY

NNNN