

PREM 19/1496

PART 1.

MT

TOP SECRET → P+2
CONFIDENTIAL FILING

Prime Minister's Visit To South
East Asia 4-14 April 1985.
Policy.

FOREIGN POLICY

DECEMBER 1984.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
27.2.85							
2.3.85							
2.3.85							
22.3.85							
25.3.85							
26/3/85							
8/3/85							
14.85							
3/4/85							
X							
Part 1 ends.							

PREM 19/14/96

PART 1 ends:-

FCO to CDP 29.3.85.

PART 2 begins:-

CDP to FCO 1/4/85

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

29 March 1985

Prime Minister
Agree here
beginns?
CDP
30/3

Dear Charles,

Malaysia: Prime Minister's Visit: Air Services Dispute

You will have seen FCO telno 165 to Kuala Lumpur, which we sent in response to your letter of 26 March.

We have now received Mr Gillmore's account of his meeting with the Malaysian Finance Minister (Kuala Lumpur telno 195). Daim took the line that the Malaysians were prepared to lift the tax measure we object to, but he did not see how he could do so before the next Budget in October. This, as Mr Gillmore says, is not a sufficient basis on which to strike a deal over the Malaysian request for a fifth service. Mr Gillmore asks for instructions before he sees Mahathir on Tuesday.

I enclose a self-explanatory draft telegram, cleared with officials in DTp, which suggests a way in which we might still be able to reach a mutually satisfactory basis for a settlement of this difficult item before the Prime Minister's visit. I should be grateful for your comments in time for us to send instructions to Mr Gillmore not later than Monday afternoon.

We have also received Mr Gillmore's comments on the handling of the linkage between the air services dispute and commercial contracts (para 2(c) of FCO telno 165). I enclose a further self-explanatory telegram cleared with DTI and MOD officials dealing with this point, and would be grateful for comments on that also by Monday afternoon.

I am copying this to Richard Allen (Dept of Transport), Callum McCarthy (DTI) and Richard Mottram (MOD).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

** His Tel No 196*

*PS Copies of KL
Tels 195 & 196 enclosed.*

CONFIDENTIAL

OUT TELEGRAM

	Classification and Caveats CONFIDENTIAL	Precedence/Deskby IMMEDIATE
--	---	---------------------------------------

ZCZC	1	ZCZC
GRS	2	GRS
CLASS	3	CONFIDENTIAL
CAVEATS	4	
DESKBY	5	
FM FCO	6	FM FCO
PRE/ADD	7	TO IMMEDIATE KUALA LUMPUR
TEL NO	8	TELEGRAM NUMBER
	9	YOUR TELNO 195: AIR SERVICES DISPUTE
	10	1. The degree of commitment we are prepared to offer on a fifth
	11	service will of course depend on the degree of commitment the
	12	Malaysian Government can offer on the tax measure. But there may
	13	be an intermediate position between the sort of deal outlined
	14	in para 2(a) and (b) of my telno 165, and the position outlined
	15	in para 6 of TUR. This is that the Malaysians publicly suspend
	16	the implementation of the tax measure in the immediate future
	17	(this might be by way of a moratorium pending further study of
	18	the effect of the measure), and give a private undertaking to
	19	the Prime Minister to revoke it in the next budget. We could
	20	then agree to allow MAS a fifth service from a date which would
	21	in effect be two years after the suspension of the tax measure,
///	22	subject to a form of words which would give us a let out if
//	23	suspension proved not to be permanent or to have the desired
/	24	effect in restoring BA to a position of fair and equal
	25	competition. It might be possible to take much of the sting out,

NNNN ends telegram	BLANK	Catchword of
File number	Dept	Distribution
Drafted by (Block capitals)		
Telephone number		
Authorised for despatch		
Comcen reference	Time of despatch	

OUT TELEGRAM (CONT)

	Classification and Caveats CONFIDENTIAL		Page 2
--	--	--	-----------

<<<<
 1
 2
 3
 4
 5
 6
 7
 8
 9
 10
 11
 12
 13
 14
 15
 16
 17
 18
 19
 20
 21
 22
 23
 24
 25
 26
 27
 28
 29
 30
 31
 32
 33
 34

<<<<
 or not to restore fair and equal competition. It might be possible to take much of the sting out of this latter point, so far as the Malaysians were concerned, by referring publicly only to the need for the details on timing etc to be worked out in discussions by officials under the terms of the ASA.
 2. When you see Mahathir on 2 April, and assuming that he does not, as a result of Daim's talk with him (para 5 of TUR), open with some conciliatory gesture on this subject, you should begin by taking the line in para 2(a) and (b) of my telno 165. If Mahathir shows himself ready to concede the tax issue, but voices the same inhibitions about action before October, you should initially counter with the argument you used with Daim (para 4 of TUR). But you have discretion to make the suggestion in para 1 above, provided Mahathir is genuinely interested in seeking a solution and seems willing immediately to suspend operation of the tax measure.

HOWE
 NNNN

///
 //
 /

NNNN ends telegram	BLANK	Catchword
--------------------	-------	-----------

OUT TELEGRAM

		Classification and Caveats CONFIDENTIAL	Precedence/Deskby IMMEDIATE
ZCZC GRS CLASS CAVEATS DESKBY FM FCO PRE/ADD TEL NO	1 2 3 4 5 6 7 8	ZCZC GRS CONFIDENTIAL FM FCO TO IMMEDIATE KUALA LUMPUR TELEGRAM NUMBER	
	9	YOUR TELNO 196: PM'S VISIT, AIR SERVICES AND COMMERCIAL	
	10	CONTRACTS	
	11	1. We accept the force of the arguments in para 1 of TUR.	
	12	2. The best course might be, when you deploy with Dr Mahathir	
	13	the point in para 2(c) of our telno 165, not to mention any	
	14	specific project at the outset. If Mahathir responds by asking	
	15	whether we have any particular contract in mind, you could	
	16	respond by running through the list in para 2 of your TUR though	
	17	in terms of priority we would put your (b) at the end of the list.	
	18	DTI (next word underlined pace the argument in para 4 of TUR)	
	19	would like mention also made of the Biwater Rural Project, which	
	20	in fact is the first project which the Prime Minister is being	
	21	advised in her briefs to raise.	
/// // /	22	3. It would presumably still be useful to mention Taylor	
	23	Woodrow, if only as a prospect to be pursued in the longer term.	
	24	HOWE	
	25	NNNN	
		NNNN ends telegram	BLANK
		File number	Dept
		Drafted by (Block capitals)	
		Telephone number	
		Authorised for despatch	
		Comcen reference	Time of despatch
		Catchword	
		Distribution	

GRS 540
CONFIDENTIAL
DESKBY 281200Z
FM KUALA LUMPUR 281100Z MAR 85
TO IMMEDIATE DESKBY FCO
TELEGRAM NUMBER 196 OF 28 MARCH

CONFIDENTIAL

Fr 97 6
Brainia

MIPT: YOUR TELNO 165: PM'S VISIT, AIR SERVICES AND COMMERCIAL CONTRACTS.

1. I AM PUZZLED BY THE REFERENCE IN YOUR PARA 2(C) TO THE STATUS OF WHAT YOU CALL "THE RAILWAY PROJECT". THE MALAYSIAN BRITISH RAIL GROUP SUBMITTED SOME SIX MONTHS AGO A STUDY TO THE MALAYAN RAILWAY ADMINISTRATION (MRA) OUTLINING PROPOSALS FOR THE FUTURE REHABILITATION OF THE MALAYSIAN RAILWAY SYSTEM. WE UNDERSTAND THIS STUDY (DETAILS OF WHICH ARE WITH DTI) HAS THE SUPPORT OF MRA. BUT IT HAS NOT YET RECEIVED MINISTERIAL ENDORSEMENT AND EVEN IF THIS WERE TO HAPPEN BEFORE THE PM'S VISIT, THERE IS NO POSSIBILITY OF NEGOTIATING ANY FORM OF CONTRACT DURING THE VISIT. DURING HIS RECENT VISIT HERE MR IAN SPROAT REFERRED TO "TAYLOR WOODROW'S £700 MILLION RAILWAY CONTRACT" BUT THIS IS VERY WIDE OF THE MARK. THE REHABILITATION PROGRAMME, IF IT GOES AHEAD AT ALL, WILL BE IMPLEMENTED OVER MANY YEARS, PROBABLY WITH WORK AND EQUIPMENT CONTRACTED IN SEPARATE LOTS BY MRA. THE BEST WE CAN HOPE FOR, AS A FIRST STEP, ONCE THE MALAYSIAN GOVERNMENT HAS ENDORSED THE BRITISH GROUP'S PROPOSALS, IS THAT THE DAVY/BREL GROUP IS APPOINTED AS CONSULTANTS. THIS COULD TAKE SEVERAL MONTHS. IN THE MEANTIME ONE MAJOR PROBLEM IS THAT DR MAHATHIR'S VIEWS ON FUTURE RAILWAY DEVELOPMENT ARE THOUGHT TO BE VERY DIFFERENT TO THOSE OF THE DAVY-BREL GROUP. THUS NO DECISIONS HAVE BEEN TAKEN HERE ON SUCH BASIC MATTERS AS THE WIDTH OF GAUGE.

2. CONTRACTS TO BE DECIDED BY THE GOVERNMENT IN THE FAIRLY NEAR FUTURE INCLUDE THE FOLLOWING:

(A) RAILBUS, WITH A CONTRACT VALUE OF £4.4 MILLION. ATP OFFER SUBMITTED. BREL TELL US THEY HOPE TO HAVE A LETTER OF INTENT "SHORTLY", BUT A HUNGARIAN MADE RAILBUS RIVAL IS NOW ON TRIAL HERE.

(B) CROSS-BRACED BOGIES. BREL IS AGAIN THE BRITISH BIDDER. CONTRACT VALUE ABOUT £6 MILLION. ATP OFFER SUBMITTED.

(C) RAILWAY LOCOMOTIVES. BOTH BRUSH AND GEC HAVE BID TO SUPPLY 25 MAINLINE LOCOMOTIVES. CONTRACT VALUE £24 MILLION. ATP OFFER SUBMITTED.

(D) FIBRE OPTIC TELECOMMUNICATIONS EQUIPMENT. CONTRACT VALUE £54 MILLION. ATP OFFER SUBMITTED FOR UK CONTENT OF APPROXIMATELY £25 MILLION. TWO BRITISH BIDS, ONE FROM STC AND THE OTHER A UK-FRENCH-ITALIAN CONSORTIUM LED BY GEC. STRONG JAPANESE COMPETITION. DECISION IMMINENT.

3. THE FOREGOING ARE THE MAIN CONTRACTS WHICH MIGHT POSSIBLY BE DECIDED DURING THE PM'S VISIT. ALL EXCEPT RAILBUS ARE SUBJECT TO INTERNATIONAL COMPETITIVE BID PROCEDURES.

4. IN A SLIGHTLY LONGER TIMESCALE THERE IS THE BIWATER RURAL WATER PROJECT, THE PETRONAS GAS PIPELINE AND THE ICI ARTIFICIAL

CONFIDENTIAL

/PROTEIN

CONFIDENTIAL

PROTEIN PROJECT. ALL THESE HAVE BEEN THE SUBJECT OF RECENT EXCHANGES, RESTING WITH MY TELNO OTTER 48 OF 22 MARCH. THE MOST PROMISING OF THESE IS THE BIWATER PROJECT, BUT EVEN IN THIS CASE, ALTHOUGH A GREAT DEAL OF DETAILED WORK HAS BEEN DONE WE ARE NOT AT THE POINT OF CONTRACT DECISION.

5. ANOTHER PROSPECT IS THE POTENTIAL SALE OF THE BRITISH AEROSPACE 146 AIRLINER TO MAS. WE WERE TOLD YESTERDAY BY BAE THAT THE FEASIBILITY REPORT ON THE SELECTION OF A REPLACEMENT FOR MAS'S FLEET OF F27 AIRCRAFT MAY BE MADE TO THE MAS BOARD IN APRIL. BAE RATE THEIR CHANCES HIGHLY, PROVIDED THE AIR SERVICES PROBLEM HAS BEEN SOLVED BEFOREHAND. BAE BELIEVE MAS WILL HAVE A REQUIREMENT FOR 7 AIRCRAFT WITH A TOTAL VALUE OF AROUND £100 MILLION. (THE AIRLINE IS ALSO ABOUT TO ORDER AN ADDITIONAL BOEING 747 FOR WHICH ROLLS ROYCE EXPECT TO GET THE ENGINE ORDER).

6. TO SUM UP, IF WE ARE LOOKING FOR A DEAL TO BE ANNOUNCED DURING THE PM'S VISIT, RAILWAY EQUIPMENT AND/OR FIBRE OPTICS OFFERS THE BEST PROSPECTS. IT WOULD BE DIFFICULT TO ESTABLISH LINKAGE IN THE WAY YOU DESCRIBE WITH THE HIGHER VALUE PROJECTS REFERRED TO IN PARAS 4 AND 5 ABOVE, SINCE WORK IS NOT SUFFICIENTLY ADVANCED, IN MY VIEW, FOR DEALS TO BE STRUCK NEXT WEEK. BUT WE SHOULD, OF COURSE, PROMOTE THESE PROJECTS AND THE DAVEY-BREL PROPOSALS VIGOROUSLY IN THE OFFICIAL TALKS ON 5 APRIL.

GILLMORE

[COPIES SENT TO NO 10 DOWNING STREET]

PRIME MINISTER'S VISIT TO ASIA

LIMITED

SEAD
SAD
PROTOCOL D
PUSD < MRED
CCD TRED
NEWS D
PLANNING STAFF
PS
PS/LADY YOUNG
PS/MR LUCE

PS/MR RAISON
PS/MR RENTON
PS/PUS
SIR W HARDING
MR WILSON
MR VEREKER (ODA)
CABINET OFFICE

COPIES TO:-
MR STANTON SAD/ODA
MR BAXTER EAD/ODA
MR DUNNING DTI
MR BENJAMIN DTI
MR HALL DTI
MISS NEVILLE-ROLFE PEP2/DTI
SEC (O/C) MOD
RMD3 MOD
PRESS OFFICER NO 10 DOWNING ST

BTP IADIV

-2-
CONFIDENTIAL

GRS 550

CONFIDENTIAL

DESKBY 281200Z

CONFIDENTIAL

FM KUALA LUMPUR 281100Z MAR 85

TO IMMEDIATE FCO

TELEGRAM NUMBER 195 OF 28 MARCH

YOUR TELNO 165: AIR SERVICES DISPUTE

1. I SAW THE FINANCE MINISTER THIS EVENING AND SPOKE TO HIM AS INSTRUCTED IN PARA 3 OF YOUR TUR. I WAS PARTICULARLY GRATEFUL FOR THE DISCRETION TO INFORM DAIM OF THE PRIME MINISTER'S CONCERN AND TELL HIM THAT I WOULD BE SEEING DR MAHATHIR ON TUESDAY AND EXPECTED TO SPEAK ON THE DIRECT INSTRUCTIONS OF THE PRIME MINISTER.
2. DAIM SAID:
 - (A) THAT MANY FOREIGN GOVERNMENTS HAD REMONSTRATED OVER THE TAX ISSUE BUT THAT HE HAD NOT BEEN ABLE TO GET FROM ANY A CLEAR STATEMENT OF THE LIKELY IMPLICATIONS OF THE TAX MEASURE FOR FOREIGN AIRLINES' EARNINGS. THE FIGURES THAT I HAD BEEN ABLE TO GIVE HIM WERE, HE PRESUMED, ESTIMATES BUT THEY WERE HELPFUL SEMI COLON
 - (B) THAT THE SPECIFIC LEGISLATION DID NOT INSIST THAT FOR TAX EXEMPTION PURPOSES ALL PASSENGERS SHOULD FLY ON MAS, MERELY THAT THEIR TICKETS SHOULD BE BOOKED THROUGH MAS.
3. ON (A) I SAID THAT THE FIGURES I HAD GIVEN HIM (YOUR TELNO 125 PARAGRAPH 2) WERE OF COURSE ESTIMATES. BUT BRITISH AIRWAYS' TRAFFIC FIGURES FOR NOVEMBER, DECEMBER AND JANUARY WERE NOT AND THEY SHOWED A DRAMATIC DROP IN TRAFFIC. ON (B) I SAID THAT WHATEVER THE SPECIFIC LANGUAGE OF THE LEGISLATION THE EFFECT WAS NONETHELESS CLEAR IF PASSENGERS HAD TO BUY THEIR TICKETS THROUGH MAS THE VAST MAJORITY WOULD BE BOOKED ON MAS FLIGHTS AND FOR THE OTHERS, MAS WOULD REAP THE BENEFIT IN CASH FLOW AND COMMISSION. FURTHERMORE, SINCE THE MEASURE CONCERNED INCOME TAX FOR INDIVIDUALS I KNEW FOR A FACT THAT PEOPLE ENJOYING THE BENEFITS OF ANNUAL JOURNEYS PAID FOR BY THEIR COMPANIES WERE PLAYING SAFE AND BOOKING ON MAS TO ENSURE THAT THEY GOT THE TAX BREAK.
4. DAIM THEN SAID THAT HE REALISED THIS HAD CAUSED A "DREADFUL PROBLEM". HE WANTED TO TELL ME WHAT HE HAD NOT TOLD OTHER MISSIONS HERE: THAT HE WOULD WITHDRAW THE MEASURE AND COULD GIVE ME A SPECIFIC ASSURANCE OF THIS. BUT HE WAS IN A POLITICAL FIX AND COULD SEE NO WAY THAT HE COULD DO THIS BEFORE THE NEXT BUDGET IN OCTOBER. I SAID THAT THIS WAS A LONG WAY OFF AND AIRLINES WOULD CONTINUE TO BE PENALISED FOR MANY MONTHS TO COME. I URGED HIM STRONGLY TO SEEK WAYS OF RESCINDING THE LEGISLATION EARLIER. REFERRING TO MY EARLIER QUESTION (VIZ THE INTERROGATIVE LANGUAGE IN PARAGRAPH 2 OF YOUR TELNO 125) I SAID THAT I COULD NOT SEE HOW THIS COULD OPEN THE WAY TO A SOLUTION OF THE OTHER ISSUE IN THE NEAR FUTURE.
5. DAIM SAID THAT HE WOULD BE TALKING TO THE PRIME MINISTER WITHIN THE NEXT 24 HOURS AND WOULD RAISE THE MATTER WITH HIM. BUT HE STILL DID NOT HOLD OUT HOPE OF BEING ABLE TO WITHDRAW THE TAX MEASURE EARLIER THAN AT THE NEXT BUDGET.
6. IN THE LIGHT OF THE FOREGOING YOU WILL WISH TO CONSIDER WHETHER TO GIVE ME FURTHER INSTRUCTIONS FOR MY MEETING WITH THE PRIME MINISTER. IF THE MALAYSIANS ARE ADAMANT THAT NOTHING CAN BE DONE

CONFIDENTIAL

178

CONFIDENTIAL

TO REMOVE THE TAX PROVISION UNTIL OCTOBER, I CANNOT SEE HOW WE FOR OUR PART CAN ANNOUNCE PUBLICLY THAT A RESOLUTION HAS BEEN FOUND TO THE 5TH FREQUENCY ISSUE. IF THE LATTER HAPPENED BEFORE THE FORMER, IT WOULD LOOK AS IF WE HAD GIVEN WAY ON ALL FRONTS. THUS, IF YOU DECIDE THAT WE HAVE NO OPTION BUT TO ACCEPT THE PRIVATE ASSURANCE OF A CHANGE ON THE TAX MEASURE IN OCTOBER IN EXCHANGE FOR AN ASSURANCE ABOUT THE 5TH FREQUENCY IN, SAY, OCTOBER 1987, THAT AGREEMENT WOULD HAVE TO REMAIN CONFIDENTIAL UNTIL THE MALAYSIANS WERE PREPARED TO MAKE A PUBLIC ANNOUNCEMENT ABOUT THE REMOVAL OF THE TAX MEASURE. THIS WOULD NOT SATISFY THE AIM OF BEING SEEN TO RESOLVE THE ISSUES DURING THE PRIME MINISTER'S VISIT.
7. PLEASE SEE MIFT FOR COMMENTS ON PARAGRAPH 2(C) OF YOUR TUR.

GILLMORE

LIMITED
MAED
SEAD
NEWS D
PS/PUS
ME WILSON

COPIES TO:-
MR LIMDLEY DTP/IAA
MR LORD DTP/IAA
MR DUNNING DTI

29 MAR 1985

CONFIDENTIAL

see PC
BI
etc.
(4)



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

28 March 1985

to see at

week-end.

Mr. Barber has a
separate copy. CDP.

25/3

Dear Charles,

Prime Minister's and Mr Thatcher's Visit to Asia: Programme

I enclose copies of the revised programme for the Prime Minister and for Mr Thatcher, taking account of your comments. The Prime Minister's programme includes details of those who will be in attendance at each stage, though these may be subject to some change.

There is one query in Mr Thatcher's programme, for Friday 5 April. There is at present a gap in the programme after the visit to the British Council English Language Training Centre (1615-1730). The High Commission have asked if Mr Thatcher would like a short programme of sightseeing or prefer to return direct to his hotel.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

PRIME MINISTER'S VISIT TO ASIA, 4-13 APRIL 1985

SEVENTH DRAFT REVISED PROGRAMME (26.3.85)

Serial
No

Travel in Navy uniform with peaked cap

THURSDAY 4 APRIL

A1 1230 Depart Heathrow

MALAYSIA (GMT + 8 hours)

FRIDAY 5 APRIL

In uniform

M1 1045

Arr. Navy staff suit. White/Navy hat

Arrive Subang International Airport.

M2 1120

Staff navy suit plus white hat

White gloves

Welcoming ceremony Parliament (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray) (possibly to be followed by a wreath-laying ceremony)

? Navy staff suit

~~Parliament~~

M3 1150

To Hilton Hotel.

*~~Black/white~~
Seth-Sp...*

M4 1215-
1450

Private Lunch, Hilton Hotel.

M5 1500

Arrive Prime Minister's office. Tete a tete talks (PM, PPS/PS).

*7/20 P...
Navy uniform*

Delegation talks (PM, PUS, PPS/PS, Mr Benjamin, Mr Vereker, High Commissioner, DHC, H of C).

M6 1800

To Hotel.

M7 1815- Free (in hotel).
2015

M8 2030 Prime Minister's Banquet (speech).

*Fuchsia White flower
- shoes Fuchsia - 6d*

SATURDAY 6 APRIL

M9 0830- Discussion at Economic Planning Unit (PM, PUS,
PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr
Murray, Miss Colvin).

*Nancy White flower
State meeting*

M10 0915 Travel to Carcosa

M11 0915- Free
1000

M12 1000 Leave for INTAN (Institut Tadbiran Nasional:
Institute of Public Administration).

M13 1015 Arrive INTAN.

M14 1015- INTAN (speech) (PM, PUS, PPS/PS, Mr Benjamin,
1145 Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).

M15 1200- Visit to British Council Offices (PM, PUS,
1230 PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham,
Mr Murray, Miss Colvin).

M16 1240 Arrive High Commissioner's Residence, Carcosa.

M17 1240- Free (prior to arrival of guests).
1300

CONFIDENTIAL

Revised 26.3.85

M18	1300	Lunch with <u>Malaysian business leaders</u> and heads of parastatals (PM, PUS, PPS, PS, Mr Benjamin, Mr Vereker, Mr Ingham) (Mr Murray and Miss Colvin to hotel) (Mr Thatcher rejoins party after lunch).
M19	1445	Leave Carcosa.
M20	1500- 1600	Visit Housing Estate (Bandar Tun Razak) (PM, Mr Thatcher, PUS, PPS/PS, Mr Ingham, Mr Murray).
M21	1600- 1620	Free (in hotel).
M22	1615- 1715	Call on Tunku Abdul Rahman (tea) (PM, Mr Thatcher, PUS, PPS/PS, Mr Ingham, Mr Murray).
M23	1715	Return to Hotel.
M24	1730- 1830	Free (in hotel).
M25	1830	Carcosa to meet <u>Committee of British Malaysia Industry and Trade Association (BMITA)</u> . Reception for members of <u>British Community</u> and British High Commission staff (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).
M26	2000	Private dinner at Carcosa (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin) (Mr Murray to hotel).

Blue start
Blue start

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

SUNDAY 7 APRIL

- Sandy Sukh*
~~*Sandy Sukh*~~
Brown Orange
White Salt Zaid
- M27 0840 Leave Hotel.
- M28 0905 Depart VIP Lounge, Terminal 1, Subang Airport for Alor Setar (throughout day - PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).
- M29 1000 Arrive Alor Setar (met by Kedah State Secretary, Datuk Radzi Bin Basir).
- M30 1000-1015 Free (Alor Setar Airport).
- M31 1015 Depart for Sungei Ahning (helicopter)
- M32 1037 Arrive dam site (met by Mr J Proctor, Balfour Beatty).
- M33 1038 Official welcome by Chief Minister (speeches).
- M34 1058 Unveil plaque.
- M35 1100 Site Office.
- M36 1110-1124 Tour site.
- M37 1130 Depart dam site.
- M38 1150 Arrive Alor Setar. Drive to Istana Cegar.
- M39 1150-1225 Free (Istana Cegar).

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

M40	1225	Arrive Palace (Istana Anak Bukit).
M41	1230- 1245	Audience with HRH Sultan of Kedah and HRH Sultanah.
M42	1245	Lunch (at Istana Anak Bukit).
M43	1340	Leave Istana Anak Buskit.
M44	1350	Arrive airport.
M45	1400	Depart Alor Setar.
M46	1445	Arrive Subang Airport, Kuala Lumpur. Drive to Railway Station.
M47	1510- 1540	Railbus (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).
M48	1550- 1650	Visit <u>International Trade Exhibition</u> . View British Stands. Tea with Federation of Malaysian Manufacturers Committee (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).
M49	1700	Return to Hotel.
M50	1715- 1800	Free (Hotel).
M51	1800- 1900	Press Conference (PM, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray).

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

M52 2015 Drinks with Malaysian/British Society Committee, Negara Room, Hilton Hotel (PM, Mr Thatcher, PUS, PPS, PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).

M53 2030 Malaysian/British Society Banquet (Speech). Nirwana Ballroom, Hilton Hotel.

~~Gold Boys~~
Gold Boys

MONDAY 8 APRIL

M54 0900 PM's Farewell at Hilton Hotel.

M55 0915 Drive to airport.

M56 0945 Depart for Singapore.

~~Pushover~~
~~Jeff~~ ~~redog~~ ~~seth~~

SINGAPORE (GMT + 8 hours)
(names of accompanying officials to follow)

S1 1045 Arrive Singapore.

S2 1120 Arrival at Shangri La Hotel.

S3 1120-1150 Free (Shangri La Hotel).

S4 1220 Call on President/Acting President and First Lady.

S5 1245 Working Lunch at Istana, given by Mr Lee Kuan Yew.

~~Wang~~ ~~seth~~ ~~flower~~

S6 1430 - 1615 Discussions with Mr Lee and other Ministers

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

- S7 1645 Botanical Gardens (presentation of orchid).
- S8 1700-1715 Free (Shangri La Hotel).
- S9 1715 British Business Association Reception (speech) Shangri La Hotel. *Balloons*
- S10 1815 Press Conference, Shangri La Hotel.
- S11 2000 State Dinner at Istana (speech). *Black lace*

TUESDAY 9 APRIL

- S12 0750 Leave for airport.
- S13 0825 Depart Changi Airport. *Color Orange embroidered Anson white with black*

BRUNEI (GMT + 8 hours)

- B1 1030 Arrive Bandar Seri Begawan. Met by member of Royal Family. National Anthem. Inspect Guard of Honour. Reception Line. *Brown/Orange Clean Skin Get*
- B2 1045 Drive to new hospital, Bandar Seri Begawan. (PM, PUS, PPS/PS, High Commissioner, Mr Ingham, Mr Benjamin, Miss Colvin).
- B3 1100 Arrive hospital. Met by Minister of Education and Health, Pehin Aziz. Briefing. Visit hospital department.
- B4 1130 Drive to River.

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

- B5 1135 Board Royal Brunei Naval Craft. Through
Capital, past water village.
(Free on board) (PM, PUS, PPS/PS, High
Commissioner, Mr Ingham, Mr Benjamin, Miss
Colvin).
- B6 1155 Disembark at Istana.
- B7 1200 Private audience with Sultan.
- B8 1235 Audience ends (PM, PPS/PS, High Commissioner).
Meet Royal Family.
- B9 1245-
1350 Lunch with the Sultan and members of the
Royal Family (PM, Mr Thatcher PUS, PPS/PS,
High Commissioner, Mr Ingham, Mr Benjamin,
Miss Colvin).
- B10 1350 Farewell ceremony at Istana.
- B11 1400 Board helicopter.
- B12 1403 Helicopter arrives airport.
- B13 1405 Depart Bandar Seri Begawan.

INDONESIA (GMT + 7 hours)

- J1 1540 Arrive Halim Airport.
Welcoming Ceremony (details of welcoming party
to follow).
State drive to Merdeka Palace. (PM,
Mr Thatcher, PUS, PPS/PS).
- Change on board aircraft
into ~~Bandar Seri Begawan~~
SJK
Be Just
Fischer
SJK*

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

- J2 1630 Courtesy call on President (PM, Mr Thatcher, PUS, PPS/PS). Escorted to Wisma Negara (Guest wing).
- J3 1655-1710 Free (Wisma Negara).
- J4 1720-1750 Call on Vice President. Exchange of gifts. (PM, Mr Thatcher, PUS, PPS/PS).
- J5 1800-2000 Free (Wisma Negara).
- J6 2000 State Banquet at Istana Negara and speech: exchange of gifts (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin). (Black tie.)
- J7 2230 Return to Wisma.

White tie
White tie
White tie

WEDNESDAY 10 APRIL

- J8 0740 Depart Wisma.
- J9 0800 Wreath laying (Heroes Cemetery) (PM, PUS, PPS/PS, Mr Ingham).
- J10 0820 Leave Cemetery for Wisma.
- J11 0840-0930 Free (Wisma Negara).
- J12 0930-1100 Talks with President (PM, PPS/PS). (PUS, PPS/PS, Mr Benjamin, Mr Vereker in outer reception rooms).
- J13 1105-1200 Free (Wisma Negara).

~~Black tie~~
~~Black tie~~
~~Black tie~~
Black tie
Black tie

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

J14 1200-1345 Working lunch at Wisma with Indonesian Ministers (PM, PUS, PPS/PS, Mr Benjamin, Mr Vereker).

J15 1350 Leave Wisma.

J16 1400 Visit British Council premises. (PM, Mr Thatcher, PUS, PPS/PS, Mr Ingham, Mr Benjamin, Mr Vereker, Miss Colvin).

J17 1600 Taman Mini. Tour and tree-planting. (PM, Mr Thatcher, PUS, PPS/PS, Mr Ingham, Mr Benjamin, Mr Vereker, Miss Colvin).

J18 1700 Return to Wisma Negara.

J19 1730-1830 Free (Wisma Negara).

J20 1830 Leave for Mandarin Hotel.

J21 1840 Meeting with Embassy Staff (Mandarin Hotel). (PM, Mr Thatcher and all members of PM's party).

J22 1900 Ambassador's Reception at Mandarin Hotel (guests include British Community) (PM, Mr Thatcher, and all members of PM's party and visiting press).

Green
Chubb
J23 2030 Private supper at Residence with Ambassador. (PM, Mr Thatcher, PUS, PPS, PS).

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

THURSDAY 11 APRIL

- Navy Point
Census Letter*
- ~~Navy Point~~*
- ~~John~~*
- ~~Handwritten~~*
- Handwritten*
- J24 0730 Leave Wisma for Halim Airport (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin).
- J25 0800 Flight to Bandung.
- J26 0900 Visit to Bandung Institute of Technology. (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin).
- J27 1015 Visit to Nurtanio Aircraft Industry (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin).
- J28 1200 Lunch hosted by Dr Habibie. (Speech). (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin).
- J29 1315 Leave for Jakarta.
- J30 1415 Arrive at Wisma.
- J31 1415-1430 Free.
- J32 1430-1515 Press Conference/Interviews at Wisma.
- J33 1515-1620 Free. *Charge into Navy Unit House*
- J34 1630 Farewell call on President Soeharto (PM, Mr Thatcher, PUS, PPS/PS).
- J35 1650 Leave for Halim.

CONFIDENTIAL



CONFIDENTIAL

Revised 26.3.85

J36 1710 Departure Ceremony.

J37 1730 Depart for Sri Lanka.

CONFIDENTIAL

High Commissioner, his wife, Miss Colvin, two detectives)

- C10 0850 Arrive Adhikirigama. Received by Gamini
 Dissanayake, Minister of Mahaweli Development
 and Mrs Dissanayake: by Mr E L Senanayake,
 Speaker: and by other Deputy Ministers and
 officials. Presentation of bouquet to Prime
 Minister and garlanding of Mr. Thatcher. Depart
 for Power Station in motorcade.
- C11 0905 Arrive Victoria Dam Power Station. Meet Power
 Station staff. Inspection of Power Station and
 unveiling of plaque.
- C12 0920 Leave Power Station in motorcade.
- C13 0940 Arrive at the crest of the Dam. British Contract
 staff (about a dozen) lined up for
 presentation.
- C14 0945 Unveiling of the monolith by the Prime Minister
 at the invitation of President Jayewardene.
- C15 0950 Procession of school children.
- C16 1005 Arrive at the main dais.
- C17 1007 Ceremonial lighting of the traditional oil lamp.
- C18 1010 Religious blessings (Buddhist, Christian, Hindu
 and Muslim)
- C19 1020 Mahaweli song.
- C20 1023 Cancellation of Victoria Commemorative stamp.
- C21 1025 Speech by Gamini Dissanayake, Minister of
 Mahaweli Development.

- C22 1035 Speech by Ronnie de Mel, Minister of Finance and Planning.
- C23 1045 Speech by the Prime Minister (followed by reading out of summarised version in Sinhala)
- C24 1055 Speech by President Jayewardene.
- C25 1105 Ceremonial commissioning of the Victoria Dam. (Three buttons pressed simultaneously by President Jayewardene, the Prime Minister and Gamini Dissanayake)
- C26 1110 Presentation to President and Prime Minister of mementoes by consultants and contractors.
- C27 1115 Vote of thanks by Deputy Minister of Mahaweli Development
- C28 1120 National Anthem (end of ceremony)
- C29 1125 Walkabout among expatriate children
- C30 1200 Leave Victoria for Kandy by road (PM, PS/PPS)
- C31 1300 Arrive President's Pavillion at Kandy
- C32 1300-1315 FREE
- C33 1315 Lunch at President's Pavillion. Planting of a tree and naming of an orchid in Pavillion garden (PM, Mr Thatcher, PS, PPS, Mr Ingham, PUS, Mr Benjamin, Mr Vereker, High Commissioner, his wife, Miss Colvin)
- C34 1445 Talks with selected Sri Lankan Ministers (PM, PS, PPS, Mr Ingham, PUS, High Commissioner, Mr Benjamin, Mr Vereker)

- C35 1515 Press Conference
- C36 1600 Leave President's Pavillion for police grounds, Kandy. Visit Temple of the Tooth on the way.
- C37 1615 Leave police grounds by helicopter for Colombo (as for flight out)
- C38 1700 Arrive Colombo.
- C39 1710 Arrive President's House.
- C40 1710-2000 FREE
- C41 2000 State Banquet (short speech). (as for lunch plus DHC, defence adviser, his wife, Miss Noble, Mr Murray, British Council rep, his wife)
Overnight at President's House

*Commonwealth
State Dinner* ~~Foreign~~

SATURDAY 13 APRIL

- ~~Blue ink Press~~
- C42 0800 Leave President's House for Westminster House
- C43 0810 Short meeting with High Commission staff (PM, Mr Thatcher, PUS)
- C44 0840 Leave Westminster House
- C45 0850 Parliament. Speech (PM, Mr Thatcher, PS, PPS, Mr Ingham, PUS, Mr Benjamin Mr Vereker, High Commissioner, his wife, Miss Colvin)
- C46 1030 Leave Parliament.
- C47 1040 Arrive Mahaweli Centre. (PM, Mr Thatcher, Mr Butler, High Commissioner)
- C48 1050 Leave Mahaweli Centre.

English Lunch



- C49 1100 Final meeting with President at President's House (PM, Mr Thatcher, PS, PPS, PUS, High Commissioner, his wife)

- C50 1145 Departure Ceremonies (as for formal welcome)

- C51 1215 Leave Colombo for Katunayake airport by road.

- C52 1250 Arrive Katunayake Airport

- C53 1300 Departure

INDIA (GMT +5½ hours)

~~Chatterjee~~
~~Blue~~
~~13/04/57~~

SERIAL NO. SATURDAY 13 APRIL

- D1 1625 Arrive Palam Airport, to be greeted by Mr Gandhi
- D2 1635 Leave Airport by car
- D3 1700 Arrive High Commissioner's Residence
- D4 1700-1730 FREE
- D5 1730 Briefing session, High Commissioner's Residence
 (PM, PS, PPS, Mr Ingham, PUS, Mr Benjamin,
 Mr Vereker, High Commissioner
- D6 1820 Leave High Commissioner's Residence by car
- D7 1830 Arrive Indian Prime Minister's Office for talks
 (Tête-à-tête)
- D8 1845 Officials drawn into talks (PM, PUS, PS, PPS,
 High Commissioner)
- D9 1905 Leave Indian Prime Minister's Office
- D10 1915 Arrive High Commissioner's Residence
- D11 1915-1945 FREE
- D12 1945 Leave High Commissioner's Residence for
 Hyderabad House
- D13 2000 Arrive Hyderabad House for (working?) dinner
 (PM, PUS, Mr Butler, Mr Powell, High
 Commissioner, ? Mr Thatcher, ? Lady Wade-Gery)
- D14 ?? 2200 Leave Hyderabad House for airport [dinner may
 well end later]

✓
 Visit
 start



D15 ?? 2225 Arrive Palam Airport

D16 ?? 2230 Depart Palam for London Heathrow Airport via Bahrain

D17 ?? 0805 Arrive London Heathrow Airport

[All times local]

*Stay overnight in
Altha*

Sunday night. Live with - embroidery

On the plane - change into blue suit

*on wheel seat / used -
pocket*

CONFIDENTIAL

Revised 26.3.85

PRIME MINISTER'S VISIT TO ASIA, 4-13 APRIL 1985

DRAFT PROGRAMME FOR MR DENIS THATCHER

(* starred items, as for Prime Minister)

THURSDAY 4 APRIL

A1* 1230 Depart Heathrow.

MALAYSIA (GMT + 8 hours)

FRIDAY 5 APRIL

M1* 1045 Arrive Subang International Airport.

M2* 1120 Welcoming Ceremony Parliament (PM, .
Mr Thatcher, PUS, PPS/PS, Mr Benjamin,
Mr Vereker, Mr Ingham, Mr Murray) (possibly to
be followed by a wreath-laying ceremony).

M3* 1150 To Hilton Hotel.

M4* 1215-1450 Private Lunch, Hilton Hotel.

1450 Leave Hotel.

1500- Visit Castrol Offices.

1600

1615- Visit British Council English Language Training
1730 Centre.

1730 Sightseeing.

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

1915 Return to Hotel.

M8* 2030 Prime Minister's Banquet.

SATURDAY 6 APRIL

0830 Leave Hotel.

0845 Arrive Sungei Besi RMAF Base. Depart by helicopter.

0915 Arrive Carey Island.

0915-1145 Visit Harrisons Malaysia Plantation.

1200 Lunch in Clubhouse.

1300 Depart Carey Island.

1345 Arrive Hotel.

1425 Depart Hotel.

1440 Arrive Carcosa to rejoin PM for visit to housing estate.

M20* 1500-1600 Visit Housing Estate (Bandar Tun Razak) (PM, Mr Thatcher, PUS, PPS/PS, Mr Ingham, Mr Murray).

M21* 1600-1620 Free (in Hotel).

M22* 1615-1715 Call on Tunku Abdul Rahman (tea) (PM, Mr Thatcher, PUS, PPS/PS, Mr Ingham, Mr Murray).

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

- M23* 1715 Return to Hotel.
- M24* 1730-1830 Free (in Hotel).
- M25* 1830 Carcosa to meet Committee of British Malaysia Industry and Trade Association (BMITA). Reception for members of British Community and British High Commission staff (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).
- M26* 2000 Private dinner at Carcosa (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin) (Mr Murray to hotel).

SUNDAY 7 APRIL

- M27* 0840 Leave Hotel.
- M28* 0905 Depart VIP Lounge, Terminal 1, Subang Airport for Alor Setar (throughout day - PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).
- M29* 1000 Arrive Alor Setar (met by Kedah State Secretary, Datuk Radzi Bin Basir).
- M30* 1000-1015 Free (Alor Setar Airport).
- M31* 1015 Depart for Sungei Ahning (helicopter).
- M32* 1037 Arrive dam site (met by Mr J Proctor, Balfour-Beatty).
- M33* 1038 Official welcome by Chief Minister (speeches).

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

M34*	1058	Unveil plaque.
M35*	1100	Site Office.
M36*	1110-1124	Tour site.
M37*	1130	Depart dam site.
M38*	1150	Arrive Alor Setar. Drive to Istana Cegar.
M39*	1150-1225	Free (Istana Cegar).
M40*	1225	Arrive Palace (Istana Anak Bukit).
M41*	1230-1245	Prime Minister's audience with HRH Sultan of Kedah and HRH Sultanah.
M42*	1245	Lunch (at Istana Anak Bukit).
M43*	1340	Leave Istana Anak Buskit.
M44*	1350	Arrive Airport.
M45*	1400	Depart Alor Setar.
M46*	1445	Arrive Subang Airport, Kuala Lumpur. Drive to Railway Station.
M47*	1510-1540	Railbus (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

- M48* 1550-1650 Visit International Trade Exhibition. View British Stands. Tea with Federation of Malaysian Manufacturers Committee (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Verker, Mr Ingham, Mr Murray, Miss Colvin).
- M49* 1700 Return to Hotel.
- M50* 1715-1800 Free (Hotel).
- M51* 1800-1900 Press conference (PM, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray).
- M52* 2015 Drinks with Malaysian/British Society Committee, Negara Room, Hilton Hotel (PM, Mr Thatcher, PUS, PPS, PS, Mr Benjamin, Mr Vereker, Mr Ingham, Mr Murray, Miss Colvin).
- M53* 2030 Malaysian/British Society Banquet (Speech). Nirwana Ballroom, Hilton Hotel.

MONDAY 8 APRIL

- M54* 0900 PM's Farewell at Hilton Hotel.
- M55* 0915 Drive to airport.
- M56* 0945 Depart for Singapore.

SINGAPORE (GMT + 8 hours)

(names of accompanying officials to follow)

- S1* 1045 Arrive Singapore.

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

S2*	1120	Arrival at Shangri La Hotel.
S3*	1120-1150	Free (Shangri La Hotel).
S4*	1220	Call on President/Acting President and First Lady.
	1245	Lunch hosted by Chartered Bank with senior bankers and businessmen at Chartered Bank Building (Mr Thatcher, High Commissioner, Mr Benjamin).
	1430	Leave Chartered Bank Building.
	1515-1545	Visit Kranji War Cemetery. Lay wreath. (Mr Thatcher, High Commissioner).
	1600	Visit Castrol offices (Mr Thatcher, High Commissioner).
	1630	Leave Castrol Offices.
S7*	1645	Botanical Gardens (presentation of orchid to Prime Minister).
S8*	1700-1715	Free (Shangri La Hotel).
S9*	1715	British Business Association Reception, Shangri La Hotel.
S10*	1815	Press Conference, Shangri La Hotel.
S11*	2000	State Dinner at Istana.

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

TUESDAY 9 APRIL

S12* 0750 Leave for airport.
S13* 0825 Depart Changi Airport.

BRUNEI (GMT + 8 hours)

B1* 1030 Arrive Bandar Seri Begawan.
Met by member of Royal Family.
National Anthem. Inspect Guard of Honour.
Reception Line.

 1040 Helicopter trip to Shell, Seria (Mr Thatcher,
Mr Vereker).

 Visit Shell offshore installations.

B9* 1245-1350 Lunch with the Sultan and members of the Royal
Family (PM, Mr Thatcher, PUS, PPS/PS, High
Commissioner, Mr Ingham, Mr Benjamin,
Miss Colvin).

B10* 1350 Farewell ceremony at Istana.

B11* 1400 Board helicopter.

B12* 1403 Helicopter arrives airport.

B13* 1405 Depart Bandar Seri Begawan.

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

INDONESIA (GMT + 7 hours)

- J1* 1540 Arrive Halim Airport.
Welcoming Ceremony (details of welcoming party to follow).
State drive to Merdeka Palace (PM, Mr Thatcher, PUS, PPS/PS).
- J2* 1610 Courtesy call on President (PM, Mr Thatcher, PUS, PPS/PS). Escorted to Wisma Negara (Guest Wing).
- J3* 1655-1710 Free (Wisma Negara).
- J4* 1720-1750 Call on Vice President. Exchange of gifts. (PM, Mr Thatcher, PUS, PPS/PS).
- J5* 1800-2000 Free (Wisma Negara).
- J6* 2000 State Banquet at Istana Negara and speech: exchange of gifts (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin). (Black tie.)
- J7* 2230 Return to Wisma.

WEDNESDAY 10 APRIL

- 0745 Leave Wisma.
- 0805 Arrive Commonwealth War Graves Cemetery.
- 0830 Depart Cemetery.
- 0900 Arrive PT Newage Engineers, Jakarta.

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

	0940	Leave PT Newage Engineers.
	0945	Arrive PT Arcon Prima, Indonesia.
	1015	Depart PT Arcon Prima.
	1020	Arrive PT Sinar Sosro.
	1130	Return to Wisma.
	1150	Leave Wisma.
	1200	Arrive Mandarin Hotel. Drinks with Indonesian British Association.
	1330	Leave Mandarin Hotel.
	1345	Arrive Wisma.
J15*	1350	Leave Wisma.
J16*	1400	Visit British Council premises. (PM, Mr Thatcher, PUS, PPS/PS, Mr Ingham, Mr Benjamin, Mr Vereker, Miss Colvin).
J17*	1600	Tamin Mini. Tour and tree-planting. (PM, Mr Thatcher, PUS, PPS/PS, Mr Ingham, Mr Benjamin, Mr Vereker, Miss Colvin).
J18*	1700	Return to Wisma Negara.
J19*	1730-1830	Free (Wisma Negara).
J20*	1830	Leave for Mandarin Hotel.

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

- J21* 1840 Meeting with Embassy Staff (Mandarin Hotel).
(PM, Mr Thatcher and all members of PM's party.)
- J22* 1900 Ambassador's Reception at Mandarin (guests include British Community) (PM, Mr Thatcher, and all members of PM's party and visiting press).
- J23* 2030 Private Supper at Residence with Ambassador.
(PM, Mr Thatcher, PUS, PPS, PS).

THURSDAY 11 APRIL

- J24* 0730 Leave Wisma for Halim Airport (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin).
- J25* 0800 Flight to Bandung.
- J26* 0900 Visit to Bandung Institute of Technology. (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin).
- J27* 1015 Visit to Nurtanio Aircraft Industry (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin).
- J28* 1200 Lunch hosted by Dr Habibie. Speech. (PM, Mr Thatcher, PUS, PPS/PS, Mr Benjamin, Mr Vereker, Mr Ingham, Miss Colvin).
- J29* 1315 Leave for Jakarta.
- J30* 1415 Arrive at Wisma.

CONFIDENTIAL

CONFIDENTIAL

Revised 26.3.85

J31*	1415-1430	Free.
J32*	1430-1515	Press conference/Interviews at Wisma.
J33*	1515-1620	Free.
J34*	1630	Farewell call on President Soeharto. (PM, Mr Thatcher, PUS, PPS/PS).
J35*	1650	Leave for Halim.
J36*	1710	Departure Ceremony.
J37*	1730	Depart for Sri Lanka.

CONFIDENTIAL

MR THATCHER'S PROGRAMME FOR THE VISIT TO ASIA OF THE PRIME MINISTER

SRI LANKA (GMT +5½ hours)

THURSDAY 11 APRIL

- C1 2025 Arrive Colombo (Katunayake Airport). Met by Mr Gamini Dissanayake, Minister in attendance, and High Commissioner
- C2 2035 Leave airport by car
- C3 2115 Arrive President's House.
- C4 2125 approx - Leave President's House for Westminster House (High Commissioner's Residence)
- C5 2140 Arrive Westminster House - Private Dinner (PM, Mr Thatcher, PUS, PS, PPS, High Commissioner, his wife, DHC)
- C6 2255 approx - Leave Westminster House, and overnight President's House

FRIDAY 12 APRIL

- C7 0740 Formal welcome by the President at President's House (a gun salute will be fired by an SLA battery)(PM, Mr Thatcher, PUS, High Commissioner, his wife)
- C8 0810 Leave President's House for SLAF sportsground
- C9 0815 Leave Colombo for Adhikirigama (approx 3 miles from Victoria Dam power station) by helicopter (PM, PS, PPS, PUS, Mr Benjamin, Mr Vereker, High Commissioner, his wife, Miss Colvin, two

detectives)

- C10 0850 Arrive Adhikirigama. Received by Gamini Dissanayake, Minister of Mahaweli Development and Mrs Dissanayake: by Mr E L Senanayake, Speaker: and by other Deputy Ministers and officials. Presentation of bouquet to Prime Minister and garlanding of Mr. Thatcher. Depart for Power Station in motorcade.
- C11 0905 Arrive Victoria Dam Power Station. Meet Power Station staff. Inspection of Power Station and unveiling of plaque.
- C12 0920 Leave Power Station in motorcade.
- C13 0940 Arrive at the crest of the Dam. British Contract staff (about a dozen) lined up for presentation.
- C14 0945 Unveiling of the monolith by the Prime Minister at the invitation of President Jayewardene.
- C15 0950 Procession of school children.
- C16 1005 Arrive at the main dais.
- C17 1007 Ceremonial lighting of the traditional oil lamp.
- C18 1010 Religious blessings (Buddhist, Christian, Hindu and Muslim)
- C19 1020 Mahaweli song.
- C20 1023 Cancellation of Victoria Commemorative stamp.
- C21 1025 Speech by Gamini Dissanayake, Minister of Mahaweli Development.

CONFIDENTIAL

- C22 1035 Speech by Ronnie de Mel, Minister of Finance and Planning.
- C23 1045 Speech by the Prime Minister (followed by reading out of summarised version in Sinhala)
- C24 1055 Speech by President Jayewardene.
- C25 1105 Ceremonial commissioning of the Victoria Dam. (Three buttons pressed simultaneously by President Jayewardene, the Prime Minister and Gamini Dissanayake)
- C26 1110 Presentation to President and Prime Minister of mementoes by consultants and contractors.
- C27 1115 Vote of thanks by Deputy Minister of Mahaweli Development
- C28 1120 National Anthem (end of ceremony)
- C29 1125 Walkabout among expatriate children
- C30 1200 Leave Victoria for Kandy by road (PM, PS/PPS)
- C31 1300 Arrive President's Pavillion at Kandy
- C32 1300-1315 FREE
- C33 1315 Lunch at President's Pavillion. Planting of a tree and naming of an orchid in Pavillion garden (PM, Mr Thatcher, PS, PPS, Mr Ingham, PUS, Mr Benjamin, Mr Vereker, High Commissioner, his wife, Miss Colvin)
- C34 1445 Talks with selected Sri Lankan Ministers (PM, PS, PPS, Mr Ingham, PUS, High Commissioner, Mr Benjamin, Mr Vereker)

CONFIDENTIAL

CONFIDENTIAL

- C35 1515 Press Conference
- C36 1600 Leave President's Pavillion for police grounds,
Kandy. Visit Temple of the Tooth on the way.
- C37 1615 Leave police grounds by helicopter for Colombo
(as for flight out)
- C38 1700 Arrive Colombo.
- C39 1710 Arrive President's House.
- C40 1710-2000 FREE
- C41 2000 State Banquet (short speech). (as for lunch plus
DHC, defence adviser, his wife, Miss Noble, Mr
Murray, British Council rep, his wife)
Overnight at President's House

SATURDAY 13 APRIL

- C42 0800 Leave President's House for Westminster House
- C43 0810 Short meeting with High Commission staff
(PM, Mr Thatcher, PUS)
- C44 0840 Leave Westminster House
- C45 0850 Parliament. Speech (PM, Mr Thatcher, PS, PPS,
Mr Ingham, PUS, Mr Benjamin Mr Vereker, High
Commissioner, his wife, Miss Colvin)
- C46 1000 Leave Parliament.
- C47 1010 Arrive British Council. Meet staff and British
Scholars Association (Mr Vereker)
- C48 1030 Leave British Council

CONFIDENTIAL

- C49 1040 Arrive Mahaweli Centre. (PM, Mr Thatcher, Mr Butler, High Commissioner)
- C50 1050 Leave Mahaweli Centre.
- C51 1100 Final meeting with President at President's House (PM, Mr Thatcher, PS, PPS, PUS, High Commissioner, his wife)
- C52 1145 Departure Ceremonies (as for formal welcome)
- C53 1215 Leave Colombo for Katunayake airport by road.
- C54 1250 Arrive Katunayake Airport
- C55 1300 Departure



Miss Mary Lick
~~Wendell Gardner~~
Fletcher Lick

INDIA (GMT +5½ hours)

SERIAL NO. SATURDAY 13 APRIL

D1 1625 Arrive Palam Airport, to be greeted by Mr Gandhi

D2 1635 Leave Airport by car

D3 1700 Arrive High Commissioner's Residence

D4 1700-1945 FREE

D5 1945 Leave High Commissioner's Residence for
 Hyderabad House

D6 ? 2000 Arrive Hyderabad House for (working?) dinner
 (PM, PUS, Mr Butler, Mr Powell, High
 Commissioner, ? Mr Thatcher, ? Lady Wade-Gery)
 otherwise dinner at the High Commissioner's
 Residence

D7 ?? 2200 Leave Hyderabad House for airport [dinner may
 well end later]

D8 ?? 2225 Arrive Palam Airport

D9 ?? 2230 Depart Palam for London Heathrow Airport via
 Bahrain

D10 ?? 0805 Arrive London Heathrow Airport

[All times local]

Evening Dresses

White Flowers.

Fuchsia.

Blue/Gold Velvet.

Black lace / Long / Short.

Gold Tows.

Blue Silk / Balloon.

Black Spandy

Corduroy.

Blue Satin

Balloons.

Coats & Jackets

New Blue plus Womes.

Green coat / Silk.

Navy coat - silk.

Day

Navy Pink

Navy Beige

Yellow / Black / Red / Cotton.

Brown / Orange.

Swiss embroidery

White / Blue stripes.

Navy / White Flower Singapore

Sandy flower.

New Blue silk (Ceylon)

Amusements

Green chignon.

Black / White Spot.

Red silk, (by black cotton)

Silk Navy Pink

Enrich Garden

~~GRASS?~~

THE ANGLO-INDONESIAN CORPORATION

PLC

Registered in England No. 108917

Registered Office:

81 CARTER LANE · LONDON · EC4V 5EP

TELEPHONE: 01-236 6135

CABLES: PAMANOEKAN LONDON EC4

TELEX: 297162

29th March 1985

Dear Prime Minister,

I wrote to you on 11th March about your forthcoming visit to Indonesia. I mentioned that we then hoped to launch our new company Anglo-Eastern Plantations Plc on 26th March.

Owing to some of the complexities at the Indonesian end and partly because of the uncertainty over the allocation of the Riau land we have had to postpone the launch until 18th April. I thought you might find it useful to see a copy, in confidence, of the draft prospectus. There are, of course, a number of blanks that can not be filled until the last minute.

I do very much hope that you may be able to help resolve the impasse on the allocation of the 19000 hectares in the Province of Riau.

Yours sincerely

Michael Nightingale

Chairman

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1



ANGLO EASTERN PLANTATIONS PLC

Introduction by
N.M. Rothschild & Sons Limited



Copies of this document, which constitute the listing particulars relating to Anglo-Eastern required by The Stock Exchange (Listing) Regulations 1984, have been delivered to the Registrar of Companies for registration as required by those regulations.

The directors of Anglo-Eastern, whose names appear in this document, are the persons responsible for all the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The directors accept responsibility accordingly.

ANGLO-EASTERN PLANTATIONS PLC

(Registered in England No. 1884630)

1.1, 1.3, 1.4

Introduction

arranged by

N. M. Rothschild & Sons Limited

pursuant to an offer for subscription

of ● units of ● ordinary shares of 25p each, ● warrants and
£ ● nominal of 12½ per cent. unsecured loan stock 1995/99 at a price of ●p per unit

The Council of The Stock Exchange has admitted to the Official List all the ordinary shares, warrants and the loan stock of Anglo-Eastern issued and now being issued.

CONTENTS

	Page
Part I	
Definitions	3
Directors and advisers	4
Summary	6
Introduction	●
Group structure	●
The developed estates	●
The Tasik and Riau areas	●
Directors, management and employees	●
Indonesian factors	●
Profits	●
Net assets	●
Reasons for the issue	●
Risk factors	●
Prospects and dividends	●
Future of the group	●
Part II	
A Corporate structure	●
B Location of the group's estates	●
C Accountants' report	●
D Technical report on the Tasik area	●
E Agronomic evaluation	●
F Land rights	●
G Particulars of the loan stock	●
H Particulars of the warrants	●
I General information	●

Part I

DEFINITIONS

The following definitions apply throughout this document:

"Anglo-Eastern"	Anglo-Eastern Plantations Plc.
"the group"	Anglo-Eastern and its subsidiaries.
"the developed estates"	the Blankahan, Sungei Musam and Rambung estates in the province of North Sumatra, Indonesia.
"the Tasik area"	the 6,000 hectare concession in the province of North Sumatra, Indonesia now being developed as an oil palm estate.
"the Riau area"	the prospective 19,000 hectare concession in the province of Riau (part of the island of Sumatra), Indonesia.
"the issue"	the proposed issue of ● units.
"Anglo-Indonesian"	The Anglo-Indonesian Corporation Plc.
"REA"	R.E.A. Holdings plc.
"P&G"	Plantation & General Investments PLC.
"IIT"	International Investment Trust Company of Jersey Limited, the parent company of REA.
"Canadianty"	P.T. Canadianty Corporation.
"Marison"	P. D. & I. Marison N.V.
"the Indonesian Tasik companies"	collectively P. T. Tasik Cempaka, P. T. Tasik Seroja, P. T. Tasik Harapan and P. T. Tasik Raja.
"Gadek Indonesia"	Gadek Indonesia Limited, a member of the group.
"Ampat Sumatra"	The Ampat (Sumatra) Rubber Estate, Limited, a member of the group.
"ordinary shares"	the ordinary shares of 25p each of Anglo-Eastern.
"warrants"	the warrants of Anglo-Eastern.
"loan stock"	the 12½ per cent. unsecured loan stock 1995/99 of Anglo-Eastern.
"unit"	● ordinary shares, ● warrants and £ ● nominal of loan stock.
"the securities"	collectively the ordinary shares, the warrants and the loan stock.

DIRECTORS AND ADVISERS

Directors

Michael David Nightingale, OBE (*Chairman*)
Wormshill Court, Sittingbourne, Kent.

1.6, 6.1(a)

Reginald Ralph Lawes
Cotfield House, Matford, Exeter, Devon.

Konrad Patrick Legg
81 Carter Lane, London EC4V 3EP.

Lionel Edgar Charles Letts
Maxwell Road, P.O. Box 3054, Singapore 9050.

Henry Jeremy Renton
26 Walpole Street, London SW1.

Richard Michael Robinow
The Old Rectory, 29 Martin Lane, London EC4R 0DS.

William Frank Vincent
Nimbus, 13 Coxheath Road, Church Crookham, Hampshire.

Secretaries and registered office

1.1, 6.2

R. E. A. Services Limited,
The Old Rectory, 29 Martin Lane, London EC4R 0DS

Issuing house

1.10

N. M. Rothschild & Sons Limited,
New Court, St. Swithin's Lane, London EC4P 4DU

Stockbrokers

1.10

Hoare Govett Limited,
Heron House, 319/325 High Holborn, London WC1V 7PB

Solicitors to Anglo-Eastern

1.10

Ashurst, Morris, Crisp & Co.,
Broadgate House, 7 Eldon Street, London EC2M 7HD

Solicitors to the introduction

1.10

Linklaters & Paines,
Barrington House, 59/67 Gresham Street, London EC2V 7JA

Advisers on Indonesian law

1.10

Mochtar Karuwin & Komar,
Wisamar Kosgoro, 10th Floor, Jalan Thamrin 53, Jakarta, Indonesia

Auditors and reporting accountants

1.9

Arthur Andersen & Co., *Chartered Accountants*,
1 Surrey Street, London WC2R 2PS

Consulting agronomists

Harrisons Fleming Advisory Services Limited,
1 Great Tower Street, London EC3R 5AB

Technical consultants

Hunting Technical Services Limited,
Elstree Way, Borehamwood, Hertfordshire WD6 1SB

Bankers

1.10

Barclays Bank PLC,
114 Fenchurch Street, London EC3P 3HY

Registrars and transfer office
Hays Allan,
Woodland House, Collingwood Road, Witham, Essex CM8 2TS

2.16

Trustees of the loan stock
Eagle Star Trust Company Limited,
1 Threadneedle Street, London EC2R 8BE

8.11(a)

SHARE CAPITAL AND INDEBTEDNESS

Share capital

Authorised

£ ●

in ordinary shares of 25p each

*Issued and now
being issued
fully-paid*

£ ●

2.7

3.2

(i) the ordinary shares issued and now being issued rank in full for all dividends hereafter declared or paid on the ordinary shares of Anglo-Eastern.

[Loan stock]

[Warrants]

Indebtedness

At the close of business on 28th February, 1985 the companies which now constitute the group had short-term loans of £ ● , the loan stock and guarantees of £ ● . Save as aforesaid and apart from borrowings between the companies in the group at that date, neither Anglo-Eastern nor any of its subsidiaries had any loan capital outstanding or created but unissued, term loans (whether guaranteed, unguaranteed, secured or unsecured) or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills), or acceptance credits, hire purchase commitments, mortgages, charges, contingent liabilities or guarantees.

5.16

SUMMARY

The following information should be read in conjunction with the full text of this document.

Business

Anglo-Eastern was established to acquire from three listed UK companies, Anglo-Indonesian, P&G and REA, their entire estate interests in Sumatra. These interests comprise developed rubber and cocoa estates, an oil palm project in course of development and a prospective further oil palm development. 3.10
4.1

The acquisition has resulted in the creation of a new plantation group with majority interests in:

- ★ A balanced portfolio of estates planted to rubber, cocoa and oil palm.
- ★ A substantial current planting programme, principally in oil palm but also in rubber and cocoa, which will result in a planted area of 9,265 hectares, made up as to 64 per cent. of oil palm, 26 per cent. of rubber and 10 per cent. of cocoa.
- ★ The prospective allocation of a further 19,000 hectares that the Indonesian government has agreed to make available for planting.

Risk factors

Details of risk factors are set out below.

Rates of exchange

For the purposes of the accounting information in this document, the results and year end balances of overseas subsidiaries of Anglo-Eastern are translated at the rate of exchange prevailing at the end of each financial period. The rate of exchange on ● March, 1985 (being the latest practicable date prior to the posting of this document) was £1 = Rp●.

INTRODUCTION

Anglo-Eastern was incorporated in England on 8th February, 1985 and has acquired from Anglo-Indonesian, P&G and REA, those companies' interests in three developed estates, Blankahan, Rambung and Sungei Musam in the province of North Sumatra, together with their interests in the Tasik and Riau areas.

Of the developed estates, 2,344 hectares are planted with hevea rubber and 675 hectares with cocoa. In addition the developed estates include approximately 300 hectares of plantable reserve land which the directors intend should progressively be planted to rubber.

The Tasik area is a concession of 6,000 hectares in the province of North Sumatra which is being developed as an oil palm plantation. Some 2,700 hectares have been planted to date and it is envisaged that the balance of the usable area will be planted by the end of 1986. Thereafter it is hoped to develop a further area of 19,000 hectares in the adjoining Sumatran province of Riau. The Indonesian authorities agreed in 1980 that a suitable area would be made available but it has not yet been allocated.

The locations of the developed estates and of the Tasik area are shown on the map contained in Appendix II.

The amalgamation of the Sumatran estate interests of Anglo-Indonesian, P&G and REA has two principal objects; the creation of a plantation group with a balanced crop portfolio and a scale of operations capable of supporting an economic management unit; and the establishment of a group, with net assets of £● million, capable of raising external finance for the rapid clearing and planting of the Tasik area.

Following completion of the issue, Anglo-Indonesian and P&G together will own ● ordinary shares (● ordinary shares belonging to Anglo-Indonesian and ● ordinary shares belonging to P&G), representing ● per cent. of the issued ordinary share capital of Anglo-Eastern, and REA will own ● ordinary shares representing ● per cent. of the ordinary share capital of Anglo-Eastern. It is the intention of the boards of these companies to retain these interests and to work together to secure the success of Anglo-Eastern.

Following completion of the issue, the securities of Anglo-Eastern will be held as follows:

	<i>Ordinary shares</i>	<i>Loan stock (£)</i>	<i>Warrants</i>
Anglo-Indonesian	●	●	●
P&G	●	●	●
REA	●	●	●
Shareholders of Anglo-Indonesian, P&G, REA and IIT	●	●	●
	●	●	●
	=====	=====	=====

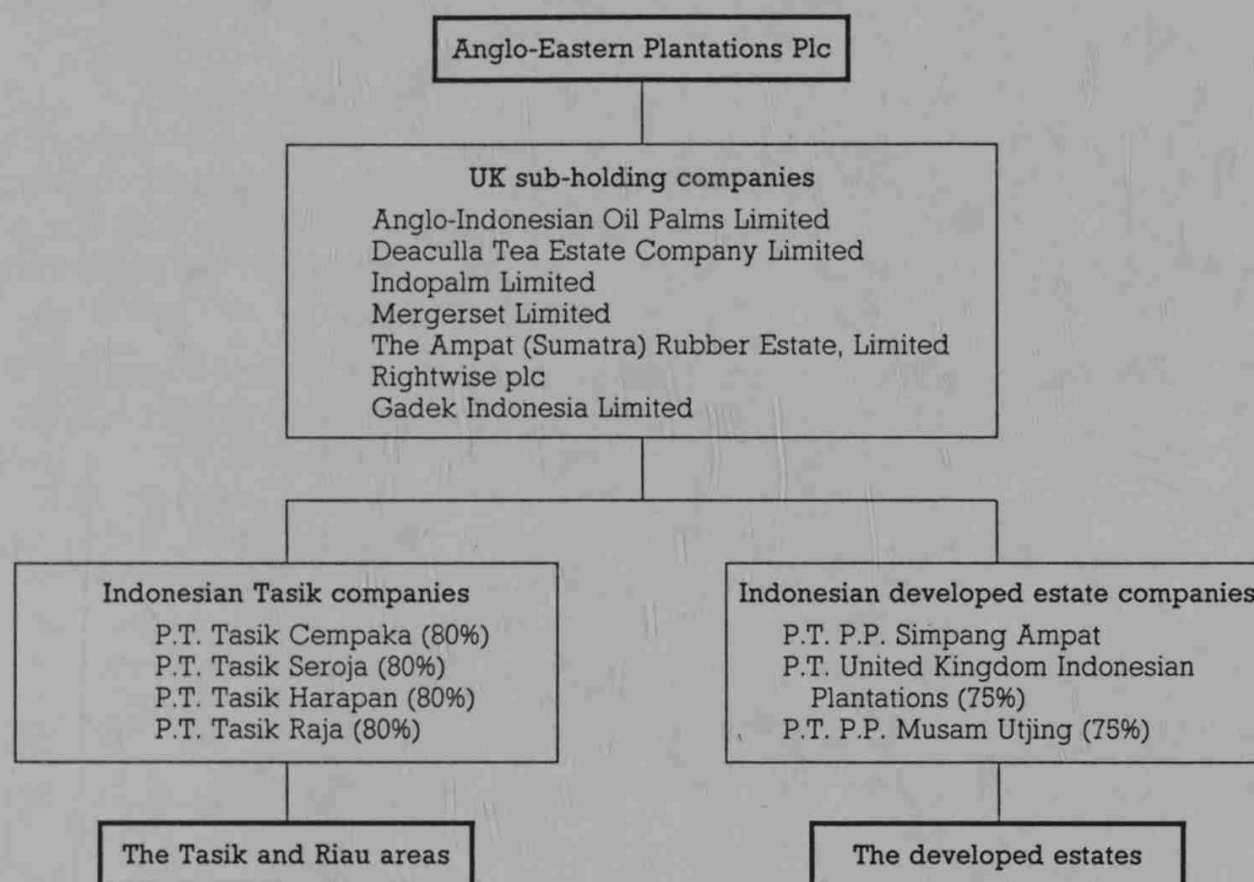
GROUP STRUCTURE

Each of the three developed estates is owned by a separate Indonesian company while the ownership of the Tasik area and rights to the Riau area are split between four Indonesian companies.

There are local minority shareholdings in each of the seven Indonesian companies except in P.T.P.P. Simpang Ampat which owns the Rambung estate. Marison has a 20 per cent. shareholding in each of the Indonesian Tasik companies and, together with another Indonesian small shareholder, owns 25 per cent. of P.T.P.P. Musam Utjing which owns the Sungei Musam estate. Canadianty holds 25 per cent. of P.T. United Kingdom Indonesian Plantations which owns the Blankahan estate. Both Marison and Canadianty are independent Indonesian companies which have been associated with Gadek Indonesia since 1975. Information concerning future increased Indonesian participation is set out under "Indonesian factors" below.

The Indonesian developed estate companies and Indonesian Tasik companies are direct subsidiaries of UK companies which in turn are wholly-owned subsidiaries of Anglo-Eastern. This large number of subsidiary companies in both the UK and Indonesia is purely historical and it will be the aim of Anglo-Eastern to simplify this structure as and when this is found to be practicable.

The present structure is summarised below and given in greater detail in Appendix I (all subsidiaries are wholly-owned except where otherwise indicated):



THE DEVELOPED ESTATES

History

The developed estates were all established at the beginning of this century and were developed as rubber estates under the ownership of European listed companies.

With the exception of a period during the 1930's when rubber prices fell to very low levels, the plantation sector in Indonesia generally enjoyed reasonable prosperity up to the second world war when the estates were seized under the Japanese occupation. The occupation was followed by the Indonesian struggle for independence and it was not until 1950 that

foreign owners were able to resume effective control of their estates. In the immediate post-independence period under President Sukarno, operating conditions were difficult and in 1964 all British-owned estates were taken over by the Indonesian authorities. Following the accession of President Suharto to the Indonesian presidency in 1968, a number of companies[, including those companies through which Anglo-Indonesian, P&G and REA subsequently came to own the developed estates,] were able to resume control of their former estate interests. Since then foreign investment in plantations has been welcomed by the Indonesian authorities and the sector has enjoyed a period of increasing prosperity.

Control of Rambung was returned to Ampat Sumatra in 1968, while Gadek Indonesia acquired control of Blankahan and Sungei Musam in 1975 and 1976 respectively. Since those dates major areas of all three estates have been replanted. Although the main focus of the replanting programmes has been rubber, on Blankahan and Sungei Musam significant areas of cocoa have also been established in recent years and on Rambung an initial 25 hectare block of cocoa has recently been planted.

Business

The developed estates are all situated within 100 kilometres of Medan in North Sumatra and comprise a total land area of 3,696 hectares. Two crops are grown, hevea rubber and Upper Amazon origin bulk cocoa. 4.4, 4.5

The estates can be classified as follows:

	<i>Average age</i>	<i>Hectares</i>
Mature rubber	17.1 years	1,711
Mature cocoa	7.4 years	468
Immature rubber	3.1 years	633
Immature cocoa	2.4 years	207
		3,019
Nurseries		3
Roads and buildings		69
Plantable reserve (estimated)		300
Other area		305
		3,696

A substantial investment has been made in replanting and in the case of Sungei Musam in planting into former jungle reserve areas. In the last five years, 850 hectares on the developed estates have been planted or replanted. The capital expenditure incurred in respect of these estates in the last five years amounted to £1.5 million (including expenditure on buildings, plant and machinery).

It is the intention to continue new planting of the reserve areas with rubber with a view to cultivating the balance of the plantable reserve within the next three to four years. At the same time replanting of older areas will be continued; for the next few years such replanting will be predominantly with cocoa.

Crops harvested from the developed estates during each of the five years 1980 to 1984 were as follows:

<i>Tonnes</i>	<i>1984</i>	<i>1983</i>	<i>1982</i>	<i>1981</i>	<i>1980</i>
Cocoa	277	307	344	212	151
Rubber	2,110	2,098	2,155	2,052	2,010

Cocoa crops of the past two years have been depressed by unusually wet weather and in the case of Blankahan by a requirement for major thinning out in the older areas. The thinning out has only recently been put in hand.

All three of the developed estates are equipped with sheeting factories for the production of ribbed smoked sheet. Cocoa production is at present confined to Blankahan and Sungei Musam and each of these estates has its own cocoa fermentary and cocoa dryers.

Lower grades of rubber, which represent about 23 per cent. of the total rubber production, and a very small percentage of cocoa production (primarily consisting of fragmented beans), are sold locally to Medan produce dealers. The balance of the rubber and cocoa crops is exported and marketed on behalf of the developed estates by R.E.A. Marketing Limited, a wholly-owned subsidiary of REA.

THE TASIK AND RIAU AREAS

History

Anglo-Eastern's interests in the Tasik and Riau areas have their origins in an agreement concluded in 1971 under which the Indonesian government, in part consideration for the acquisition of Anglo-Indonesian's former Indonesian subsidiary, P. & T. Lands, P.T., agreed to make available to Anglo-Indonesian a concession of approximately 25,000 hectares. Following this agreement an area of such a size in North Sumatra, close to the border with Riau, was provisionally allocated to Anglo-Indonesian.

Having established a base camp on the provisional area (which was to become known as "the Tasik concession"), between 1973 and 1977 Anglo-Indonesian arranged for detailed agricultural assessments to be made, including a survey by Hunting Technical Services Limited, the results of which are summarised in Part II D. The conclusion of the assessments, and in particular of the survey, was that the area was well suited for planting with oil palm as well as certain other estate crops.

Over the same period Anglo-Indonesian held extensive discussions with various plantation and trading groups with a view to securing the financial support necessary for the establishment of a new Indonesian plantation venture. An important step forward was taken in 1978 with the formulation of proposals providing, in broad terms, for the provisional concession area to be divided between Anglo-Indonesian and other UK plantation companies and for each of those companies then to develop separately the area allocated to it.

Although the Indonesian authorities had indicated their approval in principle of these proposals, during October 1979 the government intimated that for domestic reasons it wished to re-allocate the provisional concession area. In November, however, President Suharto paid a state visit to London and, following a meeting between him and the chairman of Anglo-Indonesian at 10 Downing Street, it was agreed that 6,000 hectares of the Tasik concession should be restored to Anglo-Indonesian and a further 19,000 hectares made available in the adjoining province of Riau. These arrangements were reflected in a protocol signed on 6th June, 1980 and an investment permit was granted in August 1981 (see Part II F).

During the autumn of 1981 joint venture agreements were signed with Marison, as the local partner, and the Indonesian Tasik companies were incorporated. Towards the end of 1982 these companies took possession of the Tasik area and established nurseries.

Since 1982 discussions have been taking place with the Indonesian authorities regarding the allocation of the Riau area. Certain areas have recently been suggested and are being examined by the Indonesian Tasik companies at present.

The directors are confident that a suitable allocation of land in Riau will be obtained but the formalities may take some time. Accordingly the group's planting programmes and financing requirements are being projected by reference only to the Tasik area. When the Riau area is allocated, it will be viewed as a separate development for financing purposes.

The Tasik area

The Tasik area is to be developed entirely as an oil palm estate. The planting programme originally adopted was:

	<i>Hectares</i>
1983	800
1984	2,000
1985	2,000
1986	1,100
	<hr/>
	5,900
	<hr/> <hr/>

The areas to be planted in 1983 and 1984 have been completed other than 80 hectares which have been carried forward to 1985. Provided that the programmes for 1985 and 1986 can be adhered to, all areas to be planted should be mature by 1990 and full production should be achieved by 1995.

Crops from the Tasik area are projected to commence in 1986 at an annual level equivalent to about 800 tonnes of palm oil and kernels and to rise to some 40,000 tonnes by 1995.

It is intended that, subject to the necessary Indonesian consents, a palm oil mill should be built in the Tasik area to process all oil palm fruit produced from the area into palm oil and kernels. Pending construction of such a mill, which will involve a capital investment of about US \$5.5 million at current prices, fruit production will be sold to established local mills, of which there are several.

Indonesian producers of palm oil are required to sell the major proportion of their production in the domestic market. The applicable proportion and the price receivable in respect of domestic sales are fixed from time to time by the Indonesian government. The export element of palm oil production and all palm kernel production can be sold freely on the world market but such sales are subject to export duties which again are fixed periodically by the Indonesian government. Further information as to conditions currently applicable in Indonesia is set out in Part II E below.

The group will make appropriate arrangements regarding the appointment of selling agents for its palm oil and kernel production following the completion of the proposed palm oil mill in the Tasik area.

Financial considerations

The acquisition and development costs in respect of the Tasik area^{4.15} incurred to 31st December, 1984 by the Indonesian Tasik companies, together with the further development costs projected to be incurred on the basis of current prices and the other assumptions stated in Part II E up to the completion of the development, are as set out below:

	<i>Costs to 31st December, 1984 US\$'000</i>	<i>Projected further costs US\$'000</i>	<i>Total US\$'000</i>
Land, buildings, plant and machinery	446	3,018	3,464
Plantings	2,249	7,299	9,548
	<u>2,695</u>	<u>10,317</u>	<u>13,012</u>

The financing by the Indonesian Tasik companies of the projected further costs referred to above is projected to be as follows:

	<i>US\$'000</i>
Share capital:—	
(a) to be subscribed by Marison	650
(b) to be subscribed by UK members of the group	5,200
Loan capital to be provided by UK members of the group	
Retained profits and depreciation	
	<u>10,317</u>

Loan capital provided by UK members of the group will be denominated in US dollars and will carry interest at a commercial rate. It will be noted that the total further capital investment projected to be required from UK members of the group amounts to US\$ 10.3 million.

DIRECTORS, MANAGEMENT AND EMPLOYEES

Directors

The directors of Anglo-Eastern are as follows:

- Michael Nightingale aged 57, has been chairman of Anglo-Indonesian since 1971. He was previously a director of Charterhouse Japhet Limited and is currently Mayor of Maidstone and a chairman of the General Synod of the Church of England.
- Reginald Lawes aged 58, has been an executive director of Gadek Indonesia since 1975 and in charge of the group's Indonesian head office since its original establishment by Gadek Indonesia in 1977. He has been engaged in the management of rubber, cocoa and oil palm estates in south-east Asia for over thirty years. He is also a non-executive director of REA.
- Konrad Legg aged 40, has been chairman of P & G since 1978 and managing director of Anglo-Indonesian since 1982. He has been involved in the plantation business for many years and was previously chairman and managing director of Eastern Produce (Holdings) Limited and managing director of Warren Plantation Holdings Limited. He is currently also a director of Rembia Rubber plc, a company otherwise unconnected with Anglo-Eastern.
- Charles Letts aged 66, has been a director of Kuala Lumpur Kepong Berhad since 1971. He is resident in Singapore and is also a director of several other eastern plantation and trading companies.
- Jeremy Renton aged 55, was a partner in James Capel & Company from 1963 to 1984. He is now a director of Anthony Wieler & Co. Limited, investment managers. He has several other investment and charitable interests.
- Richard Robinow aged 39, has been a director of REA since 1978 and chairman since 1984. After an initial career in merchant banking he has been involved in the plantation business since 1974. He is also a director of IIT, Anglo-Indonesian, Sipef S.A. and Padang Senang Holdings plc.
- William Vincent aged 60, has been involved in the management of estates throughout south-east Asia since the second world war. He is also a director of Rowe Evans Investments PLC and The Singapore Para Rubber Estates PLC.

Management

The group's operations are administered from its Indonesian head office in Medan. The head office was originally established by Gadek Indonesia in 1977 and has been responsible for the management of Blankahan and Sungei Musam since then, the management of Rambung from 1981, and for the management of the Tasik area development since its inception in 1982.

The head office is under the direction of Mr. Lawes, Anglo-Eastern's resident director in Indonesia, assisted by three senior Indonesian executives and an ancillary staff of ● . [Possible further expatriate.] The

office is responsible for all functions normally performed by a plantation agency house, namely financial control, the purchasing of estate supplies and placing of contracts on behalf of the estates, the marketing of produce sold domestically, the shipping of export produce and the organisation of estate staff.

Each of the developed estates and the Tasik area is under the supervision of an estate manager and between one and three field, factory or office assistants who live on the estates and are responsible for their day to day operation. In the case of the Tasik area it is anticipated that, as the development proceeds, management staffing will be built up from the present level of three to an eventual complement of about fifteen.

Employees

In addition to management staff the developed estates employ a total of some 600 persons who are resident on the estates. The estates rely for certain functions, principally replanting and general upkeep, on contract labour which is hired on a day to day basis according to requirements.

In the case of the Tasik area clearing, planting and maintenance of immature areas up to maturity is being arranged on a contract basis with contractors providing their own labour. Accordingly the area is currently being operated with only a skeleton work force. A total labour complement of around 1,200 will however be required by the time that the area reaches full production. The development of the Tasik area and other surrounding developments are attracting a steady drift of settlers into the vicinity and it is anticipated that this will provide a sufficient pool from which to recruit the required work force.

INVESTMENT IN INDONESIA

General

Foreign investment in Indonesia is governed primarily by the Foreign Capital Investment law of 1967 as amended. This stipulates that, with the approval of the government, foreign companies may invest and operate in Indonesia for a period of 30 years. Since 1974, all foreign investments, other than investments in some specific areas totally for export, must be undertaken through joint ventures with Indonesian partners through the medium of an Indonesian incorporated company.

The body responsible for regulating foreign investment in Indonesia is the Investment Co-ordinating Board, the Badan Koordinasi Penanaman Modal ("BKPM").

Indonesia has adopted five year plans of which the first began in 1969 and the present is the fourth plan, Repelita IV, which is in respect of the years 1984-89. One of the main objectives of Repelita IV is to develop the agricultural sector of Indonesia's economy. Repelita IV is designed to encourage employment, and agriculture is still the single most important source of employment in Indonesia. Indonesia ranks second only to Malaysia in world rubber production and is also the world's second largest producer of palm oil.

Investment Permits

Central to foreign investment in Indonesia is the grant of an investment permit. Such a permit, currently known as a *surat persetujuan tetap* ("SPT"), is the acknowledgement of the President of the Republic of Indonesia's approval of a foreign investment proposal and constitutes a temporary operating licence for use by the joint venture company that it is proposed to establish. Only when that company has achieved commercial production will a permanent operating licence be issued.

Provided that the project undertaken by a joint venture company is developed in accordance with the conditions specified in the applicable SPT, the grant of a permanent operating licence follows in due course. An SPT contains detailed requirements as regards such matters as production and marketing programmes, utilisation of manpower, project location, investment programme, capitalisation, fiscal and other approved facilities, and stipulations as to the ownership and use of land. In addition an SPT enables a joint venture company to apply for the various licences and permits that it requires to commence operations and gives it the right to qualify for any guarantees (particularly in respect of foreign exchange) and tax incentives that it may have been granted.

The Indonesian government reserves the right to withdraw approval of a foreign investment project in certain eventualities, as for instance, in the case of a joint venture company undertaking a plantation project, failure to cultivate properly and in accordance with its project proposal the land allocated to it, or to comply with the regular reporting requirements of the Foreign Investment Law.

The investment permit contained in an SPT is for a duration of 30 years. The investor has the right to apply for an extension. Because the Foreign Investment Law has not yet been in existence for 30 years it is not yet known what bases extension applications will be considered.

Land rights

Indonesian land legislation does not incorporate a concept of freehold land rights in respect of natural resource investment including agricultural plantations. Instead the Basic Agrarian Law recognises several types of rights on land the relevant one in the case of Anglo-Eastern being an Hak Guna Usaha ("HGU"), being a right of exploitation. This is the right to use state-owned land for purposes of agriculture including plantations.

A Presidential Decree ("the Decree") dated 20th March, 1980 provides that in the case of any joint venture agricultural project involving foreign investors the title should be in the form of an HGU to be granted to the Indonesian partner in the project. The SPT will specifically provide for this. The Decree also provides that an HGU will only be granted for a period of 35 years but, upon application by the Indonesian joint venture partner, there is a possibility of extending this term to at the most 60 years. The ability to exploit the HGU for the full 35 year period or further extension would depend on an extension to the SPT having been previously granted.

Once the Indonesian joint venture partner has been granted an HGU, the terms of the SPT oblige it to grant to the joint venture company a right to exploit the land for the purposes of the project by way of a Sarah Pakai ("SP"). The concept of an SP dates back to the Decree and it is not yet clear whether the interest created by an SP can be registered or noted on the HGU from which it derives.

Local participation

Indonesian participation in joint ventures must, pursuant to the Five Year Plans, be increased with a view to over 50 per cent. of the joint venture being held by Indonesian nationals at the expiry of 10 years after commencement of commercial production.

Exchange control Although Indonesia has exchange control legislation there are virtually no foreign exchange controls at the moment and in practice any foreign investor may freely transfer funds to or from abroad. In addition under the foreign investment law, foreign investors and foreign investment law companies are granted guarantees by the Indonesian government, subject to procedural requirements necessary to perfect those guarantees, to remit foreign exchange outside of Indonesia in respect of equity capital withdrawn after the expiry of any tax incentives granted to the foreign investment law company, principal and interest on foreign loans, post-tax profits, proceeds from the sale of shares by the foreign investor to Indonesian nationals (whether before or after the expiry of tax incentives), compensation in the event of nationalisation and certain other matters. It should be noted that such guarantees are not themselves guarantees of the availability of foreign exchange at the time of any proposed remittance.

Taxation

THE GROUP'S INDONESIAN POSITION

Overseas investment insurance

Anglo-Eastern's loan investment in the developed estates and the full amount of costs to date of loan and equity investment in the Tasik area have been insured against expropriation, war damage and restrictions on remittances.

The maximum amounts insured in respect of Anglo-Eastern's investment made and to be made in Indonesia will be 90 per cent. of the following amounts:

	£'000
Equity	5,528
Loan	2,919

These amounts are equivalent to the loan investment in the developed estates and the full amount of the estimated cost of the total investment to be made in loan and equity investment in Tasik. Further investment in Tasik will be covered (up to these amounts) as it is made. The benefit of the insurance policies in respect of the loan component of Indonesia investment has been assigned upon terms set out in the loan stock particulars described in Part II G for the benefit of the holders of the loan stock issued and to be issued by Anglo-Eastern.

However, it is neither practicable nor economic for Anglo-Eastern to insure the current equity value of the developed estates and the Tasik area and it should therefore be noted that the cover provided will be limited to 90 per cent. of the amounts referred to above.

The initial annual premium for the above amounts and commitment will be £91,000 and under current regulations cover is available for a maximum period of fifteen years.

PROFITS

The consolidated pro-forma profit and loss accounts of the businesses of the group for the five years ended 31st December, 1984, compiled under the historic cost convention and on the basis of the accounting policies stated in the accountants' report in Part II D, are set out below:

	1984	1983	1982	1981	1980
	£'000	£'000	£'000	£'000	£'000
Turnover		1,652	1,193	1,184	1,114
Cost of sales		(753)	(768)	(678)	(409)
Gross profit		899	425	506	705
Other income and expenses		(255)	(122)	(124)	(104)
Profit before taxation		644	303	382	601
Taxation		(196)	(90)	(94)	(96)
Profit after taxation		448	213	288	505
Minority interest		(65)	(14)	(36)	(92)
Extraordinary items		—	—	—	—
Dividends		—	—	—	—
Profit attributable to shareholders		383	199	252	413
Pro-forma earnings per share					5.6

As the Tasik area is still in course of development, the figures concerned relate entirely to the trading results of the developed estates.

The profit record of the group for the period has been affected by the following factors: 4.7

(a) *Commodity prices*

Rubber prices were stable for the first two years of the period, declined in 1982 and recovered strongly in 1983. Cocoa prices declined for the first three years but recovered in 1983 to 1979 levels. [1984 and 1985.] 7.1(a)

(b) *Maturity profile of the estates*

(i) Although a substantial investment has been made in replanting on the developed estates and a number of the replantings are now mature, most of the latter areas have only recently been brought to maturity and are therefore still building up to their peak yields. Rubber crops have been broadly stable throughout the period but cocoa crops have been depressed in 1984 and 1983 by unusually wet weather.

(ii) As a result of the substantial investment referred to in paragraph (i) above fixed infrastructure and administration costs during the past five years have represented a greater proportion of total costs on the developed estates than would be normal on a fully mature estate. As a result the impact on profits of downturns in produce prices has been particularly severe.

NET ASSETS

On the basis of the pro-forma consolidated historic cost balance sheet of the businesses of the group at 31st December, 1984 set out in the accountants' report in Part II C and the revaluation of the developed estates referred to in note ● of that report, the consolidated net tangible assets of the group attributable to ordinary shareholders following this offer for subscription may be derived on a pro-forma basis as follows:

	£'000	£'000
Developed estates		10,183
Investment in Tasik and Riau areas at cost at 31st December, 1984 (Note)		3,465
Net current assets at 31st December, 1984		820
Estimated net proceeds of this offer for subscription		●
		●
Less:		
Loan stock	2,000	
Minority interest	2,416	
		4,416
		●
		●

Note: [The directors consider that the value of the Tasik area is above cost. For the purposes of the exchange agreement a value of £● million].

REASONS FOR THE ISSUE

The directors believe that the development of the Tasik area represents an unusual and profitable opportunity. The principal reason for the issue is therefore to raise the finance required to complete the rapid clearing and planting of the Tasik area. 4.15

In addition the amalgamation of the plantation interests prior to the issue will facilitate economies of scale and enable Anglo-Eastern, as a substantial investor in the Indonesian plantation sector, to be well placed in negotiations with the relevant authorities regarding the development of the Riau area and any future further expansion.

RISK FACTORS

Prospective investors in Anglo-Eastern should recognise that the group's business by its nature carries a number of attendant risks which could affect future profits and cash flow. In the opinion of the directors of Anglo-Eastern the most significant of these are as follows: 7.1(b)

- ★ The profitability of Anglo-Eastern will be fundamentally dependent upon:—
 - (a) the world prices of rubber, palm oil and kernels, and cocoa; and
 - (b) Anglo-Eastern's capacity under Indonesian law to sell its produce at price levels comparable with such world prices.

- ★ The cash flow of Anglo-Eastern will be dependent upon its profitability and its capacity to remit its earnings to the UK. Since 1967 there has been no restriction on remittance of capital and dividends from Indonesia.
- ★ As in any agricultural venture, the crops are affected by pests, diseases and weather conditions. Over a long period output should be reasonably predictable but there can be large variations in individual years.
- ★ The whole of the group's assets and operations are in Indonesia, which has enjoyed relative political stability since 1968. However, prospective investors should note the expropriation by the government of Indonesia in 1964 of [certain] foreign estates and the subsequent restoration of some of these estates to their former owners in and after 1968.
- ★ There is provision for exclusion of minority participations in the Blankahan and Sungei Musam estates at ● values to be determined by the partners. In the case of the Sungei Musam estate this right of extension is exercisable at any time. With regard to the Tasik area such rights will only come into force in 1998.
- ★ It is expected that a large proportion of Anglo-Eastern's profits will eventually come from the Tasik area, only half of which has yet been planted.

PROSPECTS

An agronomic evaluation of the developed estates and of the Tasik area has been prepared by the company and reviewed by Harrisons Fleming Advisory Services Limited. It is not possible to make a reliable forecast for Anglo-Eastern even a relatively short time ahead given the potential variations in world commodity prices, climate, exchange rates and government regulations. As an illustration of the potential size and profitability of Anglo-Eastern, shown below are the turnover and pre-tax profits for the group extracted from the agronomic evaluation for 1989 and for 1994 assuming present costs and alternative commodity price assumptions.

7.1(b)

	<i>At present</i>		<i>At World Bank</i>	
	<i>commodity prices</i>		<i>forecast commodity</i>	
	<i>1989</i>	<i>1994</i>	<i>prices in constant terms</i>	<i>1994</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Turnover	9,707	14,937	10,093	15,576
Profit before tax	3,588	8,651	3,953	9,068

1989 is the first year when all of the Tasik area is in production. By 1994 the Tasik area is forecast to be at full production and cocoa and rubber crops will be nearing maximum forecast production.

Part II E sets out the projected planted area and crops together with a summary of the principal assumptions used in making those projections and in arriving at the indicated profits for 1989 and 1994 shown above.

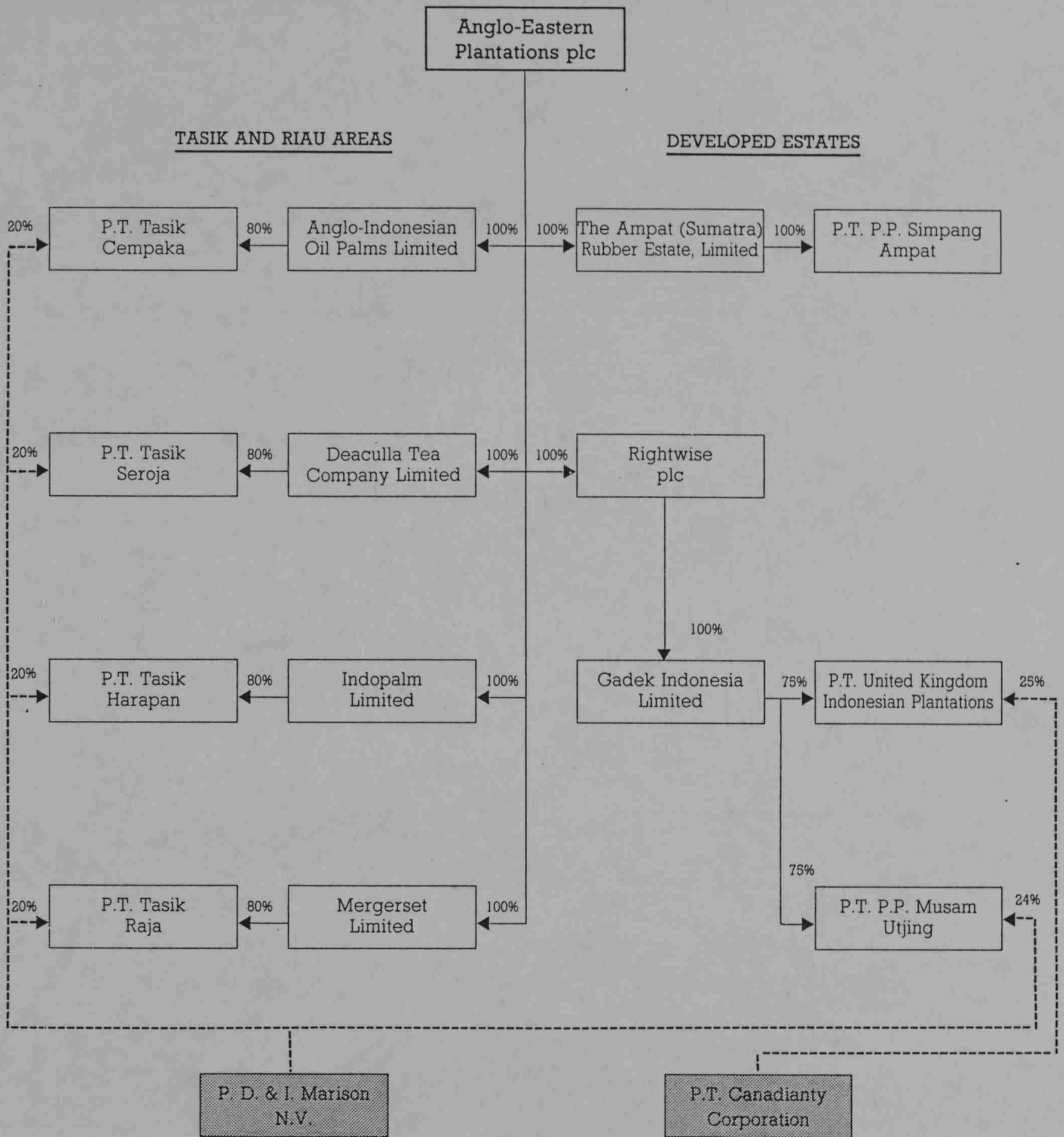
The directors of Anglo-Eastern stress that the illustrative profits above should on no account be taken as forecasts and should be read in conjunction with the principal assumptions and notes shown in Appendix V.

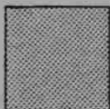
FUTURE OF THE GROUP

Plantation investment in the Far East has proved very rewarding in recent years. The directors believe that Anglo-Eastern represents a profitable and unusual investment opportunity for the following reasons:— 7.1(b)

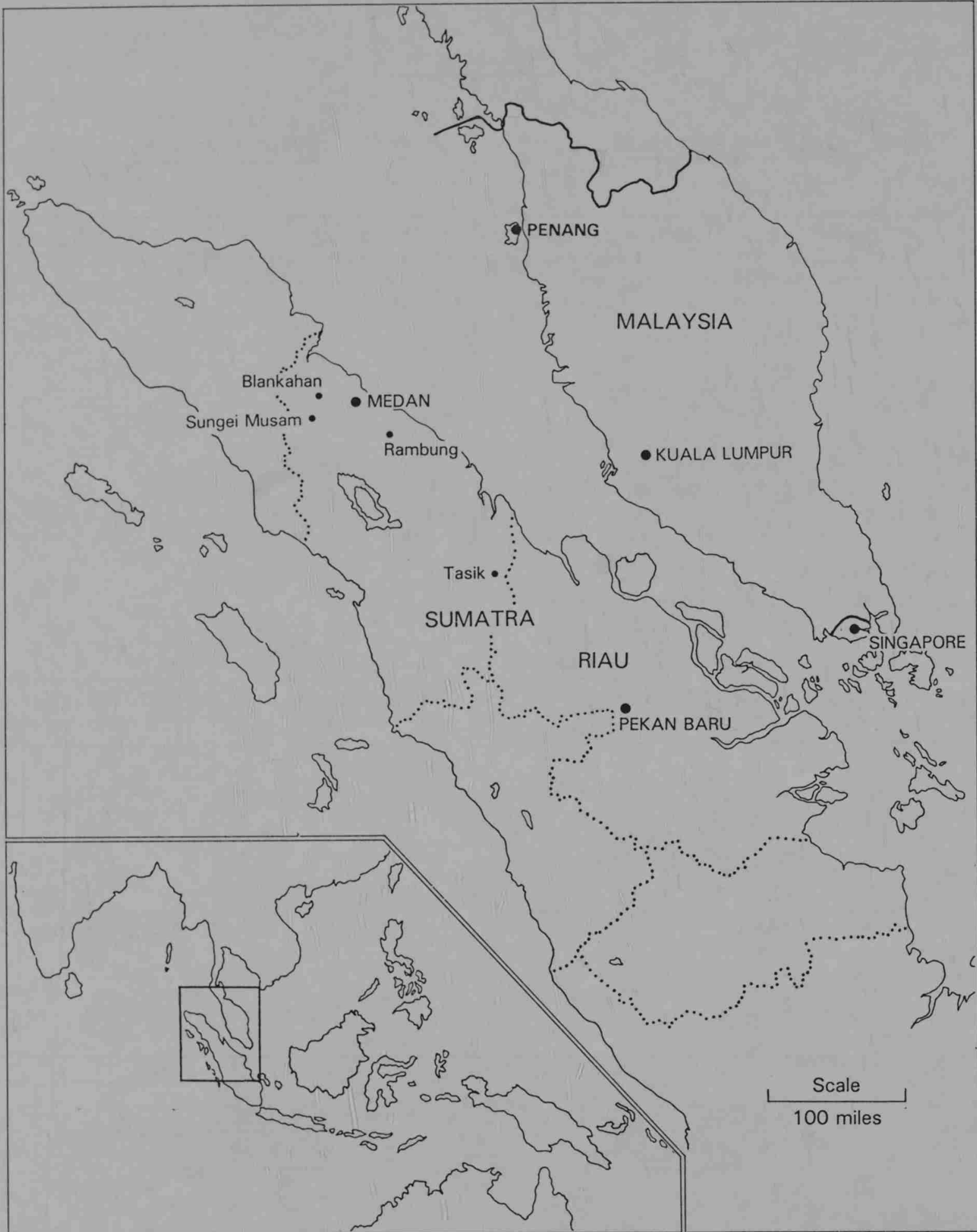
- ★ In addition to its mature rubber and cocoa plantations Anglo-Eastern has in the 6,000 hectare Tasik area a substantial oil palm planting development programme which is expected to produce a rapid increase in palm oil production over the next six years.
- ★ The outlook for palm oil is encouraging [in the medium term] and Anglo-Eastern has the prospect of major increases in earnings in the future.
- ★ Anglo-Eastern has the potential afforded by the rights to a further concession of 19,000 hectares which the Indonesian government agreed in 1980 to make available for planting but which has not yet been allocated.
- ★ Access by foreign investors to new large areas of land in south-east Asia is likely to become increasingly limited.

CORPORATE STRUCTURE



 — Local Indonesian partner.

B. LOCATION OF THE GROUP'S ESTATES



C. ACCOUNTANTS' REPORT

The Directors
Anglo-Eastern Plantations Plc
The Old Rectory
29 Martin Lane
London EC4R 0DS

The Directors
N. M. Rothschild & Sons Limited
New Court
St. Swithins lane
London EC4P 4DV

25th March, 1985

Gentlemen,

Anglo-Eastern Plantations Plc ("Anglo-Eastern") was incorporated on 8th February, 1985 and since incorporation has not traded, declared or paid dividends nor prepared any accounts. Anglo-Eastern has acquired primarily by way of share exchange and issue of loan stock certain companies engaged in plantation agriculture in North Sumatra. 5.3

The amounts shown in the accompanying financial information are those that would have been reported had the group (as shown in note 1) been in existence during the five year period ended 31st December, 1984. The financial information has been prepared on the bases described in the accounting policies section below and is based on the audited accounts of the group companies after making such adjustments as we considered necessary.

The ordinary shares and loan stock which has been issued by Anglo-Eastern to shareholders in respect of companies acquired has not been incorporated in the accompanying financial information. No adjustment has been made to the consolidated profit and loss accounts to include the interest cost relating to the loan stock or the income which may result from the interest arising from the proceeds from the issue. The acquisition by Anglo-Eastern of group companies in 1985 will be accounted for by the purchase method, whereby the consideration given and the net tangible assets acquired will be recorded at fair values and the difference, if any, will represent goodwill on capital reserve arising on acquisition. Future depreciation charges will be based on these fair values and any subsequent revaluations of estates.

No decision has been made by the directors of Anglo-Eastern as to the frequency of future revaluations of tangible fixed assets and as to the amortisation of any goodwill which may arise.

We were not the auditors of any group company for the periods ended 31st December, 1981 and 1980 and the accounts of the overseas companies continue to be examined by other auditors.

We have examined, in accordance with approved auditing standards, the historic cost consolidated balance sheet of the group, as modified to include revaluation of certain tangible fixed assets, at 31st December, 1984, 1983, 1982, 1981 and 1980 and the related consolidated profit and loss accounts and consolidated statements of source and application of funds for the five years ended 31st December, 1984.

In our opinion, the financial information shown on pages ● to ●, gives a true and fair view, on the bases set forth below, of the consolidated balance sheets of the group at 31st December, 1984, 1983, 1982, 1981 and 1980 and of the consolidated profit and loss accounts and source and application of funds for each of the five years ended on those dates on a consistent basis.

Accounting Policies

(a) Basis of accounting

The accompanying financial information has been prepared on the historic cost basis, modified to include the revaluation of developed estates. 5.15(a)

(b) Basis of consolidation

The group accounts consolidate the accounts of Anglo-Eastern and its subsidiaries on the basis that the Group relationship effectively existed throughout the five year period ended 31st December, 1984.

Significant transactions and balances within the group have been eliminated on consolidation.

(c) Tangible fixed assets

The developed estates, including the buildings and plant and equipment thereon, were independently professionally valued in 1984 by Mr. S. G. Mee (an independent valuer who was a licensed valuer in Malaysia and a senior planting adviser in both Malaysia and Indonesia) at open market value for existing use. For 1983 and prior years, the developed estates were valued by the directors of the relevant group companies at each year end on the same bases adopted by the independent professional valuer. The revaluation surplus arising represents the difference between current and prior year valuations adjusted for acquisition of fixed assets net of disposals during the year. (See note 7).

Estates under development are carried at historic cost plus capitalised development costs and are not depreciated.

The annual depreciation charge is based on the valuations at the end of that year and has been provided by equal instalments at rates which will reduce the assets to their disposal values at the end of their useful lives. The rates used are: estates 3.3 per cent.; building 5 per cent.; plant and machinery 5 per cent. to 20 per cent.

(d) Stock

Stock is stated at the lower of cost and net realisable value.

(e) Current asset investments

Current asset investments are stated at the lower of cost and market on an item by item basis.

(f) Foreign exchange

Normal trading transactions denominated in foreign currencies are recorded at the applicable rates of exchange as of the date of the transaction.

For consolidation purposes, the results and year end balances of overseas group companies are translated using the closing rate method in accordance with the provisions of SSAP 21. Exchange differences arising from translation are not charged (credited) to the consolidated profit and loss accounts. (See note 7). Translation losses (gains) arising in the period are as follows:

	£'000
1984	(278)
1983	253
1982	(87)
1981	(199)
1980	94

The rates of exchange to one pound sterling are as follows:

	1984	1983	1982	1981	1980
Indonesian rupiah	1,245.84	1,441.30	1,121.85	1,186.11	1,477.98
United States dollar	1.16	1.45	1.62	1.91	2.38

(g) Taxation

United Kingdom and foreign tax payable is provided on taxable profits at the current rate.

Deferred taxation is not provided for timing differences unless it is believed that they will reverse in the foreseeable future.

No deferred taxation has been provided in respect of the revaluation of the developed estates as there is no intention to dispose of these estates in the foreseeable future.

(h) Turnover

Turnover is the total amount receivable by the group in the ordinary course of business for goods supplied and services rendered to third parties.

The following adjustments have been made in preparing the financial information:

During the period several group companies held investments in subsidiaries and related companies whose lines of business were dissimilar to that currently proposed for Anglo-Eastern. These holdings were disposed of in December 1983. The income derived from these investments during the period were not material and any gains on disposal have been eliminated from the consolidated profit and loss accounts.

(ii) Dividends

Dividends declared or paid during the five year period by group companies to shareholders outside the group have not been reflected in the consolidated profit and loss accounts since these dividends are not necessarily indicative of those which would have been declared or paid by Anglo-Eastern during the period. The total amount of dividends which have been eliminated are as follows:

	£'000
1984	764
1983	4,380
1982	104
1981	61
1980	110

The 1983 amount above includes a dividend arising from the gain on disposal of a fixed asset investment as described in (i) above.

It has not been considered appropriate to make any assumptions regarding the level of dividends, if any, that Anglo-Eastern would have declared or paid during the five year period.

(iii) Reallocation of profit and loss amounts

Income and expense items which relate to one period but have been recorded in another have been re-allocated to the appropriate period. These re-allocations comprise primarily taxation adjustments.

Profit and loss accounts

The consolidated profit and loss accounts for the five years ended 31st December, 1984 are set out below:

5.1.5.9

	Notes	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Turnover	1	1,974	1,652	1,193	1,184	1,114
Cost of sales	10	(972)	(798)	(698)	(613)	(374)
Gross profit		1,002	854	495	571	740
Administrative expenses	11	(249)	(328)	(266)	(311)	(219)
Other income and expenses	12	85	10	36	81	48
Historic cost profit before taxation		838	536	265	341	569
Taxation	13	(316)	(121)	(101)	(67)	(104)
Historic cost profit before minority interest		522	415	164	274	465
Depreciation adjustment arising from revaluation of developed estates	10	(242)	(167)	(133)	(120)	(112)
Profit/(loss) before minority interest		280	248	31	154	353
Minority interest		5	(32)	6	(17)	(72)
Profit/(loss) attributable to shareholders	7	285	216	37	137	281
Historic cost profit attributable to shareholders		478	350	150	36	373

Balance sheets

The consolidated historic cost balance sheets, modified to include the revaluation of the developed estates, as at 31st December are as follows:

5.1

	Notes	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Fixed assets						
Tangible assets	2	13,648	8,299	6,789	5,502	4,028
Current assets						
Stocks	4	191	144	144	115	103
Debtors	5	4,684	3,572	1,703	4,373	2,064
Investments		—	—	—	—	131
Cash		407	266	59	199	180
		<u>5,282</u>	<u>3,982</u>	<u>1,906</u>	<u>4,687</u>	<u>2,478</u>
Creditors: Amounts falling due within one year	6	(4,462)	(2,224)	(1,599)	(4,378)	(2,136)
Net current assets		<u>820</u>	<u>1,758</u>	<u>307</u>	<u>309</u>	<u>342</u>
Net assets		<u>14,468</u>	<u>10,057</u>	<u>7,096</u>	<u>5,811</u>	<u>4,370</u>
Less: Minority interests	3	(2,416)	(1,317)	(980)	(810)	(670)
Net assets attributable to shareholders of Anglo-Eastern	7	<u><u>12,052</u></u>	<u><u>8,740</u></u>	<u><u>6,116</u></u>	<u><u>5,001</u></u>	<u><u>3,700</u></u>

Consolidated statement of source and application of funds

The consolidated statement of source and application of funds for each of the five years ended 31st December are set out below:

5.12

	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Source of funds					
Profit/(Loss) before minority interest	(39)	52	(86)	74	285
Adjustment for item not involving the movement of funds					
Depreciation	641	441	344	279	225
Funds from operations	<u>602</u>	<u>493</u>	<u>258</u>	<u>353</u>	<u>510</u>
Minority shareholders	982	—	—	—	—
Consortium companies' funding	509	1,908	—	—	—
Decrease/(Increase) in net current assets as shown below	960	(1,621)	8	(53)	(187)
	<u><u>3,053</u></u>	<u><u>780</u></u>	<u><u>266</u></u>	<u><u>300</u></u>	<u><u>323</u></u>
Application of funds					
Acquisition of fixed assets, net of disposals	<u>3,053</u>	<u>780</u>	<u>266</u>	<u>300</u>	<u>323</u>
Decrease/(Increase) in net current assets					
Stocks	(47)	—	(29)	(12)	7
Debtors	(1,112)	(1,869)	2,220	(2,309)	(102)
Investments	—	—	—	131	50
Creditors	2,216	723	(2,376)	2,110	(64)
	<u>1,057</u>	<u>(1,146)</u>	<u>(185)</u>	<u>(80)</u>	<u>(109)</u>
Decrease/(Increase) in net liquid funds					
Cash	(141)	(207)	140	(19)	(55)
Bank loans and overdrafts	22	(98)	47	132	46
	<u>(119)</u>	<u>(305)</u>	<u>187</u>	<u>113</u>	<u>(9)</u>
Exchange differences on translation of net current assets	22	(170)	6	(86)	(69)
	<u><u>960</u></u>	<u><u>(1,621)</u></u>	<u><u>8</u></u>	<u><u>(53)</u></u>	<u><u>(187)</u></u>

Notes to the financial information

1. Formation of company and acquisition of group companies

The companies which Anglo-Eastern acquired were owned by Anglo-Indonesian Corporation Plc ("Anglo-Indonesian"), Plantation and General Investments PLC ("P&G") and R.E.A. Holdings plc ("REA") respectively who received Anglo-Eastern ordinary shares and loan stock and (as described in note 8) and cash as consideration for the sale of their interests in the group companies.

The financial information has been prepared on the assumption that Anglo-Eastern had, during the five year period, owned the following companies:

5.13, 5.15

Company	Percentage holding
The Ampat (Sumatra) Rubber Estate, Limited	100†
P.T.P.P. Simpang Ampat	100*
Rightwise plc	100†
Gadek Indonesia Limited	100
P.T.P.P. Musam Utjing	75*
P.T. United Kingdom Indonesian Plantations	75*
Anglo-Indonesian Oil Palms Limited	100†
Deaculla Tea Estate Company Limited	100†
Indopalm Limited	100†
Mergerset Limited	100
The "Taskik" Companies:	
P.T. Tasik Cempaka	80*
P.T. Tasik Seroja	80*
P.T. Tasik Harapan	80*
P.T. Tasik Raja	80*

All of the above are incorporated in the United Kingdom except those denoted * which are incorporated and operate in Indonesia. Those denoted † are proposed to be direct subsidiaries of Anglo-Eastern.

Significantly all of the group's turnover and results before taxation is attributable to its Indonesian operations where the group's operating assets are located. A small proportion of the group's turnover was sold in Indonesia. An analysis of the group's turnover by crop is set out below:

	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Rubber	1,492	1,344	921	1,005	978
Cocoa	482	308	272	179	136
	<u>1,974</u>	<u>1,652</u>	<u>1,193</u>	<u>1,184</u>	<u>1,114</u>

The primary auditors of companies operating in Indonesia are local firms of accountants other than Arthur Andersen & Co.

2. Tangible fixed assets

(a) An analysis at 31st December, 1984 is set out below:

	Developed estates £'000	Estates under develop- ment £'000	Buildings £'000	Plant and equipment £'000	Total £'000
Historic cost as modified by the revaluation of developed estates	<u>9,429</u>	<u>3,465</u>	<u>453</u>	<u>301</u>	<u>13,648</u>
Historic cost	5,085	3,465	349	401	5,835
Cost	(316)	(—)	(68)	(186)	(570)
Accumulated depreciation	<u>4,769</u>	<u>3,465</u>	<u>281</u>	<u>215</u>	<u>5,265</u>
Net book value					

(b) Land rights

The Indonesian authorities have granted land exploitation rights (as further discussed in [Appendix] VI of the listing particulars dated 25th March, 1985) for the estates for certain periods with the possibility of extension. For some estates these rights are held directly by group companies and for the other estates the rights have been (or will be) surrendered to the companies by the local Indonesian minority shareholders.

(c) Payments for land rights

The following amounts are included in the estates under development balance shown above:

	US \$'000	Sterling equivalent £'000
Payment due to Anglo-Indonesian, P&G and REA	1,250	1,078
Consideration to Indonesian minority shareholders	650	560
	<u>1,900</u>	<u>1,638</u>

The US \$1,250,000 is payable by the Tasik companies in respect of land rights previously held by Anglo-Indonesian. US \$950,000 of this amount relates to the Riau area where the Indonesian government has yet to allocate the associated land rights. However, the directors are of the opinion that a suitable land right allocation will be obtained in the foreseeable future. If the land rights are duly allocated, Anglo-Eastern will issue further share capital as described in note 8.

The Indonesian minority shareholders in the Tasik companies have been allotted 10 per cent. of the share capital of the Tasik companies amounting to US \$650,000 in consideration for their surrendering of their right to exploit the land.

3. Minority interests

(a) Developed estates

The Indonesian minority shareholder in P.T. United Kingdom Indonesian Plantations has the right to increase his shareholdings from 25 to 51 per cent. This right expires in 1988. The agreement between the parties provides that shares will be sold at agreed market values. In the event of disagreement these market values will be determined by an independent arbitrator.

(b) Tasik companies

Included in other debtors are subscriptions receivable of US \$490,000 (sterling equivalent £422,000) from the Indonesian minority shareholders in the above companies in respect of capital which the Tasik companies are entitled to call in 1985. The directors are of the opinion that this amount will be received in 1985. The minority shareholders in the Tasik companies will have the right to increase their interests from 20 per cent. to 51 per cent. over a 10 year period commencing after the first year of commercial production. The shares will be valued and sold on the same basis as for the developed estates as described in 3(a) above.

4. Stocks

Stocks comprise primarily estate stores and produce stock where replacement value is not materially different from historic cost.

5. Debtors (all falling due within one year)

	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Trade debtors	142	201	81	95	58
Due from Anglo-Indonesian, P&G and REA group companies	3,886	3,056	1,380	3,374	1,587
Other debtors	572	136	226	882	393
Prepayments and accrued income	84	179	16	22	26
	<u>4,684</u>	<u>3,572</u>	<u>1,703</u>	<u>4,373</u>	<u>2,064</u>

6. Creditors: Amounts falling due within one year

	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Bank loans and overdrafts	161	139	237	190	58
Trade creditors	29	47	35	41	1
Taxation	358	198	131	87	169
Due to Anglo-Indonesian, P&G and REA group companies	3,504	1,465	802	2,867	1,480
Other	350	351	352	863	410
Accruals	60	24	42	330	18
	<u>4,462</u>	<u>2,224</u>	<u>1,599</u>	<u>4,378</u>	<u>2,136</u>
Secured bank loans and overdrafts	—	—	147	103	58

In conjunction with the acquisitions discussed in note 1, the amounts due to and from Anglo-Indonesian, P&G and REA by Anglo-Eastern will be settled in 1985.

7. Changes in net assets attributable to shareholders of Anglo-Eastern
[To follow]

8. Share capital and loan stock

Share capital and loan stock details are as follows:

(a) Authorised and issued share capital at 25th March, 1985

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>Number</i>	<i>£</i>	<i>Number</i>	<i>£</i>
Ordinary shares of 25p each	●	●	11,000,000	2,750,000

The shares issued were in part consideration for the companies acquired as discussed in note 1.

(b) Loan stock

£2,000,000 of 12½ per cent. secured loan stock 1995/99 has been issued of which £953,000 was subscribed for in cash and the remainder was issued as part consideration for the companies acquired as discussed in note 1.

(c) Proposed further issue of share capital and warrants
[To follow]

(d) Contingent issue of share capital

If the Riau land rights (see note 2) are duly allocated within 5 years, Anglo-Eastern has contracted to issue, as fully paid, further ordinary shares to Anglo-Indonesian, P&G and REA. The number of ordinary shares to be issued will be pro rata with the number of hectares duly allocated up to a maximum of 1,520,000 ordinary shares.

9. Capital commitments

	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Contracted for					
Authorised by not contracted for					

10. Cost of sales

Cost of sales includes costs attributable to production such as tapping, curing, field work, repairs and renewals expenses and depreciation.

The depreciation charges are as follows:

	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Based on historic cost (included in cost of sales)	80	78	94	79	45
Adjustment arising from revaluation of developed estates	242	167	133	120	112
	<u>322</u>	<u>245</u>	<u>227</u>	<u>199</u>	<u>157</u>

11. Administrative expenses

Administrative expenses include remuneration paid to individuals who were directors of group companies as follows:

	£'000
1984	—
1983	40
1982	35
1981	35
1980	30

12. Other income and (expenses)

	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
Auditors' remuneration	(24)	(18)	(16)	(23)	(17)
Investment and other income	139	70	85	121	73
Interest payable	(30)	(42)	(33)	(17)	(8)
	<u>85</u>	<u>10</u>	<u>36</u>	<u>81</u>	<u>48</u>

13. Taxation

The tax charge is based on the historic cost profit for the year and comprises:

	1984 £'000	1983 £'000	1982 £'000	1981 £'000	1980 £'000
United Kingdom corporation tax	286	140	38	136	66
Relief for double taxation	(286)	(140)	(38)	(133)	(56)
Foreign taxation	269	150	106	59	74
Other	47	(29)	(5)	8	20
	<u>316</u>	<u>121</u>	<u>101</u>	<u>67</u>	<u>104</u>

The Tasik companies have been granted tax holidays in respect of Indonesian corporation tax (currently payable at rates of up to 35 per cent.) and withholding tax on dividends (currently payable at the rate of 10 per cent. on dividends to the United Kingdom) for a period of three years from the commencement of commercial production.

No taxation was provided in respect of the profits of one Indonesian group company by virtue of it having been granted a tax holiday which expired in 1982. In the absence of this tax holiday additional taxation would have been payable of £9,000 in 1982, £18,000 in 1981 and £84,000 in 1980.

Yours faithfully,

D. TECHNICAL REPORT ON THE TASIK AREA

The following reproduces a letter received from Hunting Technical Services Limited:

"Dear Sirs,

Agricultural potential of the Tasik area

In October 1973 we prepared a study (the "Study") of 26,000 ha. in the vicinity of Kota Pinang, from which 6,000 ha. representing the above area, were subsequently selected.

We have reviewed the contents and conclusions of the Study, so far as they relate to the Tasik area, and report that our analysis and conclusions, which are summarised below, remain valid.

Geographical position

The Tasik concession is situated approximately 105 km from the north coast of North Sumatra, some 375 km south-east of Medan. The northernmost point of the concession which lies on the Barumun River is situated some 6½ km south of the road from Kota Pinang to Langga Payung.

The concession is situated at the south-eastern end of the estates belt which runs along the north coast of North Sumatra. Estates which have been developed in the vicinity of Tasik are principally planted either to oil palm or rubber and include both mature estates such as Perlabian and Sungei Rumbiya, and immature estates such as the PTP III Aek Torop estate and PTP IV Torgamba estate, adjacent to Tasik currently being developed.

Topography and elevation

Topography in the Tasik concession is generally gently to moderately undulating, although slopes are nowhere likely to hinder the agricultural development.

Available contour maps and technical investigations undertaken indicate that the land within the project area ranges from 8 m above sea level to rather more than 100 m above sea level at a number of points.

In this kind of development there is always some land which is too steep or which forms waterways and is therefore unsuitable for planting. However the initial plantings of oil palms in the Tasik area show that the area of unsuitable land will not be significant.

Geology and geomorphology

The geological formations underlying the concession and the landforms which have developed thereon have been satisfactorily investigated. Soils are derived principally from deeply weathered white quartzites and sandstones and possess a large sand fraction in which clear quartz grains are very prominent.

Field study has confirmed that with the exception of limited areas of recent alluvium and colluvium along the river valleys, the soils fall within the category of latosol, principally comprising deep, well drained, friable, brownish yellow, sandy, clay loam. Such soils are physically excellent, with easily workable topsoils, a marked increase in clay content with depth, good water holding capacity and deep rooting, unimpeded by stones or laterite. Apart from the moderately erodable topsoil, soil structure is agriculturally suitable for plantation crops.

At the date of the Study the soils were covered over much of the concession area with dense primary and secondary forest, although most of this has now been cleared.

Although soil nutrient deficiency in the concession is considered to be a minor limitation for oil palm, rubber and tea, the nutrient status of the soils can be brought up to acceptable levels relatively easily and quickly by appropriate fertilizer applications.

Investigation of soils similar to those in the project area have been made at estates at Sungei Rumbiya and Perlabian. These estates provided an opportunity of examining the growth and yields of rubber and oil palm on soils similar to those in the project area.

Climate

Data on rainfall has been collected and analysed from five climate stations within a 50 km radius of the concession area, from Sungei Rumbiya and Perlabian estates and from the Tasik concession itself.

The area has a humid tropical climate with a mean annual rainfall of 2,500 mm reasonably well distributed throughout the year and no pronounced dry season.

August to January is the wetter half of the year with a peak at the inter-monsoon transition in between October and November. Rainfall decreases in late January but there is a secondary peak between March and May, again at the transitional period. Dry spells are most likely to occur in February and March and again in July, but are generally of short duration. This rainfall regime is very suitable for oil palm production.

The relative humidity is 100 per cent. between sunset and sunrise, and reaches a minimum value of approximately 50 per cent. on sunny days. Average duration of sunshine expressed as a percentage of maximum possible sunshine is estimated to be between 52 per cent. and 64 per cent. throughout the year. The mean annual temperature is around 28°C with a variation between the coolest and hottest month of less than 2°C.

Wind velocity and direction changes frequently but is generally of low velocity except occasionally in thunder storms. The oil palm has a reputation for being very good at withstanding severe winds. Casualties and hence mortality rate as a consequence of such storms are thus anticipated to be negligible.

Summary of agricultural potential

It is clear that the climate is very equable and this is favourable to estate management and factory efficiency with yield distributions of palm oil over the year estimated to show a satisfactory balance. The physical environment of the concession area appears well suited to the growth not only of oil palm, but also of rubber and other crops including possibly lowland tea and cocoa. The fact that estate oil palm and rubber has been growing successfully for the past 40 years in identical physical environments adjacent to the concession further suggests that these crops will have a high development potential within the project area.

Yours faithfully,
for Hunting Technical Services Limited

D. V. CHAMBERS,
Managing Director."

E. AGRONOMIC EVALUATION

Harrisons Fleming Advisory
Services Limited,
1 Great Tower Street,
London EC3R 5AB.

The Directors,
Anglo-Eastern Plantations Plc,
The Old Rectory,
29 Martin Lane,
London EC4R 0DS.

N. M. Rothschild & Sons Limited,
New Court,
St. Swithin's Lane,
London, EC4P 4DU.

● March, 1985.

Dear Sirs,

Agronomic Evaluation

INTRODUCTION

We have prepared an agronomic evaluation of the estates of Anglo-Eastern. Set out below are the projected areas and crops of the group for the ten years 1985 to 1994. These projections, which have been used in calculating the illustrative profits in the section entitled Prospects above, have been prepared as a guide to potential performance on the bases of assumptions which are also set out below.

PROJECTED AREAS AND CROPS

Developed Estates

Planted area (hectares)	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Mature rubber	1,670	1,770	1,920	2,004	1,932	2,001	2,051	2,162	2,312	2,355
Immature rubber	680	730	730	610	610	460	385	235	85	42
	2,350	2,500	2,650	2,614	2,542	2,461	2,436	2,397	2,397	2,397
Mature cocoa	508	540	615	770	860	907	932	972	972	972
Immature cocoa	262	320	292	162	112	65	40	—	—	—
	770	860	907	932	972	972	972	972	972	972
Total planted area	3,120	3,360	3,557	3,546	3,514	3,433	3,408	3,369	3,369	3,369
Crops (tonnes)										
Rubber	2,191	2,245	2,382	2,407	2,491	2,614	2,799	2,947	3,156	3,283
Cocoa	452	591	711	840	969	1,123	1,232	1,332	1,409	1,455

Tasik

Planted area (hectares)	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Mature oil palm	—	800	2,720	4,800	5,900	5,900	5,900	5,900	5,900	5,900
Immature oil palm	4,800	5,100	3,180	1,100	—	—	—	—	—	—
Total planted area	4,800	5,900	5,900	5,900	5,900	5,900	5,900	5,900	5,900	5,900
Crop (FFB) (tonnes '000)	—	4,000	21,000	54,000	92,000	122,000	138,000	145,000	148,000	148,000

RISK FACTORS

Prospective investors in Anglo-Eastern should recognise that the group's business by its nature carries a number of attendant risks which could *inter alia* affect future crops. Their attention is drawn to the section entitled 'Risk Factors' above which sets out the risks which may, in the opinion of the directors, be most significant.

PRINCIPAL ASSUMPTIONS

Planting programmes

The Tables above show mature and immature areas by crop. In some sections over certain periods cocoa is to be planted under rubber and for the purposes of these projections such sections are included as both rubber and cocoa areas. These areas are based on the following planting programmes:

(hectares)	1985	1986	1987	1988	1989
Rubber	75	150	150	85	—
Cocoa	155	90	47	25	40
Oil palm	2,080	1,100	—	—	—

Programmes of this size of rubber and cocoa have been completed successfully by the present management over the last eight years. Larger oil palm areas have been successfully established on neighbouring estates to Tasik. Planting methods are orthodox and well proven. Planting material for rubber and cocoa will be taken from recognised clones on the developed estates. Proven planting material appropriate to conditions at Tasik will continue to be purchased from the Marihat Research Station in North Sumatra.

Yield profiles

Rubber

Yields on existing and new plantings are based on past performance of existing clones on the estate together with performance indicators established in the industry and the local area. Tapping begins in the sixth year after the year of planting. Yields for new plantings on Rambung and Sungei Musam are assumed to reach a maximum 2,000 kg/ha in the fifteenth year after planting. No new rubber plantings are envisaged on Blankahan.

Cocoa

Yields are estimated on the same principles as for rubber. Harvesting commences in the third year after the year of planting and yields for new cocoa on Rambung and Blankahan should reach and remain at 1,700 kg/ha in the ninth year onwards. Yields on Sungei Musam which is not so suited to and will have a relatively smaller area of cocoa are expected to reach only 1,250 kg/ha.

Oil palm

Yields are based on obtainable results from well managed plantations in the district applying the best agronomic practices and operating their oil mills to attainable standards of efficiency. Harvesting commences in the third year following the year of planting. Yield of fresh fruit bunches is expected to rise to an average of 25 tonnes/ha from the eighth to the twenty-third year of planting, thereafter declining slowly. Oil extraction rates are expected to reach 23 per cent. from the sixth to eighteenth year and kernel recovery rates will be 5 per cent. from the start of production.

Inflation

The cost projections have been prepared at constant prices and selling prices in one case allow for expected change in real values (see below). It is considered a reasonable expectation that over time inflation in commodity prices will compensate for rises in costs.

Selling prices

Projections have been based on two alternative sets of assumptions about commodity prices; one using present prices, one using World Bank forecasts in constant dollars. The World Bank forecasts attempt to take account of known and expected changes in supply and expected changes in demand. Allowance is made in these projections for shipping, handling and duty and for the mix in quality grades. The World Bank price projections and early March 1985 prices used are:

(U.S. cts/kg cif Europe)	1985	1986-89	1990	1994	Present
Rubber	116	131	138	143	82
Cocoa	204	187	169	195	216
Palm oil	590	571	550	535	595

Palm oil mill

The projections exclude provision for the construction of a mill which it is assumed will be financed separately. In practice a 30 tonne FFB/hour mill would most likely be built in 1988/89 at a present cost of \$5.5 million. For the purpose of these projections it has been assumed that fresh fruit bunches will be sold to nearby mills at the present market price of Rp 68/kg, or where World Bank projections are used then at the present price adjusted in future years *pro rata* to the movements in palm oil prices forecast by the World Bank.

Operating costs

These cover maintenance of mature areas, harvesting, processing, sorting, packing, despatch and selling costs and estate and central overheads. The main elements of these costs are wages, fuel and fertilisers. In the case of the developed estates the cost projections are based on existing cost structures for each estate. Costs for Tasik are based on information provided by similar estates in North Sumatra. Overhead costs have been capitalised as field development costs in the proportion of immature to mature areas.

Field development costs

The methods used for estimating field development costs are as described for operating costs above.

Estate capital expenditure

In the case of the developed estates provision has been made for routine replacement of buildings, machinery and vehicles and the acquisition of additional items to meet increased production where necessary. Capital expenditure for Tasik represents the requirement for establishing a new estate of its size and includes the cost of 870 housing units built to established government standards, amenity buildings, vehicles, lighting and water supplies.

Interest

Interest on loan stock is assumed at 12.5 per cent. and on surplus cash 10 per cent.

Depreciation

Depreciation rates on new additions are calculated on a straight line basis on cost at:

	%
Mature plantations	5
Buildings	5
Machinery	5
Vehicles, Fittings	20

Depreciation on existing assets is calculated at the above rates on current costs in 1984. The extra annual charge represented by the surplus of current over historic cost is about \$550,000.

Capitalised planting costs are not depreciated until the relevant area is in bearing.

Taxation

The corporation tax rate in Indonesia has been assumed to remain at 35 per cent. Since in established Indonesian operations there is a system of tax prepayment timing differences are not material. The Tasik project has been granted a tax holiday which frees it from any corporation tax until 1990. Indonesian withholding tax on dividends is assumed to continue at the current rate of 10 per cent.

Yours faithfully,

Harrisons Fleming Advisory Services Limited,
T. Fleming, Director.

F. LAND RIGHTS

Indonesian land legislation does not recognise the concept of freehold land rights in respect of natural resource investment including agricultural plantations. Instead the Basic Agrarian Law recognises several types of rights on land the relevant ones in the case of Anglo-Eastern being:—

- (a) an *hak guna usaha* ("HGU") being a right of exploitation. This is the right to use state-owned land for purposes of agriculture including plantations; and
- (b) an *hak guna bangunan*, being a right of building.

A Presidential Decree ("the Decree") dated 20th March, 1980 provided that in the case of any joint venture projects involving foreign investors the title should be in the form of an HGU to be granted to the Indonesian partner in the project. The Decree also provided that the HGU would be granted for a period of 35 years with the possibility of extension to become at the most 60 years pursuant to an application by the Indonesian joint venture partner but it may be withdrawn if the land is not properly maintained and managed.

The Indonesian joint venture partner is then [able] to surrender its right to exploit the land to the joint venture (in the case of the Tasik area the four Indonesian Tasik companies) in the form of a *serah pakai* ("SP").

The developed estates

The Sungei Musam and Rambung estates acquired HGUs prior to the new policy reflected in the Decree but the Blankahan estate is held pursuant to an HGU which although it pre-dates the Decree was granted pursuant to the policy which was subsequently reflected in the Decree.

The Sungei Musam estate is held pursuant to an HGU in the name of P.T.P.P. Musam Utjing which is for a period of ● years from ●, 1976 with a right of extension for a further ● years.

The Rambung estate is held pursuant to an HGU in the name of P.T.P.P. Simpang Ampat which is for a period of ● years from ●, 1977 with a right of extension for a further ● years.

The Blankahan estate is held pursuant to an HGU in the name of Canadianty which is for a period of ● years with a right of extension for a further ● years.

The Tasik area

The present position as regards the Tasik area is that an HGU has not yet been granted to Marison but the necessary procedures are in train. The right of the Indonesian Tasik companies to the Tasik area arises pursuant to a protocol ("the Protocol") dated 6th June, 1980 and made between the BKPM the UK companies then involved in the Tasik area and Marison. The Protocol settled certain then outstanding matters such as the location of the land, the amount of required Indonesian participation and acceptance that the HGU must be issued in the name of Marison. The approval of the President of Indonesia was granted on 20th July, 1981 and on 4th August, 1981 the present documents on which the joint venture is operating were issued by BKPM to each of the Indonesian Tasik companies. These were a *surat pemberitahuan persetujuan presiden* ("SPT") being an acknowledgment of the President's approval and incorporating [in this case] a temporary operating permit until the company obtains a ● being a permanent operating permit. This latter permit will not be granted until the plantation is operating commercially which is expected to be deemed to be 1986 or 1987. The SPPs contained detailed requirements as regards such matters as production and marketing programmes, utilisation of manpower, location of project and land requirement, project completion time schedule, project cost/investment programme, capitalisation, fiscal facility and other approved facilities, stipulation of ownership and use of HGU land based on the Decree, including an obligation on Marison to grant a SP to the Indonesian Tasik companies, the right to obtain a *hak guna bangunan* to build a palm oil mill and provisions as to the Government's right to terminate the joint venture in certain eventualities, as for instance the failure of the Indonesian Tasik companies to cultivate the land properly and certain other matters.

Since the grant of the SPPs the Indonesian Tasik companies have proceeded with the cultivation of the Tasik area with the consent of the holder of the existing HGU applicable to that area, a State owned plantation company named PTP III. In order for Marison to obtain an HGU in regard to the Tasik area the existing PTP III HGU has to be surrendered. This has required negotiation as to an appropriate payment of costs by the Indonesian Tasik companies to PTP III which has been successfully concluded. A surrender of the

existing HGU and the issue of the new HGU by the Department of Agraria requires the approval of the Ministry of Agriculture and the Ministry of Finance as the former manages PTP III and the latter owns it. The former has given its consent and the approval of the latter is subject to the settlement of a point as regards clarification that the new HGU will be issued to Marison pursuant to the Decree. Once this point has been settled a survey must be carried out by the Department of Agraria pursuant to which it can then issue the HGU to Marison and Marison can then issue a SP to each of the Indonesian Tasik companies.

The Riau area

The Protocol and a *surat persetujuan sementara* ("SPS") both dated 6th June, 1980 provided that an identified area of 19,000 hectares would be allocated in the Province of Riau. A SPS constitutes a temporary letter of approval by the BKPM.

It is not clear however that the proposed land in Riau is available and since 1980 negotiations have been carried on with [the Governor of Riau and other] Indonesian persons and bodies with a view to agreeing a specific allocation of the land. This is taking some time as there are various claims to the available suitable land. Once the land has been allocated the procedure for obtaining an HGU in the name of Marison and a SP surrendered by Marison to the Indonesian Tasik companies will be initiated.

G. PARTICULARS OF THE LOAN STOCK

8.2, 8.11(b)

PARTICULARS OF THE STOCK

(A) The trust deed

The 12½ per cent. unsecured loan stock 1995/99 (the "Stock") was created on ●, 1985 by a resolution of the board of directors of Anglo-Eastern and is constituted by a trust deed (the "trust deed") between (1) Anglo-Eastern and (2) Eagle Star Trust Company Limited (the "trustee") as trustee. The head office of the trustee is at 1 Threadneedle Street, London EC2R 8BE. The trust deed contains *inter alia* provisions to the following effect:—

8.1, 8.7(c)

8.6, 8.11(a)

1. Definitions

"amount" means in relation to money the amount thereof expressed in such denomination and currency as to constitute legal tender according to the law of England at the date for which the calculation is required.

"bank guarantee" means an unconditional covenant in favour of the trustee given by a bank being an authorised bank within the meaning ascribed to such term by the Banking Act 1979 to pay a specified sum to the trustee on demand.

"chargeable value" means in relation to each type of property forming part of the specific security the amount calculated in accordance with paragraph 4 (C) hereof.

"Further Stock" means any further loan stock of Anglo-Eastern which may be created and issued by Anglo-Eastern pursuant to the power reserved to Anglo-Eastern under paragraph 5 (A) hereof.

"group" means Anglo-Eastern and the subsidiaries.

"listed securities" means securities, not being qualifying gilts, admitted to listing on The Stock Exchange in London.

"monetary instrument" means a sterling denominated UK Treasury bill or certificate of deposit issued by an authorised bank in either case payable in sterling not more than twelve months from the date upon which the same first become part of the specific security.

"Original Stock" means the said £ ● 12½ per cent. loan stock 1995/99 or as the case may be the amount thereof for the time being issued and outstanding.

"qualifying gilt" means a sterling obligation of the UK Government listed on The Stock Exchange.

"qualifying loan" means a loan by Anglo-Eastern to an overseas subsidiary the interest of Anglo-Eastern in the benefit of the repayment of the loan being insured under a policy of insurance ("the policy") issued by the Export Credits Guarantee Department or other underwriting body approved by the trustee against expropriation, war damage and restrictions on remittances to an amount of not less than ● per cent. of the principal amount of such loan, the policy also being charged in favour of the trustee.

"relevant date" means the date of the transaction for the purpose of which the value or chargeable value is required.

"specific security" means the property (including money) from time to time charged in favour of or paid to the trustee by way of fixed and specific security.

"the Stock" means and includes the Original Stock and any Further Stock.

"the Stockholders" means the several persons for the time being registered as holders of the Stock.

"subsidiary" means a body corporate which for the time being is a subsidiary of Anglo-Eastern as that expression is defined in section 154 of the Companies Act 1948.

"overseas subsidiary" means a subsidiary all or a substantial part of the assets of which are located outside Europe.

"substituted security" means any security replacing all or part of the initial specific security.

"value" shall be determined as follows and shall have the following meanings:—

- (i) in relation to money or a bank guarantee it means the amount thereof or the sum specified as payable by the guarantor;
- (ii) in relation to listed securities and qualifying gilts it means the middle market quotation as shown in The Stock Exchange Daily Official List published on or within three days prior to the relevant date;
- (iii) in relation to monetary investments it means the average market value as certified by not less than two [discount houses] on or within three days prior to the relevant date;
- (iv) in relation to a qualifying loan it means

2. Interest

8.3

The Original Stock will carry interest at the rate of 12½ per cent. per annum (less income tax) on the principal amount for the time being outstanding payable in arrears in equal half-yearly instalments on [30th June] and [31st December] of each year up until 31st December, 1985. The first payment of interest will be made on [30th June], 1985 in respect of the period beginning with the date on which the Original Stock is issued fully paid.

3. Security

8.2

The Stock will initially be secured by a first fixed charge by Anglo-Eastern in favour of the trustee over certain qualifying loans and money deposited by Anglo-Eastern with the trustee namely

4. Substitution of security

(A) Anglo-Eastern may with the consent of the trustee withdraw all or part of the specific security upon Anglo-Eastern charging in favour of or, as the case may be, depositing with, the Trustee and to its satisfaction as substituted security

- (i) qualifying loans; and/or
- (ii) money; and/or
- (iii) monetary instruments; and/or
- (iv) qualifying gilts; and/or
- (v) bank guarantees; and/or
- (vi) listed securities and/or

any combination of the foregoing

(B) Before the trustee shall permit Anglo-Eastern to withdraw all or any part of the specific security under the preceding paragraph Anglo-Eastern shall give notice in writing to the trustee of the proposed withdrawal and show to the satisfaction of the trustee that the property proposed to be charged or deposited as substituted security is of a chargeable value at the relevant date which is equal to or greater than the chargeable value at the relevant date of the property proposed to be withdrawn.

(C) The chargeable value of each type of specific security shall be calculated as follows:—

- (i) the chargeable value of any qualifying loan shall be ● per cent. of the value of such qualifying loan
- (ii) the chargeable value of any qualifying gilts or listed securities shall be ● per cent. of the value of any such monetary instrument, qualifying gilt or listed securities
- (iii) the chargeable value of a bank guarantee, monetary instrument or money shall be ● per cent. of the value of such bank guarantee or money.

5. Issue of Further Stock

8.1

(A) Anglo-Eastern may create and issue Further Stock ranking *pari passu* in point of security with the Original Stock and carrying such rights and on such terms (without limitation) as the directors may determine including Further Stock carrying the same rights in all respects as the Original Stock and forming one class therewith, provided that no Further Stock may be issued unless the trustee is satisfied that immediately thereafter the specific security immediately following the issue of Further Stock would have a chargeable value of not less than ● per cent. times the nominal amount of the Original Stock and of all Further Stock outstanding together with any fixed or minimum premiums payable on final redemption.

(B) No Further Stock will be paid up in whole or in part via capitalisation of reserves or undistributed profits or be issued by way of collateral security.

6. Covenants and restrictions

(A) Anglo-Eastern covenants with the trustee to do or not to do all such things as are necessary to maintain the validity of the Export Credits Guarantee Department political risks insurance policy and such other policies of insurance as shall relate to qualifying loans forming part of the specific security and to pay punctually all premiums due on such policies.

(B) Except with the previous written consent of the trustee Anglo-Eastern shall not and shall procure that none of the Subsidiaries shall sell transfer loan or dispose of the whole or any part (being in the opinion of the trustee either alone or when aggregated with all other prior sales transfers loans or disposals which fall to be taken into account pursuant to this paragraph substantial in relation to the group taken as a whole) of the undertaking property or (except in the ordinary course of trading) assets of the group whether by a single transaction or by a number of transactions and whether related or not.

(C) The trustee may at any time without any consent or sanction of the Stockholders but only if and insofar as in the opinion of the trustee the interests of the Stockholders would not be materially prejudiced thereby:—

- (i) consent to any intended sale transfer loan or disposal on such terms and subject to such conditions as the trustee may in its discretion think fit; and
- (ii) determine that any sales transfers loans or disposals made or intended to be made shall not be taken into account for the purposes of paragraph (B) above;

(D) For the purposes of foregoing provisions of this clause none of the following shall be deemed to be a sale transfer loan or disposal:

- (i) the exchange of assets for assets of a similar nature and tenure and of approximately equal value;
- (ii) a disposal of immovable property or fixed assets if and to the extent that an aggregate amount equivalent to the net book value or, if greater, the proceeds of such disposal, has immediately prior to or within a period of 12 months (or such longer period as the trustee may agree) after such disposal been applied in the acquisition or construction of other such assets for use in a business of a member of the group similar to that in which the assets disposed of were employed;
- (iii) the payment of cash howsoever acquired (other than the proceeds of a disposal falling within sub-paragraph (ii) above or otherwise representing money arising from claims for loss of or damage to immovable property) by any member of the group as consideration or part consideration for the acquisition at arms length (whether by way of subscription purchase loan or otherwise) of any undertaking or business or part of any undertaking or business or any assets;
- (iv) the application of the proceeds of an issue of share or loan capital for the purposes for which such issue is intended;
- (v) the temporary application of funds not immediately required for purposes of the business of the group in the purchase of investments and subsequent resale thereof;
- (vi) the payment of cash howsoever acquired by way of loan so that the resulting loan becomes part of the specific security;
- (vii) the creation of any mortgage or charge so as to constitute specific security; and
- [(viii) the sale transfer loan or disposal of assets by any member of the group to any other member of group.]

(E) For the purposes of the foregoing:—

- (i) a disposal shall be deemed to include any act of expropriation, termination or cessation of a right as described in (ii) below, or other governmental action causing the benefit of an asset to cease to belong to a member of the group;
- (ii) in the case of assets relating to Indonesia, immovable property shall include a *hak guna usaha*, *hak guna bangunan*, or other right on land (and the term "tenure" shall be construed accordingly) and disposal in relation to such assets shall include any surrender or realisation of such right;
- (iii) cash arising from claims for loss or damage to immovable property shall be deemed to be immovable property.

[Consider effect of a subsidiary ceasing to be a member of the group.]

7. Borrowings

Anglo-Eastern shall procure that except with the previous sanction of an Extraordinary Resolution (as defined in the trust deed) of the Stockholders, the aggregate amount for the time being remaining undischarged of all moneys

borrowed (as defined in the trust deed) by the group and for the time being owing to persons outside the group shall not at any time exceed a sum equal to two and one half times the adjusted share capital and reserves (as defined in the trust deed).

8. Redemption and purchase

(A) All Stock not previously redeemed or purchased as herein provided will be redeemed at par on [●] 1999 together with accrued interest thereon up to and including such date. 8.5, 8.7(a)

(B) Any member of the group may at any time purchase any of the Stock through the market or by tender (in the latter case available to all Stockholders alike) at a maximum price not exceeding the average of the middle market quotations taken from The Stock Exchange Official List for the 10 business days before the purchase is made or in the case of a purchase through the market at the market price provided that it is not more than 5 per cent. above such average.

(C) Anglo-Eastern will be entitled on or at any time after ●, 19● having given not less than three nor more than four months previous notice in writing to redeem the whole or any part (to be selected by drawings or, at the option of Anglo-Eastern, *pro rata* to holdings as nearly as may be without involving fractions of one pound nominal of Stock) of the Stock then outstanding at par together with interest accrued up to and including the date of redemption. 8.3

(D) Any stockholder who is also registered as a holder of warrants shall be entitled to apply any stock held by him in exercise of the subscription rights in accordance with the provisions of the warrants from time to time.

(E) (i) On the [● 1995] and on every subsequent [●] up to and including 1997 so long as any of the Original Stock remains outstanding Anglo-Eastern shall redeem Original Stock (to be selected as in (C) above) to a nominal value of £[●] [such figure being 20 per cent. of the nominal value of the Original Stock.]

Provided always that (a) Anglo-Eastern may satisfy its obligations under this paragraph in respect of any date in whole or in part by surrendering to the trustee Original Stock purchased by it at any time previously pursuant to the power reserved to it hereunder and duly cancelled and such Stock so surrendered shall be accepted by the trustee in satisfaction *pro tanto* of Anglo-Eastern's obligation to redeem on that date and (b) any prior redemption under (C) above shall *pro tanto* satisfy Anglo-Eastern's obligation under this provision but only once.

(ii) If Anglo-Eastern in exercise of the power reserved to it hereunder shall prior to [● 1995] create and issue any Further Stock which is in all respects identical and forms a single issue with the Original Stock the nominal value of the Stock to be redeemed on each [● 199] shall on the occasion of each issue be increased by such a sum as shall bear to the sum of £[●] referred to above the proportion which the principal amount of such Further Stock bears to £[●] [being the nominal value of the Original Stock.]

(G) All stock purchased by any member of the group or redeemed shall be cancelled and shall not be available for reissue.

9. Modification of rights

Stockholders will have power by an extraordinary resolution (as defined in the trust deed) *inter alia* to sanction any modification application compromise or arrangement in respect of their rights against Anglo-Eastern and to assent to any modification of the conditions to which the Stock is subject. In addition the trustee may without the sanction of an extraordinary resolution of the Stockholders concur with Anglo-Eastern in making any modification to the trust deed or waive or authorise any breach or proposed breach by Anglo-Eastern of any covenants or provisions of the trust deed or determine that any act or omission of Anglo-Eastern which would otherwise constitute an event of default under the trust deed shall not do so but only if in the opinion of the trustee the interests of the Stockholders will not be materially prejudiced thereby.

10. Valuation

(A) The trustee shall have the right at any time to require a valuation of the whole (with such exception as the trustee may agree) of the specific security provided that such right may not be exercised more than once in any calendar year.

(B) In addition to the right conferred on the trustee in paragraph (A) above the trustee shall have the right to require a further valuation of the whole or any part of the specific security after any exercise by Anglo-Eastern of its right of withdrawal pursuant to paragraph 4 hereof.

(C) If upon any such valuation as is referred to in paragraph (A) and (B) above the aggregate chargeable value of the specific security shall be less than ● times the aggregate nominal value of the Stock then outstanding including any fixed or minimum premiums payable on final redemption such deficiency shall be made good by Anglo-Eastern within three months of the date thereof by Anglo-Eastern charging to or depositing with the trustee and to its satisfaction as part of the specific security property of a type referred to in paragraph 4(A) of a chargeable value of not less than the amount of the deficiency.

(D) For the purposes of a valuation pursuant to paragraph (A) above the chargeable value of a qualifying loan denominated in a currency other than sterling shall be calculated by reference to the exchange rate for that currency at the date on which such qualifying loan became part of the specific security but for the purposes of a valuation pursuant to paragraph (B) above the chargeable value of a qualifying loan denominated in a currency other than sterling shall be calculated for such qualifying loan by reference to the exchange rate as defined in the trust deed for such currency at or immediately prior to the date of the proposed withdrawal.

11. Transfer

The Stock will be registered and transferable in amounts and integral multiples of £1 nominal.

2.14
2.17

12. Indemnification and consents

The trust deed will contain provisions for the indemnification of the trustee and its relief from responsibility to the extent therein provided. Any consent which may be given by the trustee may be given under such terms and subject to such conditions (if any) as the trustee thinks fit.

13. Retirement and appointment of trustees

The trustee may retire at any time. The statutory power to appoint new trustees is vested in Anglo-Eastern but no trustee shall be appointed who shall not have been approved by an extraordinary resolution of the Stockholders.

8.11(b)

14. Listing

Anglo-Eastern shall use its best endeavours to obtain and, while any Stock remains outstanding, maintain a listing for the Stock on The Stock Exchange.

15. [Prescription]

[The trust deed does not expressly provide for prescription periods. Under the Limitation Acts rights to principal and interest in respect of the Stock lapse if the same are unclaimed for a period of 12 years from the due date].

8.7(c)

16. Yield

8.8

17. Net tangible assets and profits cover

8.9

H. PARTICULARS OF THE WARRANTS

1. Warrant rights

A warrant shall confer upon the registered holder for the time being the rights:

- (i) (hereinafter called the "subscription rights") to subscribe on 31st July (or, if later, the 30th day after the date on which copies of the audited accounts of Anglo-Eastern Plantations Plc ("the Company") for its then immediately preceding financial year are despatched to shareholders) in any of the years 198● to 199● inclusive (any such day hereinafter an "exercise date") £● for one ordinary share of 25p of the Company payable in full on subscription; or
- (ii) (hereinafter called the "conversion rights") to convert on an exercise date £ ● 18½ per cent. loan stock 1995/97 ("loan stock") registered in his name into one fully paid ordinary share of 25p of the Company.

The holder of a warrant may exercise the subscription rights or the conversion rights conferred thereby but he shall not be entitled to exercise both. Subject to the foregoing a holder of more than one warrant may exercise his subscription rights in respect of some of the warrants and his conversion rights in respect of others and on any exercise date all or some of the warrants may be exercised.

The subscription and conversion rights are hereinafter collectively called "the warrant rights" and are subject to adjustment as provided in paragraph 3(a) below.

2. Exercise of warrant rights

(a) In order to exercise the subscription rights a holder of warrants must lodge the warrant certificate or certificates (or such other evidence as the directors of the Company may reasonably require proving the title of the person exercising the subscription rights) at the office of the registrars of the Company within the period of 30 days preceding the relevant exercise date, having completed, in respect of the warrant certificates, the subscription notice thereon, or accompanied by such other notice in writing as may be approved by the directors specifying the number of warrants in respect of which the subscription rights are exercised, together with a remittance for the subscription monies due. Once lodged, exercise of subscription rights shall be irrevocable save with the consent of the directors. Subscription rights are subject to compliance with any statutory requirements from time to time.

(b) In order to exercise the conversion rights a holder of warrants must lodge the warrant certificate (or such other evidence as the directors of the Company may reasonably require proving the title of the person exercising the conversion rights) at the office of the registrars of the Company within the period of 30 days preceding the relevant exercise date, having completed the conversion notice thereon or accompanied by such other notice as may be approved by the directors specifying the number of warrants in respect of which conversion rights are exercised, together with the certificate(s) for the loan stock in respect of which the conversion notice is lodged (or such other evidence as the directors of the Company may reasonably require proving the title to that loan stock of the person exercising the conversion rights). Once lodged, exercise of conversion rights shall be irrevocable save with the consent of the directors. The conversion rights are subject to compliance with any statutory requirements from time to time. The lodging of a conversion notice or other notice aforesaid shall constitute an application in respect of each warrant exercised to subscribe £4 for the shares the object of the conversion rights in respect of each such warrant by utilisation of the proceeds of redemption of the accompanying loan stock.

(c) Shares issued pursuant to the exercise of warrant rights will be allotted fully paid up not later than 14 days after and with effect from the relevant exercise date and certificates in respect of such shares will be issued not later than 28 days after the relevant exercise date to the persons in whose names the warrants are registered at the date of such exercise or to such other persons as may be named in the form of nomination accompanying the warrant certificate.

(d) In the event of a holder of more than one warrant exercising the warrant rights conferred by some but not all of the warrants, the Company shall at the same time as the issue of certificates referred to in 2(c) above, issue a fresh warrant certificate in the name of the holder for any balance of the warrants comprised in those certificates remaining exercisable.

(e) In the event of a holder of warrants exercising conversion rights in respect of some but not all of the loan stock comprised in the loan stock certificates lodged pursuant to paragraph 2(b) above, the Company shall at the same time as referred to under 2(d)

above issue a certificate for the balance of any loan stock comprised in such certificates not converted on such exercise.

(f) Shares allotted pursuant to the exercise of warrant rights will not rank for any dividends or other distributions declared, made or paid in respect of a record date prior to the relevant exercise date but, subject thereto, will rank in full for all dividends and other distributions in respect of the then current financial year and as regards each class thereof *pari passu* in all other respects with the shares of the same class in issue at that date.

(g) Application will be made to the Council of The Stock Exchange for shares allotted pursuant to any exercise of warrant rights to be admitted to the Official List, and the Company will use all reasonable endeavours to obtain the grant thereof not later than 14 days after the relevant exercise date.

(h) So soon as at least 80 per cent. of the warrants have been exercised by holders or purchased by the Company, the Company may at any time thereafter give to the holders of the warrants not yet exercised not less than 30 days' notice of the fact that such percentage has been exercised and at the expiration of such notice (which shall be regarded as an exercise date) the holders of such warrants shall be entitled to exercise their warrant rights in accordance with the provisions of paragraph 2(a) or (b) above and failing such exercise the provisions of paragraph 2(i) below shall apply as if reference to the "final exercise date" therein shall be a reference to the exercise date referred to in this paragraph 2(h).

(i) Within 28 days following the final exercise date the Company shall appoint a trustee who shall, provided that in his opinion the net proceeds of such sale after deduction of all costs and expenses incurred by him will exceed the cost of such subscription, within 42 days following the said final exercise date exercise such subscription rights (but none of the conversion rights) as have not been exercised on the terms on which the same could have been exercised on the final exercise date and sell the shares acquired on such subscription. The trustee shall distribute pro rata the net proceeds less such costs and expenses to persons entitled thereto within 70 days of the final exercise date, provided that entitlements of under £2 shall be retained for the benefit of the Company and any such payments not encashed within 12 months will be forfeited for the benefit of the Company.

3. Adjustment of warrant rights

(a) If on a date or by reference to a record date on or before the final exercise date the Company shall:

(i) make any such capitalisation issue as is referred to in article 138 of the articles of association of the Company to members on the register on a date when there remains outstanding any of the warrants, the nominal amount of any share capital to be issued on a subsequent exercise of the warrant rights of one warrant shall be increased in like manner by shares of the class issued by way of the said capitalisation. If the Company shall sub-divide or consolidate any share capital of a class the object of the warrant rights, then the shares of that class the object of the warrant rights attaching to one warrant shall be adjusted in like manner;

(ii) make any offer or invitation of shares by way of rights to the holders of any class of share capital which is the object of warrant rights (the shares so offered being hereinafter referred to as "the new shares") then at the option of the Company:

(aa) EITHER the number of shares of that class the object of the warrant rights attaching to one warrant shall be increased by the application of the factor ("the relevant factor") calculated by the following formula:

$$F = 1 + \left(\frac{B}{N(A+B)} \right)$$

where F = the relevant factor, which shall be calculated to four places of decimals;

A = the price at which one new share shall be offered;

B = the average of the middle market quotations (based on The Stock Exchange Daily Official List) for the new shares nil paid during the period in which the new shares shall be dealt in nil paid;

N = the number of shares of the applicable class which shall entitle the holder to the offer of one new share;

(bb) OR the Company shall make a like offer or invitation at the same time to each holder as if all the shares the object of his subscription rights of a class in respect of which the rights issue is made had been exercisable and exercised on the day immediately preceding the record date for such rights issue on the terms (subject to any adjustment as provided in this sub-paragraph) on which the same could have been exercised on the last preceding exercise date.

(b) If, on a date (or by reference to a record date) on or before the final exercise date, the Company makes an offer or invitation (other than an offer referred to in sub-paragraph (a) above) to the holders of any class of the share capital of the Company which is the object of warrant rights, or any offer or invitation (not being an offer to which paragraph 6(h) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of warrants as if their subscription rights had been exercisable and exercised on the day immediately preceding the record date of such offer or invitation on the terms (subject to any adjustment pursuant to sub-paragraph (a) above) on which the same could have been exercised on the last preceding exercise date.

(c) The auditors for the time being of the Company shall certify any adjustment made pursuant to sub-paragraph (a) and within 28 days thereof notice of such adjustment will be sent to holders of warrants.

4. Fractions of shares

Any fractions of shares resulting from the exercise of warrant rights will be aggregated and sold for the benefit of the Company.

5. Reminder notices

Not earlier than six weeks nor later than four weeks before each exercise date, the Company shall give notice to the holders of warrants reminding them of their warrant rights.

6. Other provisions

So long as any warrant rights remain exercisable:—

- (a) the Company shall not (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully-paid shares of the Company, or (ii) issue securities by way of capitalisation of profits or reserves except fully-paid shares of the Company issued to the holders of its ordinary shares, or (iii) make any such distribution or capitalisation as is referred to in (i) and (ii) if there are any arrears of dividends on shares of the Company carrying preferential rights to dividend, or (iv) on or by reference to a record date falling within a period of 30 days ending on any exercise date make any such issue as is referred to in paragraph 3(a) above or any such offer or invitation as is referred to in paragraph 3(b) above;
- (b) the Company shall not in any way modify the rights attached to its existing ordinary shares as a class, or create or issue any new class of equity share capital (within the meaning of section 154 of the Companies Act 1948), except for shares which carry as compared with the existing ordinary shares no more advantageous rights as regards voting, dividend or capital;
- (c) the Company shall not do any act or thing if as a result the Company would on any subsequent exercise of the warrant rights be obliged to issue shares at a discount to par;
- (d) the Company shall not (except pursuant to the provisions of section 45 of the Companies Act 1981 or with the sanction of an extraordinary resolution of the holders of the warrants) reduce its share capital or (except as authorised by section 56(2) of the Companies Act 1948 and section 53(3) of the Companies Act 1981) any share premium account or capital redemption reserve;
- (e) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the warrants) make any purchase of its own shares;
- (f) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all warrant rights remaining exercisable;
- (g) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the warrants) change its financial year end from ● except to a date falling within seven days before or after ● ;
- (h) if;
 - (i) while any of the warrant rights remain capable of exercise an offer is made to all holders of any class of share capital of the Company normally carrying the right to vote (or all such holders other than the offeror and/or any body corporate controlled by the offeror and/or any persons acting in concert with the offeror) to acquire the whole or any part of such issued share capital of the Company; and
 - (ii) the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons aforesaid;

unless a contemporaneous offer has been made to the holders of warrants (or all such persons other than the offeror and/or such companies or persons aforesaid) which in the opinion of the Company's financial advisers is fair and reasonable by

comparison with the terms of the said offer to the relevant class of shareholders of the Company, the Company shall give written notice to all holders of the warrants of such vesting within 14 days of its becoming so aware and each such holder shall be entitled within the period of 42 days from the date of such notice to exercise his warrant rights on the terms (subject to any adjustment pursuant to paragraph 3(a) above) on which the same could have been exercised on the exercise date last preceding the date of the said notice. The publication of a scheme of arrangement under the Companies Acts 1948 to 1983 providing for the acquisition by any person of the whole or any part of the equity share capital of the Company shall be deemed to be the making of an offer for the purposes of this sub-paragraph;

- (i) if an order is made or an effective resolution is passed for winding up the Company (except for the purposes of a reconstruction or amalgamation on terms sanctioned by an extraordinary resolution of the holders of the warrants) each holder of warrants shall be treated as if the subscription rights attaching to his warrants had been exercisable and had been exercised in full on the day immediately preceding the date of such order or resolution on the terms (subject to any adjustment pursuant to paragraph 3(a) above) on which the same could have been exercised on the last preceding exercise date and shall be entitled to receive a sum equal to the amount to which he would have become entitled in such winding up if he had been the holder of the shares the object of the subscription rights attaching to his warrants less the amount which would have been payable on exercise of those subscription rights in the manner aforesaid provided that such holder shall only be so treated if the former amount exceeds the latter amount; subject to the foregoing all warrant rights will lapse on commencement of a winding up of the Company;
- (j) the Company shall not offer, or grant, any options to subscribe for share capital or rights to convert securities into share capital of the Company except;
 - (i) rights of conversion attached to securities and options to which paragraphs 3(a)(ii)(bb) and 3(b) apply;
 - (ii) options to subscribe for or rights of conversion into shares of the Company at a price or effective price per share equivalent to at least 90 per cent. of the average of the middle market quotations ruling (based on The Stock Exchange Daily Official List) on each of the dealing days in the period of 14 days ended on the 14th day prior to the fixing of the terms of the grant of the option or the conversion rights;
 - (iii) options to subscribe for share capital given to employees (including executive directors) of the Company or its subsidiaries so long as the nominal amount of such share capital together with the nominal amount of any share capital over which such options have previously been granted but excluding options which have lapsed or have been exercised does not exceed in the aggregate 5 per cent. of the paid-up share capital of the Company in issue immediately prior to such grant; and
 - (iv) in the case of issues of securities for a consideration other than cash.

7. Modification of rights

All or any of the warrant rights attached to a warrant may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the holders of the warrants. All the provisions of the articles of association for the time being of the Company as to general meetings shall *mutatis mutandis* apply as though the warrants were a class of shares forming part of the capital of the Company but so that (a) the necessary quorum shall be the holders (present in person or by proxy) entitled to one-third of the outstanding warrants, (b) every holder of a warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for every warrant of which he is the holder, (c) any holder of a warrant present in person or by proxy may demand or join in demanding a poll, and (d) if at any adjourned meeting a quorum as above defined is not present, those holders of warrants who are then present in person or by proxy shall be a quorum.

8. Purchase

The Company and its subsidiaries shall have the right to purchase warrants in the market or by tender available to all holders of warrants alike at any price or by private treaty at a price not more than 10 per cent. in excess of the middle market quotation (based on The Stock Exchange Daily Official List) for the warrants on the previous dealing day. All warrants so purchased shall forthwith be cancelled and shall not be available for re-issue or re-sale.

9. Transfer

Each warrant will be registered and will be transferable in amounts and multiples of one warrant by instrument of transfer in any usual or common form, or in any other form which may be approved by the directors of the Company. The provisions of the articles of association for the time being of the Company relating to the registration and transfer of shares shall apply *mutatis mutandis* to warrants.

10. General

The Company will concurrently with the issue of the same to its ordinary shareholders send to each registered holder of a warrant (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of the Company, together with all documents required by law to be annexed thereto, and a copy of every statement, notice or circular issued to ordinary shareholders.

For the purpose of these particulars, "extraordinary resolution" means a resolution proposed at a meeting of the holders of the warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.

I. GENERAL INFORMATION

1. Audited accounts

The first accounts for Anglo-Eastern will be made up to and as at 31st December, 1985 and will be audited by Arthur Andersen & Co., Chartered Accountants, of 1 Surrey Street, London WC2R 2PS. 1.9

2. Share and loan capital

(A) Anglo-Eastern was incorporated on the 8th February, 1985 under the Companies Acts 1948 to 1983, as a public limited company (registration number 1884630) under the name Circleglebe public limited company. On incorporation, Circleglebe had an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two were in issue nil paid and which upon transfer by the subscribers to the Memorandum of Association to REA on 15th February were paid up by REA as to 25p each. On 1st March 1985, the name of Circleglebe was changed to Anglo-Eastern and on 11th March, 1985 a certificate was issued to Anglo-Eastern pursuant to Section 4 of the Companies Act 1980. 1.2, 1.4, 1.5

(B) Changes to the share and loan capital of Anglo-Eastern since the date of its incorporation were as follows:-- 3.7

(i) On 15th February, 1985, pursuant to authorities contained in the Articles of Association of Anglo-Eastern and a resolution of its Board of Directors, 49,998 ordinary shares of £1 each were allotted and issued for cash paid up as to 25p each to Anglo-Indonesian, P&G and REA as to 16,667, 16,667 and 16,664 ordinary shares respectively; 2.5, 2.7

(ii) On [25th] March, 1985, pursuant to resolutions of Anglo-Eastern: 2.5, 2.7

(a) the authorised share capital of Anglo-Eastern was increased to £ ● by the creation of ● ordinary shares of £1 each;

(b) each of the authorised and issued ordinary shares of Anglo-Eastern was sub-divided into 4 ordinary shares of 25p each; and

(c) the Directors were authorised pursuant to Section 14(1) of the Companies Act 1980, generally and unconditionally to allot relevant securities, as defined in Section 14(10) of the said Act up to an aggregate nominal amount of £ ●, such authority to expire on the 31st March, 1985 and were empowered pursuant to Section 18 of the said Act for the period expiring on the date referred to above to allot equity securities for cash (as defined in Section 17 of that Act) pursuant to the authority referred to above as if Section 17(1) of that Act did not apply.

(iii) On 26th March, 1985, pursuant to a resolution of the Board of Directors of Anglo-Eastern, the Board resolved to create the loan stock, which was constituted by a trust deed dated ● March, 1985 between Eagle Star Trust Company Limited and Anglo-Eastern; 2.5, 2.7

(iv) On 26th March, 1985, pursuant to the purchase agreement referred to at paragraph 8 (L) below, Anglo-Eastern allotted and issued, credited as fully paid, 3,590,000 ordinary shares to Anglo-Indonesian, 1,556,000 ordinary shares to P&G and 5,654,000 ordinary shares and £1,047,000 nominal of the loan stock to REA and issued for cash at par £665,000 nominal of the loan stock to Anglo-Indonesian and £288,000 nominal of the loan stock to P&G, and Anglo-Indonesian, P&G and REA paid up the outstanding unpaid balance on the 50,000 ordinary shares referred to at 2(A) above, sub-divided as referred to at 2(B) above; 2.5, 2.7

(v) On 26th March, 1985 pursuant to resolutions of Anglo-Eastern conditional on the ordinary shares, loan stock and warrants of Anglo-Eastern, issued and proposed to be issued, being admitted to the Official List of the Stock Exchange not later than ●, 1985: 2.5, 2.7

(a) the directors were generally authorised pursuant to Section 14 of the Companies Act 1980 to allot relevant securities (as defined in the said Section) limited to the amount of the unissued share capital of Anglo-Eastern, such authority expiring on ● 1990;

(b) the Directors were empowered pursuant to Section 18 of the said Act to allot equity securities for cash (as defined in Section 17 of that Act) pursuant to the authority referred to in (c) above as if Section 17(1) of that Act did not apply. This power expires on the date of Anglo-Eastern's annual general meeting to be held in the calendar year 1986 and is limited to: 2.18(a)

(i) allotments in connection with rights issues; and

(ii) the allotment (otherwise than in (i) above) of ● ordinary shares and ● warrants.

- (C) Following this offer for subscription, of the authorised share capital of Anglo-Eastern, 3.3(a)
 ● ordinary shares will be in issue fully paid, ● ordinary shares will be unissued but subject to the warrants and ● ordinary shares will be unissued which the directors of Anglo-Eastern are authorised and empowered (subject to (D) below) to allot in accordance with the authorities and powers specified in sub-paragraph (B) (v) above.
- (D) Following this offer for subscription, no material issue of ordinary shares in Anglo-Eastern (other than to shareholders pro rata to existing holdings or pursuant to the purchase agreement or exercise of the warrants) will be made within one year without prior approval of Anglo-Eastern in general meeting. 3.5
- (E) The ordinary shares, warrants and loan stock are issued in registered form. 2.17
- (F) Save as disclosed herein no capital of the group is under option, or agreed conditionally or unconditionally to be put under option. 3.12
- (G) On 26th March, 1985 Anglo-Indonesian subscribed in cash at par for 473,000 ordinary shares of £1 each of Anglo-Indonesian Oil Palms Limited and P&G subscribed in cash at par for 497,000 ordinary shares of £1 each of Deauville Tea Estate Company Limited.

3. Subsidiaries

Details of Anglo-Eastern's subsidiaries are given in the accountant's report. 3.10

4. Memorandum and articles of association 3.1

The memorandum of association of Anglo-Eastern provides that Anglo-Eastern's principal objects are to carry on the business of a holding company in all its branches and to acquire by purchase lease concession grant licence or otherwise deal in such business options rights privileges lands buildings leases underleases stocks shares debentures bonds obligations securities reversionary interests annuities policies of assurance and other property and rights and interest in property as Anglo-Eastern shall deem fit and generally to hold manage develop lease sell or dispose of the same and to vary any of the investments of Anglo-Eastern and to enter into assist or participate in financial commercial or mercantile industrial and any other transactions undertakings and business of every description. The objects of Anglo-Eastern are set out in full in clause 4 of the memorandum of association which is available for inspection at the address specified in paragraph 14 below.

The articles of association of Anglo-Eastern contain inter alia, provisions to the following effect:

(A) Voting 2.9

On a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote and, on a poll, every member shall have one vote for every share for which he is the holder, save that a member shall not be entitled to exercise such right to vote if he, or any person appearing to be interested in shares held by him, has been duly served with a notice under Section 74 of the Companies Act 1981 (requiring disclosure of interests in shares) and has failed to supply the company with the requisite information within 28 days.

(B) Variation of rights and alteration of capital 2.11

(i) If at any time the share capital of Anglo-Eastern is divided into different classes of shares, the rights attached to any class or any of such rights may, whether or not Anglo-Eastern is being wound-up, be modified, abrogated or varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of the Companies Act 1948 and of the articles of association relating to general meetings shall apply save that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question and at an adjourned meeting one person holding shares of the class in question or his proxy.

(ii) Anglo-Eastern may by ordinary resolution increase its share capital by such sum to be divided into shares of such amount as the resolution may determine, consolidate and divide all or any of its shares into shares of larger amount, sub-divide its shares or any of them into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person.

(iii) The company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.

(C) *Transfer of shares*

The instrument of transfer of a share may be in any usual or common form or in any other form which the directors may approve, and shall be executed by or on behalf of the transferor and, if not fully paid, by or on behalf of the transferee. The directors may in their absolute discretion and without assigning any reason refuse to register any transfer of any share which is not fully paid or of any share, whether fully paid or not, in favour of four persons jointly. Subject as aforesaid, the articles of association contain no restrictions on the free transferability of fully paid ordinary shares.

(D) *Directors*

(i) Unless Anglo-Eastern in general meeting shall otherwise determine, the number of directors shall not be less than two.

(ii) Without prejudice to (iii) below, the remuneration of each director shall not exceed £3,500 per annum or such larger sum as Anglo-Eastern in general meeting shall from time to time determine. Such remuneration shall be deemed to accrue from day to day. The directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in connection with the business of Anglo-Eastern.

(iii) A director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of Anglo-Eastern or otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the directors may determine.

(iv) The directors may exercise all the powers of Anglo-Eastern to give or award pensions or other allowances or benefits to any director or ex-director and their relatives and dependants and may establish maintain support subscribe to and contribute to all kinds of schemes for the benefit of such persons.

(v) The directors may from time to time appoint one or more of their body to hold any executive office on such terms as they think fit and, subject to the terms of any service contract and without prejudice to any claim for damages, the directors may revoke such appointment. A director so appointed shall not be subject to retirement by rotation or be taken into account in determining the rotation of directors but, without prejudice to any claim for damages, his appointment shall be automatically determined if he ceases from any cause to be a director.

(vi) Section 185 of the Companies Act 1948 relating to the appointment, retirement and re-election of directors who have reached the age of 70 years shall not apply to Anglo-Eastern.

6.9(d)

(vii) No director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with Anglo-Eastern subject to the provisions of Part IV of the Companies Act 1980 and save as therein provided no contract, arrangement, transaction or proposal entered into by or on behalf of Anglo-Eastern in which any director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to Anglo-Eastern for any profit realised thereby by reason of such director holding that office or of the fiduciary relationship thereby established but he shall declare the nature of his interest in accordance with Section 199 of the Companies Act 1948. Save as provided in the articles of association, a director shall not vote in respect of any contract, arrangement, transaction or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through Anglo-Eastern. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

6.9(a)

6.9(b)

(viii) A director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with Anglo-Eastern or of any company in which Anglo-Eastern is interested including fixing or varying the terms of his appointment or the termination thereof.

6.9(b)

(ix) Subject to the provisions of the Companies Acts, Anglo-Eastern may by ordinary resolution suspend or relax the provisions described in sub-paragraphs (vii) and (viii) above to any extent or ratify any transaction not so authorised by reason of a contravention thereof.

(E) *Borrowing powers*

6.9(c)

(i) Directors may exercise all the powers of Anglo-Eastern to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, and, subject to the provisions of the statutes (as defined in the articles of

association), to issue debentures and other securities, whether outright or as security for any debt, liability or obligation of Anglo-Eastern or of any third party.

(ii) The directors shall restrict the borrowings of Anglo-Eastern and exercise all voting and other rights and powers of control exercisable by Anglo-Eastern in relation to its subsidiaries first to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed (as such expression is defined in the articles of association) by the group (as defined in the articles of association) and for the time being owing to persons outside the group shall not at any time without the previous sanction of an ordinary resolution of Anglo-Eastern exceed a sum equal to two and one half times the adjusted share capital and reserves (as defined in the articles of association).

(F) *Dividends and distribution of assets*

2.9

The ordinary shares of Anglo-Eastern shall be entitled to all dividends declared and paid according to the amounts paid up on the ordinary shares in respect whereof the dividend is paid and shall be entitled to any surplus on a return of assets in a winding-up.

(G) *Unclaimed dividends*

All dividends on the ordinary shares unclaimed for a period of 12 years after having been declared shall be forfeited and shall revert to Anglo-Eastern. 2.10

5. *Directors' and other interests*

(A) Following the issue the register of directors' interests maintained under the provisions of the Companies Act 1967 will show that Mr K. P. Legg by virtue of his ● per cent beneficial interest in ● Limited which has a ● per cent. beneficial interest in P&G will be interested in ● ordinary shares and £ ● nominal loan stock and ● warrants.

[Save as disclosed, none of the directors following the issue will have any interest in the share capital of Anglo-Eastern.]

(B) [None of the directors of Anglo-Eastern were interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the group and which were effected by any member of the group during the current or immediately preceding financial year or which were effected by any member of the group during an earlier financial year and which remain in any respect outstanding or unperformed]. 6.5

(C) The directors are not aware of any persons who, directly or indirectly, jointly or severally, could exercise control over Anglo-Eastern following the issue. The directors of Anglo-Eastern have been informed that in relation to Anglo-Eastern a concert party has been established between Anglo-Indonesian and P&G. 3.8

(D) Save as disclosed below, the directors are not aware of any shareholding which, following the issue, will represent 5 per cent or more of Anglo-Eastern's issued share capital. 3.9

Anglo-Indonesian

P&G

REA

[Pursuant to the the purchase agreement referred to at 8(L) below and subject to the allocation of part or all of the Riau area, each of Anglo-Indonesian, P&G and REA will be entitled to receive further ordinary shares of Anglo-Eastern, which depending on the size of Anglo-Eastern's issued share capital at such time may have the effect of increasing the above mentioned percentages.]

6. *Directors' service agreements*

(A) There are no existing or proposed service contracts between the directors and Anglo-Eastern or any of its subsidiaries other than contracts expiring or determinable by the employing company without payment of compensation (other than statutory compensation) within one year. 6.4

(B) The aggregate amount payable to the directors of Anglo-Eastern, payable by Anglo-Eastern or any of its subsidiaries under arrangements in force at the date hereof, is estimated to amount to £57,000 during the current year ending 31st December, 1985. 6.3(c)

7. [Offer for subscription arrangements]

[To be completed.]

2.18(h)

2.18(i)

8. Material contracts

3.16

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by Anglo-Eastern and its subsidiaries (prior to their acquisition by Anglo-Eastern pursuant to the purchase agreement) within the 2 years immediately preceding the date of these listing particulars and are, or may be, material:

- (A) dated 25th March, 1983 and 22nd April, 1983, being an agreement and exchange of letters supplemental thereto between (i) N. M. Rothschild & Sons Limited ("NMR") and (ii) Rightwise plc ("Rightwise"), whereby NMR agreed to purchase or procure purchasers, at a cash price of 169.25p per share, for all the ordinary shares allotted pursuant to offers, dated 12th April, 1983 and 27th April, 1983 by NMR on behalf of Rightwise for all the shares of Surmah Valley Tea Company Limited ("Surmah Valley") (then called The Surmah Valley Tea plc) in respect of which valid elections were made by accepting shareholders of Surmah Valley to receive the cash alternative provided in respect of the said offers;
- (B) dated 25th March, 1983 between (i) NMR and (ii) Rightwise, whereby NMR underwrote the subscription of the 507,261 ordinary shares of Rightwise offered for subscription at 150p per share by way of a rights issue by that company on 6th May, 1983 other than the 359,148 such shares in respect of which undertakings had been obtained from the prospective original provisional allottees thereof that they would accept the allotments provisionally made to them;
- (C) dated on and after 20th May, 1983, being contracts resulting from acceptances of the revised offers by NMR on behalf of Rightwise for all the shares of Surmah Valley contained in a letter of offer dated 27th April, 1983 and representing revisions of earlier offers by NMR on behalf of Rightwise for all such shares contained in a letter of offer dated 12th April, 1983;
- (D) dated 20th September, 1983 between (i) Noble Grossart Limited, (ii) Applied Botanics plc ("Applied Botanics") (then called The Sampang (Java) Rubber Plantations, plc) and (iii) Rightwise, whereby Rightwise irrevocably undertook to vote in favour of the resolutions to be proposed at the extraordinary general meeting of Applied Botanics convened for 12th October, 1983 and agreed to subscribe 7,747,474 out of the total of 14,557,578 ordinary shares of 2½p each of Applied Botanics proposed to be provisionally allotted to it pursuant to a rights issue and to renounce the balance of this provisional allotment and to deliver the same to Noble Grossart Limited and the latter undertook to procure the subscription of 5,107,578 of the shares comprised in that balance and to underwrite the subscription of the 9,044,948 ordinary shares of 2½p each comprising the remaining 1,702,526 shares proposed to be provisionally allotted to Rightwise and the 7,342,422 shares proposed to be provisionally allotted to shareholders of Applied Botanics other than Rightwise; as consideration wherefor Applied Botanics agreed to pay to Noble Grossart Limited an underwriting commission of 2⅜ per cent. (subject to adjustment in the event of any delay in the posting of provisional allotment letters pursuant to the said rights issue) on the amount of the subscription proceeds underwritten by it (out of which Noble Grossart Limited was to pay a sub-underwriting commission of 1⅝ per cent. subject to adjustment as aforesaid) and a commitment commission of 1 per cent. on the amount of the subscription proceeds to be procured to be subscribed by it (out of which Noble Grossart Limited was to pay a sub-commitment commission of ½ per cent.), out of which underwriting and commitment commissions Noble Grossart Limited was also to pay fees to Laurie Milbank & Co., brokers to the said rights issue;
- (E) dated 20th September, 1983 between (i) the existing shareholders of The New Ruaton Garden Company Limited ("New Ruaton"), and (ii) Applied Botanics, whereby Applied Botanics agreed, conditionally on the posting of provisional allotment letters pursuant to a proposed rights issue, to acquire the whole of the issued share capital of New Ruaton for a consideration to be satisfied by the issue, credited as fully paid, of 12,700,000 ordinary shares of 2½p each and 5,100,000 25 per cent. convertible cumulative redeemable preference shares of 2½p each of Applied Botanics;
- (F) dated 20th September, 1983 between (i) Rightwise and (ii) Applied Botanics, whereby Rightwise agreed conditionally to refinance existing loans to N.V. The Bantam & Preanger Rubber Company Limited ("B&P") from subsidiaries of Rightwise of US\$140,000 and to make available to B&P further loans of US\$235,000 to assist in

financing completion of the replanting of the Sampang Peundeuy estate, such loans to carry interest at 12 per cent. per annum and to be repaid out of B&P's cash flow when practicable having regard to the level of commodity prices and in any event by 31st December, 1991;

- (G) dated 13th October, 1983 between (i) the vendors of New Ruaton, (ii) New Ruaton and (iii) Applied Botanics, being a deed of indemnity whereby the said vendors indemnified Applied Botanics, New Ruaton and the then subsidiaries of New Ruaton ("the New Ruaton group") against any depletion of their assets by reason inter alia of the New Ruaton group becoming liable for certain unforeseen taxation;
- (H) dated 30th December, 1983, being a sale and purchase agreement between (i) REA (then called Crosby House Group plc) and (ii) Rightwise whereby REA acquired from Rightwise 12,600,000 ordinary shares of Applied Botanics, 1 ordinary share of Mergerset Limited, 97,874 ordinary shares of Shaw Wallace Bangladesh Limited and the whole of the issued share capital of each of Deundi Tea Company Limited, Noyapara Tea Company Limited, Surmah Valley and Indopalm Limited for an aggregate consideration of £7 million;
- (I) dated 30th December, 1983, being a sale and purchase agreement between (i) Gadek Indonesia and (ii) R.E.A. Marketing Limited ("REAM") whereby REAM acquired from Gadek Indonesia part of the latter's business comprising the provision of advisory and marketing services in connection with the cultivation, manufacture and sale of rubber, for a consideration equivalent to the book value of the business acquired less the book value of all liabilities of Gadek Indonesia in respect of the said business and other minor adjustments;
- (J) dated 19th November, 1984 between (i) REAM, (ii) B&P and (iii) Gadek Indonesia whereby B&P formally appointed REAM to provide various services previously undertaken by Gadek Indonesia, at a remuneration of Rpl.2 million per annum;
- (K) dated 19th November, 1984 between (i) Rightwise and (ii) B&P whereby Rightwise agreed conditionally to advance to B&P a loan of up to US\$600,000 subject to payment of interest thereon at the rate of 12 per cent. per annum and to repayment of the loan in full not later than 31st December, 1991;
- (L) dated 8th March, 1985 between Anglo-Eastern and Anglo-Indonesian, P&G and REA ("the exchange agreement"), whereby Anglo-Eastern agreed: 4.12, 4.14(a)
- (a) to purchase from Anglo-Indonesian, (i) the shares in Anglo-Indonesian's wholly owned United Kingdom subsidiary Anglo-Indonesian Oil Palms Limited and its one-third shareholding in Mergerset Limited; and (ii) the shares in its wholly owned United Kingdom subsidiary The Ampat (Sumatra) Rubber Estate, Limited in consideration of the issue by Anglo-Eastern, fully paid, of 3,590,000 ordinary shares;
 - (b) to purchase from P&G the shares in its wholly owned United Kingdom subsidiary, Deaculla Tea Estate Company Limited and its one-third shareholding in Mergerset Limited, in consideration of the issue by Anglo-Eastern, fully paid, of 1,556,000 ordinary shares;
 - (c) to purchase from REA, (i) the shares in its wholly owned United Kingdom subsidiary, Indopalm Limited, and its one-third shareholding in Mergerset Limited; and (ii) the shares in its wholly owned United Kingdom subsidiary, Rightwise, in consideration of the issue by Anglo-Eastern, fully paid, of 5,654,000 ordinary shares and £1,047,000 nominal of the loan stock;
 - (d) to issue up to a total of 1,520,000 additional ordinary shares to Anglo-Indonesian, P&G and REA credited as fully paid in the event of the Riau area being allocated within 5 years with a provision for a proportionate issue in the event of a partial allocation; and
 - (e) to the subscription by Anglo-Indonesian and P&G of cash at par for £665,000 nominal and £288,000 nominal respectively of the loan stock.

The agreement contains warranties and tax indemnities by each of Anglo-Indonesian, P&G and REA in favour of Anglo-Eastern covering the shares agreed to be sold by them under the agreement;

- (M) dated 8th March, 1985 between (i) Anglo-Eastern and (ii) R.E.A. Services Limited, whereby, subject to the exchange agreement becoming unconditional, R.E.A. Services Limited was appointed to act as secretaries of Anglo-Eastern and its UK subsidiaries for a period of twelve months and thereafter until termination of its appointment in such capacity by not less than six months' notice on either side for an annual fee of £50,000 (subject to review on 31st December, 1985 and thereafter annually);

(N) dated 8th March, 1985 between (i) Anglo-Eastern and (ii) R.E.A. Marketing Limited, whereby, subject to the exchange agreement becoming unconditional, R.E.A. Marketing Limited was appointed to act as the marketing agents of the new Anglo-Eastern group for a period of twelve months and thereafter until termination of its appointment in such capacity by not less than six months' notice on either side for a remuneration comprising a commission of 1 per cent. of the gross proceeds of cocoa sales and $\frac{1}{2}$ per cent. of the gross proceeds of rubber sales effected on behalf of the new Anglo-Eastern group;

(O) [Anglo-Eastern Loan Agreement]

(P) [Gadek Loan Agreement]

(Q) The agreements referred to in paragraph 8 above.

9. The following table indicates the number of employees of Anglo-Eastern and of each of its subsidiaries (prior to their acquisition by Anglo-Eastern) at the end of each of their last 3 financial years; 4.11

Function	1982	1983	1984
Head office			
Medan			
North Sumatra	11	15	16
Estate management	84	82	76
Estate workers	546	549	545

10. Tax

(A) [The directors have been advised that Anglo-Eastern is and has since incorporation been a close company as defined in the Income and Corporation Taxes Act 1970 but may cease to be a close company following the allocation of ordinary shares pursuant to the issue.]

(B) No shortfall clearances under paragraph 18 of Schedule 16 to the Finance Act 1972 have been obtained for Anglo-Eastern or any of its subsidiaries. [Indemnities have been given jointly by Anglo-Indonesian, P&G and REA, under the offer for subscription agreement outlined in paragraph 7 above, in respect of possible shortfall apportionments of the income or capital transfer tax liabilities of Anglo-Eastern and any of its subsidiaries. 3.14
3.13

(C) Under current UK legislation, no withholding tax will be deducted from any dividend paid on the ordinary shares but a recipient of any such dividend who is resident in the UK for taxation purposes will be entitled to a tax credit in respect of the dividend currently of an amount equal to $\frac{3}{8}$ ths thereof, or, in appropriate cases, a cash refund in respect of such credit. A UK resident corporate shareholder will not be liable to UK corporation tax on any dividend received. In respect of the interest payable on the loan stock, Anglo-Eastern is required under the UK tax legislation to withhold tax on the gross amount of such interest at the rate of 30 per cent. The liability of a UK resident stockholder to pay additional tax will depend in the case of a corporate stockholder on the rate of corporation tax payable by such holder, and in the case of an individual will depend on his marginal rate of tax. 2.12(b)
2.13

Whether holders of shares or loan stock of Anglo-Eastern who are resident in countries other than the UK are entitled to a payment from the Inland Revenue of a proportion of the tax credit in respect of dividends on the ordinary shares or repayment of the tax withheld at source on the loan stock depends in general upon the provisions of any double tax convention or agreement which exists between such countries and the UK.

Any person who is in doubt as to his taxation position should consult an appropriate professional adviser.

11. Working capital

The directors consider that, having regard to the net proceeds of the issue, the group has sufficient working capital for its present requirement. 2.19

12. General

(A) [No member of the group is engaged in any litigation or arbitration proceedings, and no litigation, arbitration or claim is known to the directors to be pending or threatened against any member of the group which may have, or has had during the 12 months prior to the date hereof, a significant effect on the group's financial position.] 3.15

(B) Save as disclosed in "Profits" or the "Accountants' Report" sections above, there has been no significant change in the financial or trading position of the subsidiaries of Anglo-Eastern since 31st December, 1984. 5.10

- (C) Arthur Andersen & Co. have given and have not withdrawn their written consent to the issue of this document with the inclusion therein of their report and the references thereto and to themselves in the form and context in which they appear. 1.8
- (D) Hunting Technical Services Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its letter and the references thereto and to itself in the form and context in which they appear. 1.8
- (E) Harrisons Fleming Advisory Services Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion therein of its letter and the references thereto and to itself in the form and context in which they appear. 1.8
- (F) Mr. S. G. Mee has given and has not withdrawn his written consent to the issue of this document with the inclusion therein of references to his name and his report in the form and context in which they appear.
- (G) The costs to be borne by Anglo-Eastern in connection with this issue (including listing fees) are approximately £ ● . 2.18(i)
- (H) Each of the ● units comprised in the issue consists of ● ordinary shares and £ ● nominal of the loan stock and ● warrants and each unit is being offered for sale at ●p per unit which, as regards the ordinary shares comprised in such unit, represents a premium of ●p over the nominal value of ●p of such ordinary shares. 2.18(d)
- (I) The net cash proceeds of the issue accruing to Anglo-Eastern are estimated to be £ ● million. 2.18(j)
- [(J) [Provisional allotment letters] were posted on the ● 1985 to those entitled under the issue and it is expected that dealings in the ordinary shares, warrants and the loan stock will commence on ● 1985.] 2.21(b)
- [(K) Arrangements have been made for the ordinary shares, warrants and loan stock comprised in this issue to be registered by Anglo-Eastern free of stamp duty in the names of the allottees, or the persons in whose favour provisional letters of allotment are duly renounced provided that, in cases of renunciation, provisional letters of allotment (duly completed in accordance with the instructions contained therein) are lodged for registration not later than 3 pm on ● 1985. Share, warrant and loan stock certificates will be posted not later than ● 1985.] 2.18(g)
8.7

[13. Basis of provisional allotment 2.18(e)]

The units now being offered for subscription have been provisionally allotted to the shareholders of Anglo-Indonesian, P&G, REA and IIT and to the holders of warrants of REA on a basis calculated by reference to those companies' proportionate interests in Anglo-Eastern, adjusted to eliminate those companies' interests in each other.

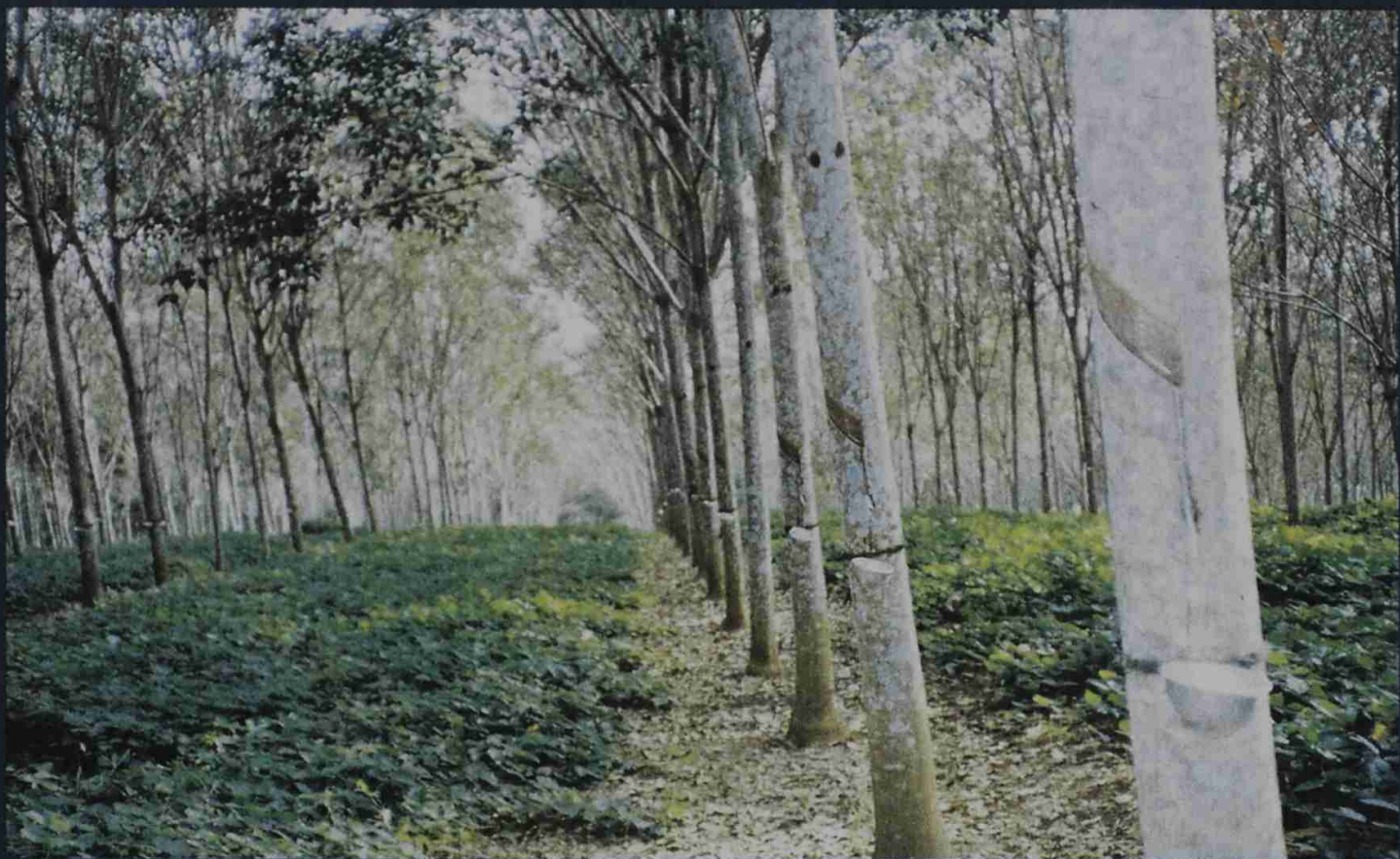
14. Documents for inspection

The following documents or copies thereof may be inspected at The Old Rectory, 29 Martin Lane, London EC4R 0DS, during normal business hours on any week day, Saturdays excepted, following the date of publication of this document until 18th April, 1985; 3.17

- (a) The memorandum and articles of association of Anglo-Eastern;
- (b) The trust deed referred to at paragraph 2(b)(iii) above;
- (c) The audited accounts of the subsidiaries of Anglo-Eastern for the years ended [31st December, 1983 and 1984];
- (d) The consents referred to in paragraph 12 above;
- (e) The report of Arthur Andersen & Co. and a statement of adjustments made by them in arriving at the figures set out in their report;
- (f) Report on the "Agricultural Potential of the Kota Pinang Concession, North Sumatra" prepared by Hunting Technical Services Limited in September 1973;
- (g) The letter of Hunting Technical Services Limited reproduced in Part II D;
- (h) The letter of Harrisons Fleming Advisory Services Limited reproduced in Part II E;
- (i) The material contracts referred to in paragraph 8 above;
- (j) The valuations of Mr. S. G. Mee referred to in the accountants' report.]

Dated 26th March, 1985.





Ferranti Computer Systems Limited

APP R
CF

Wythenshawe Division

From: FERRANTI PLC,
MILLBANK TOWER,
MILLBANK,
LONDON SW1P 4QS

Right Hon. Margaret Thatcher M.P.,
Prime Minister,
10, Downing Street,
LONDON, S.W.1.

29th March, 1985

Dear Prime Minister,

We very much appreciate the enormous help which you gave our company during your recent visit to China when you promoted our Chinese Word Processor. Circumstances are again upon us where we believe you could make a major contribution to a British success.

Ferranti are heavily involved in the preparation of a bid to supply a Flight Information System to the Singapore Civil Aviation Authority for Changi Airport. This is a multi-million pound project which, if achieved, following our successes in London, Zurich, Geneva and Lisbon, will keep Ferranti in the forefront of the world's suppliers of Information Technology in airport systems. We believe we can supply a very competitive tender to an authority which has always received the "British approach" with warmth and enthusiasm.

During recent weeks there has been considerable publicity concerning the application of Singapore Airlines to operate a service between Manchester and Singapore. Press comment and Singapore Airline advertisements in the British national press suggest that this application has the backing of the Singapore Civil Aviation Authority and that the subject is likely to be raised during your meeting next month with Mr. Lee Kuan Yew.

Continued.....

Simonsway — Wythenshawe — Manchester — M22 5LA

Telephone: National 061-499 3355
International +44 61 499 3355

Telex: 668084

FERRANTI COMPUTER SYSTEMS LTD

continuation sheet no. 1

to Rt.Hon. Margaret Thatcher MP,
Prime Minister,
10, Downing Street,
LONDON S.W.1

date 29th March, 1985

Ferranti have several factories in the North West of England and we are actively extending our export activities in the Far East. Direct flights between Manchester and Singapore would be of considerable assistance to us as a Northern company, but in the present circumstances surrounding our bid for Changi Airport we would not like the Singapore Civil Aviation Authority to feel that they are not fairly treated in their aspirations for Singapore Airlines and Manchester Airport.

We are sure that our ongoing activities towards achieving this major Information Technology project against strong Japanese, American and European competition will be of great interest to you and would hope that a solution to the question of Singapore Airline flights into Manchester will be quickly and amicably found between the two Governments.

Yours sincerely
Basil de Ferranti.

Basil de Ferranti,
Chairman.



file

Rev

cc FCO

10 DOWNING STREET

THE PRIME MINISTER

29 March 1985

Dear Mr. Speaker

I am most grateful to you for the gracious invitation to attend and address the Parliament of the Democratic Socialist Republic of Sri Lanka on 13 April. I have great pleasure in accepting and look forward eagerly to the occasion and to meeting you.

With warm best wishes.

Yours sincerely
Rajaguru Rajan

—

The Honourable E L Senanayake

Rev

TEL: 01-588 6464.

114, OLD BROAD STREET,
LONDON, E.C.2.

Charles Powell, Esq.,
10 Downing Street,
London SW1

29 March 1985

Dear Charles,

I promised you a note, as a possible brief for the Prime Minister, about Samuel Montagu's business activities in Malaysia, Indonesia and Brunei. This is enclosed.

Mr. Robert Opiat, one of my senior colleagues on the Board of Samuel Montagu and the Head of our Singapore Branch will be in Kuala Lumpur at the time of the Prime Minister's visit and has been invited to the reception and dinner being given in her honour there by the Malaysian-British Society. As I told you, it would be a great encouragement to the pursuit of our business there, in cooperation with other British companies, if Mrs. Thatcher could spare a moment during the course of the reception for a brief exchange with Mr. Opiat. It would undoubtedly give a significant fillip to our efforts in these S.E. Asian countries.

If you agree, I will ask Robert Opiat to try to make himself known to you at a convenient moment during or before the reception. Many thanks for your help over this.

Yours ever,

Michael

Michael Palliser

P.S. Don't be surprised by Robert Opiat's accent: He is American: but a staunch upholder of SM's British-based activities! D.

BUSINESS CURRENTLY BEING PURSUED BY SAMUEL MONTAGU (SM) IN MALAYSIA,
INDONESIA AND BRUNEI

A. MALAYSIA

1. JABATAN TELEKON MALAYSIA

UK Suppliers	:	GEC
Contract Value	:	Up to £120 million

GEC, in consortium with Marconi Italiana and CIT Alcatel have been shortlisted for a contract to provide optical fibre telecommunications equipment to Jabatan Telekom Malaysia (equivalent to British Telecom). Marconi Italiana is the syndicate leader, bidding through its Bumiputra company, Marconi Malaysia.

SM has been mandated by GEC (up to 40% of the contract) and is in discussions with Marconi (up to 40% of the contract) with a view to obtaining a mandate from them.

We already have agreement from the British Government to provide aid up to 25.1% of the UK content under the Aid and Trade Provisions.

2. MALAYSIAN AIRLINES SYSTEM

UK Suppliers	:	Rolls Royce
--------------	---	-------------

SM are pursuing a mandate from Rolls Royce who are discussing with Malaysian Airlines System the supply of 1 or 2 engines to complement their recent purchase of Boeings.

3. NATIONAL ELECTRICITY BOARD

UK Suppliers	:	Various
Contract Value	:	US\$5.75mm

SM are seeking to obtain a mandate to provide an ECGD backed General Purpose Line of Credit in support of British exports.

4. PETRONAS

UK Suppliers	:	Possible export credit opportunities for various UK suppliers
--------------	---	---

Petronas, the government oil company, is responsible for the planning and implementation of a US\$1 bn gas distribution network for gas from East Malaysia. SM are actively working with Malayan Banking Berhad (Malaysia's second largest bank) and Midland Bank in submitting finance proposals. In addition, SM are seeking a possible advisory role to evaluate supplier finance packages as they arise.

5. MINISTRY OF DEFENCE

UK Supplier	:	Gomba Stonefield Ltd
Contract Value	:	US\$3.5 mm (forerunner to a much larger order)

SM have been mandated as export financing bank by Gomba Stonefield Ltd, who are seeking a contract to supply soft skin personnel carriers to the Ministry of Defence.

B. INDONESIA

1. In association with Foster Wheeler World Services and L H Manderstam, SM are completing an 11-month contract to study the eastern part of an urban rail system designed to link the major towns surrounding Jakarta. SM's role is as financial adviser, with a report to be submitted to the Indonesian Ministry of Land and Communications later this year.
2. Samuel Montagu is the mandated bank for the United Scientific Holdings (ALVIS) proposal to the Republic of Indonesia for £200 m. of defence vehicles/defence technology transfer.

C. BRUNEI

1. The Crown Agents were replaced as managers of Brunei's foreign reserves in 1983 by two American firms: Citibank and Morgan Guaranty. Although some British firms are still involved as investment managers in a subsidiary capacity, the main outside influence on Brunei's foreign investment policy is now American.
2. There is clearly a strong British interest in ensuring that Brunei's foreign investments are properly managed, and the Auditor General in Brunei has a statutory obligation to ensure this. In the Auditor General's opinion, the audit of the Brunei Investment Agency should involve two tasks:
 - (a) an accounting audit, which is designed to ensure that the Brunei Investment Agency's accounts give a true and fair view: a firm of chartered accountants has already been appointed to assist the Auditor General in doing this; and
 - (b) a financial management audit, which is designed to give an independent professional view of whether the Brunei Investment Agency's funds have been prudently managed at a reasonable cost.
3. The Auditor General has indicated that he is looking for a financial institution to help him in conducting the financial management audit. We understand that he has recommended to the Sultan that Samuel Montagu should be appointed, on three grounds: that they have relevant experience; that they have been represented in Brunei for some time; and that they do not have a conflict of interest, because they are not managing investments on behalf of Brunei. The Sultan has yet to give his reply.

29 MAR 1985

NO 11 13 1 3

L. H. MANDERSTAM & PARTNERS LTD

Consulting Engineers

38 GROSVENOR GARDENS, LONDON, SW1W 0EB

REGISTRATION No. 364157 LONDON

DIRECTORS:

D. GLYNN, B.Sc., C.ENG., M.I.CHEM.E., MANAGING
P. J. GRIMSHAW, DIP.CHEM.ENG., C.ENG., M.I.CHEM.E.
P. M. B. ROWLAND, B.A., LL.B., F.C.A., F.C.I.A.R.B.
E. HEWITT, SECRETARY

CONSULTANT:

P. H. WILSON, C.ENG., M.I.CHEM.F.INST.PET., M.INST.F.

TEL.: 01-730 9224
CABLES: MANDERSTAM LONDON
TELEX: 24787

DG/MR/LHM

29 March 1985

Rt. Hon. Mrs Margaret Thatcher M.P.
The Prime Minister
10 Downing Street
London S.W.1.

Dear Prime Minister,

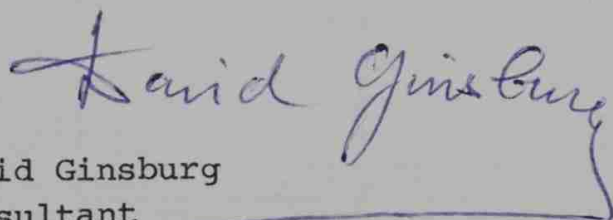
I have been advising L.H. Manderstam and Partners (UK) Ltd about the Jabotabek Railway Project, naturally I declare an interest. I would also add that I came into contact with Manderstam's through personal friendship with the late L.H. Manderstam who rendered considerable services to this country in SOE during the war and I believe in SIS subsequently. He has also rendered great services to British Industry. His son Andrew, the Washington correspondent of ITN is also a friend of mine and will I think be known to you.

The proposal is outlined in the attached paper on the Jabotabek Railway Project. Manderstams and their partners are working with the Indonesian National Railroad to create the Jabotabek railroad system. The Company has for the last 3 years been endeavouring to obtain for the U.K. a one third share amounting to £500 million over 10 years. It has undertaken a feasibility study for this funded by H.M.G. We are now poised to undertake the first section implementation and for this we require support from UK Government Departments in structuring a package which meets Indonesian financial requirements. It is clearly an important venture from the country's point of view.

A representative of Manderstam's Mr E Hewitt will be present at one of the official receptions in Indonesia and would be available to brief you should you require. Any help which you can give would be very much appreciated not only by the British firms who are principals in the project but also by the U.K. railway manufacturing industry who will benefit substantially if the orders are obtained.

Every good wish.

Yours sincerely,



David Ginsburg
Consultant

FOSTER WHEELER WORLD SERVICES Ltd
ALDWYCH HOUSE
2 BLAGRAVE STREET
READING RG1 1AZ
GREAT BRITAIN



+



L. H. MANDERSTAM and PARTNERS (U.K.) LTD
38 GROSVENOR GARDENS
LONDON SW1W 0EB
GREAT BRITAIN

FINANCIAL
ADVISERS



SAMUEL MONTAGU
and COMPANY LTD

JABOTABEK RAILWAY PROJECT

INDONESIA

The above Association was formed in 1982 in an effort to obtain engagements within the Jabotabek Authorities which would eventually lead to the supply of goods and services from U.K. Industries. At that time the Jabotabek Area was divided into three sectors, West, Central and East, France and Japan were actively engaged within the first two areas, which left the Eastern Sector open for approaches from the U.K. Association.

Early in 1984, and after much consultation with the Indonesian Government Depts. Min Sumarlin wrote a letter to the British Ambassador in Jakarta, asking for the U.K. Association to undertake a full Feasibility Study for the Eastern Corridor. This study was awarded and funded by the O.D.A. through the Aid and Trade Provision, the Study is scheduled for completion by May 1985.

It was intended by the Indonesian Government that following this, the detailed design engineering of the full Eastern Corridor would be undertaken by the U.K. Association and that full implementation involving total U.K. supply would follow at a later date, seen at that time to be 1987 onwards. However, in November 1984 the Association was approached by the Jabotabek Authority to consider, outside the existing terms of reference, the implementation of a section of line between the Cibinong Cement Complex and Citayam a location on the Central Line. This would allow P.J.K.A. the facility to deliver by rail, supplies of coal essential to the increased volume of cement production at the Cibinong complex, at the same time complying with Government Regulations to economise on domestic oil consumption.

This escalation of the implementation programme is the basis of the Associations present submissions to the U.K. Government and is considered to be extremely valuable in as much as,

- a) it allows supply of U.K. goods to be brought forward by two years.
- b) it means that such supply has timely influence on the standards to be introduced into the National System.

At the present time all relevant Ministers and Heads of Department are aware of the planned proposals, as too is the British Embassy in Jakarta. It is expected that the Head of Bappenas, Minister Sumarlin, will again approach the Ambassador, in writing, for the British Government to consider offering a financial package for the installation of the vital section of line, and that the U.K. Association for Jabotabek should head the project which could be the forerunner of many years of U.K. involvement, in railways, in the Republic of Indonesia.

Present indications are that the value of the Eastern Corridor project will be approximately £300M with the Citayam to Cibinong Cement Works section now considered for implementation having an indicative value of £30M.

29 MAR 1985

14 23
15 23
16 23

Imperial Chemical Industries PLC

Imperial Chemical House
Millbank London SW1P 3JF

Telephone 01-834 4444

From **Sir Robin Ibbs**

29th March, 1985

COMMERCIAL IN CONFIDENCE

The Rt. Hon. Mrs. Margaret Thatcher, PC, MP,
Prime Minister,
10, Downing Street,
London SW1

Dear Prime Minister,

I know that you will be visiting Malaysia at Easter. I shall be there myself next week before going on to Australia on Saturday night, 6th April.

There is currently a potential Single Cell Protein Project under consideration in Malaysia based on ICI technology. Negotiations are well advanced and prospects of securing it are fairly good but the scheme is nevertheless still at a critical stage. I imagine that you will be briefed on this by the DTI or ODA. However, in view of its importance to ICI and the UK engineering industry, I attach a short note that sets out the main facts.

yours sincerely,

R.Ibbs

encl.

Imperial Chemical Industries PLC
Biological Products Business

28th March, 1985

ICI SINGLE CELL PROTEIN FOR ANIMAL FEED
TECHNOLOGY SALES INITIATIVE IN MALAYSIA

Over the past fifteen years ICI has developed technology to produce a high quality animal feed Single Cell Protein (SCP) from methanol. ICI operates its own plant (which was commissioned in 1980) in the North East of England. ICI's SCP - 'PRUTEEN' - sells in 25 countries. This development represents the World's first large scale biotechnology venture, giving ICI a World lead in large scale fermentation technology for which it received the Queen's Award for Industry in 1983.

ICI hopes to license this valuable new technology in parts of the World where protein must currently be imported, and yet gas - the feedstock for methanol production - is in abundant supply. South East Asia - and Malaysia in particular - falls into this category.

Sabah Energy Corporation (SEC) is currently commissioning a 600,000 tpa methanol plant in Sabah. However, the methanol market is depressed and SEC are known to be concerned about their short and long term ability to sell their methanol.

The ICI SCP project offers them a domestic use for one third of the methanol plant's output, as well as providing a good real projected rate of return for an agricultural project (above 15%). It would add significantly to Malaysia's production of food from its own resources and make a very significant contribution to Malaysia's balance of payments.

A detailed feasibility study has been completed on the proposed Malaysian SCP project.

The preferred contractor for the project is John Brown of the UK. ICI as licensor, and John Brown as main contractor will provide customary guarantees on plant performance. In addition, ICI would ensure that engineering, production and marketing support is provided to the project to help it achieve complete success.

The total investment required for a Malaysian SCP project is around £130m, of which approximately 70% will be spent in the UK. The provision of UK Government aid (through DTI and ODA) would increase very significantly the possibility of securing this project. (The Commonwealth Development Corporation has also indicated an interest in providing finance to the project.)

.../...

Securing this project would bring the following benefits for the UK:

1. The UK heavy engineering and process equipment sectors would benefit from the fabrication and equipment orders for the plant.
2. ICI would be assisted in retaining its World lead in fermentation technology by having an opportunity to build an SCP plant incorporating its most up-to-date technology.
3. John Brown would secure a contract to design the key parts of the plant.
4. Approval of this project would stimulate other projects in other parts of the World giving UK companies, including ICI and John Brown, the opportunity to strengthen further the UK lead in large scale biotechnology.

The benefits to Malaysia can be summarised as follows:-

1. A better than 15% real rate of return on the project.
2. Significantly increased self-sufficiency of food supplies from an abundant natural resource. (Protein imports reduced by one third.)
3. A domestic outlet for 200,000 tpa of methanol from the Sabah plant.
4. Malaysian balance of payments improved by approximately US\$70 m/pa.
5. Major entry into biotechnology. (Malaysia could become South East Asia's leader in this field as a result of acquiring this technology.)

The main judgement for Malaysia will be whether they accept the assessment of future soya prices which will govern the value of protein from this project. The feasibility study and the calculated benefits assume a strengthening of soya prices which have been very depressed for the last two years. Against their view of soya prices, they will have to balance the likely future prices they could obtain for their methanol from alternative uses. The wider the gap between soya and methanol the stronger the project.



Foreign and Commonwealth Office

London SW1A 2AH

29 March 1985

Dear Charles,

Prime Minister's Visit to Asia: 4-13 April

I enclose a set of Briefs for the Prime Minister's visit to Malaysia, Singapore, Brunei, Indonesia, Sri Lanka and India. Some of these, particularly that covering the Malaysian air services problem, may need to be updated to take account of last minute developments. We will send revised versions as necessary next week. Personality notes and fact sheets are enclosed with individual country Briefs.

You may find it useful to have as an introduction the following notes, on a country-by-country basis.

Malaysia (Country Brief C i)

Since taking over as Prime Minister in 1981 Dr Mahathir has succeeded in placing a strong personal stamp on his Government. His record, both politically and economically, has been impressive.

Recently, however, his grip has faltered. Strains have appeared within his own Party (UMNO) and his main Chinese Coalition partners, provoking speculation that he may decide to hold an early election (not due until 1987).

Against a background of reduced petroleum exports, low commodity prices and diminishing investments, the economy has also shown signs of performing less well. Foreign indebtedness has increased (the debt service ratio is now 12%) and there is a stubborn current account deficit (£1.8 billion in 1984).

Although Mahathir views Malaysia's relationship with Britain in a very much starker and more critical light than his predecessors, he accepts that Malaysia can still derive important benefits from it. But he is insistent that the relationship should be seen to be on a strictly equal basis and is hyper-sensitive to any impression of condescension from our side. He regards the period of the "Buy British Last policy" (1981-83) as having been a necessary reminder to us of how the relationship needed to be changed. He now looks to the Prime Minister's visit to set the seal for a new era, on the terms he has prescribed. His main objectives are likely to be:

/(a)



- (a) to have a detailed exchange of views on current international issues, especially Indo-China, the implications of recent developments in China for South East Asia, the Soviet leadership and the Middle East (Brief B);
- (b) to put the case, on behalf of both Malaysia as a New Industrialising Country and the developing world, for a "fairer deal" on trade and economic issues and for better access to EC markets (Brief C i);
- (c) to urge the need for increased foreign investment in Malaysia and in particular for finding ways of reducing our favourable surplus in invisibles on our bilateral trade account (Brief C i);
- (d) to secure a commitment on our part to continue the financial assistance we give to the large number of Malaysian students studying in Britain (Brief C i).

His approach to these objectives is likely to be conditioned very largely by the response he receives on air services. We shall be in a better position to assess the prospects on that front when our High Commissioner has seen Mahathir on 2 April.

If we can first settle the air services problem we shall then be able to move on to the main substance of the programme, designed to consolidate the steady improvement in UK/Malaysian relations which has followed Dr Mahathir's meeting with the Prime Minister in March 1983 and the withdrawal of the "Buy British Last" directive. The Prime Minister will be able to emphasise our commitment to a forward looking relationship, particularly in the trade field, where there are a number of promising prospects (both civil and military) which we wish to promote. On educational assistance, the Prime Minister will be able to underline our continuing wish to help Malaysian students studying in Britain and to give this concrete form by announcing additional funding beyond the existing support package which runs out in 1985/86 (approximately £1.75 million for 1986/87).

One of the high spots of the visit will be the visit to Dr Mahathir's home state, Kedah, where the Prime Minister will visit the site for a large and successful British/Malaysian joint venture, the Sungei Ahning Dam.

/Singapore



Singapore (Country Brief C ii)

After the relatively poor showing of his Party at last December's elections, Mr Lee Kuan Yew is in a somewhat chastened mood - accentuated no doubt by the recent resignation of the country's President, because of alcoholism. Partly in response to the election result he has recently been concerned to demonstrate that his Government is not a one man band, and that he is aware of grass roots opinion. For this reason, although he will as usual expect to play the leading role in discussion, selected members of his new team of Ministers will also be taking part.

His Government's phenomenal economic record has also recently showed signs of fragility. The pace of economic expansion appears to be slowing, with growth forecast this year at between 5% and 7% - respectable enough, but the slowest for 10 years. There are also some serious sectoral weaknesses e.g. in shipbuilding, oil refining and construction. The Budget, announced on 8 March, reflected reduced expectations.

Against this background Mr Lee's main objective will be to exchange views on current international and regional issues (Brief B). He will want to talk in particular about Brunei and the Philippines (Brief B), where recent developments have worried him; and in the light of the evolving situation in Cambodia (Brief B) he will want to probe the extent of our continuing interest in the region as well as our joint commitment under the Five Power Defence Arrangements (Brief C ii).

There is one outstanding bilateral issue, air services (Brief C ii), which he is likely to raise. But we do not expect him to press for an immediate decision, nor will he want the issue to affect the atmosphere for the main discussions. The holding line recommended in the Brief should be sufficient.

We ourselves see the main objective for the visit as to build on our already excellent relations with the Singapore Government and to give backing to Singapore as an important member of ASEAN, a force for moderation internationally and a major regional trading and communications centre. We also want to use the occasion to disabuse Mr Lee of the impression that Britain is in decline, by underlining our ability to compete internationally and to cooperate in Singapore's economic development. The Prime Minister may want to probe Mr Lee Kuan Yew's views on international issues such as the Sino-Soviet dispute and China's role in the region.

/Brunei



CLOSED UNDER THE
FREEDOM OF INFORMATION
ACT 2000

Brunei (Country Brief C iii)

In the 16 months since full independence, Brunei has been moving cautiously to establish herself on the international scene. The Sultan will be particularly pleased to welcome the Prime Minister, since she will be the most senior non-ASEAN foreign visitor to his country since the independence celebrations in February 1984. He himself has recently shown signs of taking on a greater role in the government of the country.

The economy is firmly based on the country's oil wealth, which brings in an estimated £3.2 billion in annual revenues. This has made possible the accumulation of substantial reserves (US\$14 billion).

Our principal objective is to set the seal on our post-independence relationship, particularly following the Sultan's successful recent visit to Britain in January 1985. The Prime Minister will also want to explore further with the Sultan the ideas he outlined to her in January of doing more business with the United Kingdom. The best opportunities are in the financial sector, where there may be a chance to secure a return to British institutions of much of the investment management portfolio which was lost in 1983. But there are also significant possibilities for defence sales and possibly construction contracts.

Indonesia (Country Brief C iv)

After the turbulent period of the 1950s and early 1960s, Indonesia has steadily emerged as not only the largest power in the region but also a stable and rapidly growing political force backed by a soundly administered economy.

President Soeharto, who came to power after a failed Communist coup in 1965, can take much of the personal credit for this. Basing his political philosophy on the tolerant

/and



and vaguely theistic philosophy of "Pancasila" (the "five principles" - see Brief C iv), he has united the widely spread archipelago and its differing cultural and ethnic elements under a broadly democratic, though military dominated, system. His personal position is secure, despite some recent rather worrying minor manifestations of Islamic extremism on the political side and pressures on the economy from reduced oil revenues, coupled with a rapidly growing population (now over 160 million). His Government's prudent response to these pressures has been sharp reductions in public expenditure and reduced borrowing.

Soeharto has also played a major role in guiding his country's foreign relations. These are now rooted firmly in ASEAN and a generally pro-Western stance, though Indonesia is an active member of the Non-Aligned Movement (NAM) and is holding a conference on 24-25 April to mark the 30th anniversary of the Bandung Conference (which gave the crucial impetus to the NAM). Following a difficult period in the 1960s (Confrontation), Indonesia's relations with the United Kingdom have tended to lack substance, though recent evidence suggests a desire on the Indonesian part to match our own wishes to see this improved.

The Indonesians will welcome the Prime Minister's visit (the first by a British Prime Minister) as an opportunity to deepen the relationship as well as to try to take advantage of it to ensure that their policies and concerns are better understood abroad. They will want to explain to the Prime Minister their domestic political policies, their economic strategy and their aspirations to play a larger part in ASEAN and the NAM. They will also wish to hear our views on international political and economic issues (Brief B). President Soeharto will be particularly keen to hear the Prime Minister's views on East-West relations and our assessment of developments in China (including the Hong Kong settlement); the Indonesians remain deeply suspicious of Chinese regional intentions and have no diplomatic relations with China. He will wish to secure our continuing support for ASEAN's policies towards Indo-China. He will press for more attention to be paid to EC/ASEAN relations, and will also wish to discuss the Bonn Economic Summit (he particularly welcomed the briefing he received by the Prime Minister's personal representative, Sir C Tickell, after the London Summit - Brief B).

Our own principal objective is to place Anglo-Indonesian relations on a strong footing by building up personal relations at the highest level so as to enhance the prospects for British commercial and defence sales (e.g. Hawk aircraft). The visit will also provide an opportunity to encourage Indonesia to exercise a moderating role in international fora.

/Much



Much of the visit will be devoted to bilateral trade matters (Brief C iv). There are a number of projects where the Prime Minister will wish to press the interests of British companies, but the Indonesians can be expected to hold out strongly for concessionary terms.

A cosmetic move to improve our trade would be the conclusion of an umbrella agreement on scientific and technical cooperation. The Indonesians have suggested this and the brief recommends that the Prime Minister should agree the idea in principle during her visit if the Indonesians should raise it.

We also need to present our aid programme in the best possible light, since the Indonesians have tended to complain that it is over-modest in comparison to what they receive from our Western competitors.

Sri Lanka (Country Brief C v)

In Sri Lanka the Prime Minister will find a government which is disunited, faction-ridden and poorly led. It shows little understanding of the political compromises which will be required if there is to be any effective settlement of the Tamil problem; and has endeavoured, in desperation, to impose a military solution. Nor do the full dimensions of the problem appear to have been grasped by the predominantly conservative Sinhalese population, who adamantly oppose concessions to the Tamils. President Jayewardene is not in a strong position and the contenders for the succession cannot afford to alienate Sinhalese chauvinists. The Prime Minister, particularly in her speech to the Sri Lankan Parliament, will be trying to bring home to her audience the facts of life, and the growing international concern about Sri Lanka's internal situation.

Against this depressing background, the only practical hopes of progress lie in Sri Lankan dialogue with the Indians, who if they choose to restrain the terrorists in Tamil Nadu could help to bring about a political settlement. We hope that the Prime Minister's visits to Colombo and to Delhi will help to bring about closer cooperation between the two countries.

The Sri Lankan Government are likely to ask the Prime Minister for forms of support which we are unable/unwilling to provide. They will not be surprised when she does not offer them encouragement. The mere fact of her visit will have achieved their most important objective: a demonstration of support, in their beleaguered condition, from one of their few reliable friends.

India (Country Brief C vi)

In India, by contrast, the Prime Minister will find the Government in confident mood. Since his accession, Rajiv Gandhi has scarcely put a foot wrong. His landslide victory in the general elections, followed by a less overwhelming but

/satisfactory



satisfactory result in the state assembly elections, has ensured his dominance over his party and the country. A budget which has accelerated India's economic liberalisation has been widely acclaimed. Rajiv's immediate preoccupations now are the situation in Punjab, where he has released much of the Sikh leadership but where a healing touch remains necessary, and Sri Lanka.

The problems relating to the Westlands helicopters and Sea Harrier contracts may well have been resolved by the time of the Prime Minister's visit. Whether or not this is so, the main objective of the Prime Minister's visit is publicly to signal a return to a more normal relationship between the UK and India. Specifically, the Prime Minister will want to convince Mr Gandhi that we are on the side of the angels over the Sikh and Sri Lanka problems. Mr Gandhi may well be open to conviction (even though some of his officials will not).

I am copying this letter, with a set of briefs, to Richard Hatfield in the Cabinet Office. Copies of the letter go also to the Private Secretaries at the Department of Trade and Industry, the Overseas Development Administration and the Ministry of Defence. Copies of the briefs are being sent to them separately.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5701
GTN 215)
(Switchboard) 01-215 7877

29 March 1985

C D Powell Esq
10 Downing Street
London SW1

Dear Clerk,

PRIME MINISTER'S VISIT TO SOUTH EAST ASIA

We had a word about your letter of 22 March: I attach background on the Cable & Wireless and Blue Circle projects.

The Cable & Wireless situation is fluid, with a not unusual scenario of two British interests shooting it out at dawn and the Japanese in the bushes ready to step over the bodies. But we have asked for an update 48 hours before the Prime Minister is due to arrive. The Blue Circle situation is slightly less immediate, though clearly they would welcome an encouraging word in the right quarters if opportunity offers.

Samanalawewa awaits, of course, the outcome of the EX meeting.

I am copying this to Peter Ricketts and Terence Wood in FCO, and to Michael McCulloch in ODA.

*Yours,
C B*

C B BENJAMIN



SRI LANKA

A. Cable and Wireless

Cable and Wireless have since 1980 been working on a study for the Government on privatisation of the Colombo telephone system. They have close ties with the World Bank, who are favourably inclined to this move. Our High Commission have been supporting.

2 Despite this, in February, the Government announced its intention to privatise its State run Telecommunications Department. This was followed in March by an invitation for bids to operate the country's services, with a closing date of 30 June 1985.

3 The Japanese have been pursuing their concept of country-wide privatisation, and are also in the field. Recently British Telecom have also entered the arena, allegedly encouraged by the Finance Minister. The only gainers will be the Japanese or one of the other national single bidders.

4 Post advises that support should continue to concentrate on Cable and Wireless, though there are inevitable problems in discriminating against British Telecom.

5 Post also report that the Government are now negotiating with the Japanese (MITI) for a joint venture in which the Sri Lankans would retain a 51% equity. This betters Cable and Wireless' latest offer, which would retain a 51% interest. Cable and Wireless are seeking support from World Bank and have said that they are prepared to match MITI. There will inevitably be moves before the Prime Minister's visit.

B. Blue Circle

The state owned Cement Corporation has a 200,000 tons pc plant near Colombo, a 1.2 million tons pc plant near Jaffna and a grinding plant at Gelli. If efficiently run, these would meet domestic demand, and eliminate the need for imports. But utilisation is low and the Cement Corporation running at a loss.

2 Blue Circle have put in a proposal, subject to a detailed assessment, to the Prime Minister's office to manage the plants in return for a share of any profit - there is no question of an equity stake. Blue Circle report that a recommendation to start negotiations goes to the Sri Lankan Cabinet shortly.

Asia Trip Policy: FOR POL. Dec 84:

2-9 MAR 1985

10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

Blue Circle Industries Plc
Portland House
Stag Place
London SW1E 5BJ

INDONESIA : P T SEMEN ANDALAS INDONESIA (SAI)

Background note in preparation for the Prime Minister's Visit of April 1985

1. Blue Circle Industries (BCI), through subsidiary and associated companies, operates 48 cement works world wide, of which 36 are located outside the United Kingdom in 13 different countries. To maintain its leading position as a manufacturer of cement, BCI seeks out fresh investment opportunities in areas of growing demand for cement and its business record overseas is excellent. More than 50% of BCI's pre-tax profits come from such investments.
2. Indonesia, as the world's fifth largest nation, with a low per capita cement consumption and a strong programme of infrastructure development, was an attractive area for BCI to enter, and a logical extension to BCI's other Asian investments.
3. BCI has invested approximately US\$24 million and has 26.4% of equity in a 1 million tonnes per annum cement plant located at Lho Nga, Aceh Province, Sumatra, an opportunity first offered to them by the International Finance Corporation (IFC) of Washington. Owing to a number of adverse factors beyond the control of BCI, this plant is now experiencing severe financial difficulties; the problems are judged by BCI to be so grave that SAI may be forced into liquidation within a few months.
4. The IFC were responsible for a financial and economic analysis of the investment. IFC are equity holders in and substantial lenders to SAI; other prominent institutions with interests in SAI include Cementia AG (a Swiss cement company), the Commonwealth Development Corporation, the German Development Bank DEG, the Islamic Development Bank, and the Indonesian Government-owned investment bank BAPINDO.
5. Construction commenced in 1980 and the plant was commissioned in 1983, at a total project cost of US\$200 million. The principal supplier (identified after rigorous international tendering) was Mitsubishi Heavy Machinery of Japan who built the plant in its remote location which met all technical and operating requirements broadly on schedule and without any serious teething troubles. BCI who have the management contract for SAI recognise that the plant is one of the finest of its kind in the world today, ideally located for coastal Indonesian cement supply (see photographs).

6. The factors which threaten the future of SAI can be summarised as follows:

(i) Cement Market:

International: The recession and the debt problems of the developing world have resulted in a worldwide glut of cement. Cement trading has become increasingly competitive resulting in a general lowering of prices around the world - with manufacturers achieving minimal contributions to profit.

Indonesia: Following the cancellation in 1983 of a number of major infrastructure projects in Sumatra (and elsewhere in Indonesia) the demand for cement in 1984 fell by 8.4% against 1983 which in turn was 15.5% down on 1982.

- (ii) *Cement capacity:* There has been over-investment in Indonesian cement capacity, both at government-owned plants (particularly P T Semen Padang, SAI's chief competitor) and the private sector Indocement, owned by the Liem Group. Current capacity is 16.3m tonnes per annum increasing to 18m tonnes later in 1985, against the actual 1984 consumption of 8.8m tonnes. A significant part of Indonesia's over capacity has been contracted with Government approval subsequent to BCI's decision to support SAI.
- (iii) *Market share:* The original IFC study suggested that SAI would be able to obtain a market share of approximately 80% in its local area, whereas the company has to date failed to achieve above a 50% penetration. This has been caused by price competition from other suppliers facing similar over-capacity problems.
- (iv) *Cement price:* Maximum cement prices in Indonesia are controlled by official guidelines set by the Government. These have failed either to keep pace with production costs or to compensate for the substantial devaluations of the Rupiah seen since 1980. Furthermore, official prices have been undercut by as much as 20% by SAI's competition who appear to be dumping their product in SAI's local market.
- (v) *SAI's plant was designed to use oil as a fuel (at Government's request) and it was clearly understood at the time of the original investment that any increases in the Indonesian domestic oil price would be matched by Government approval for a corresponding increase in cement prices. (Energy costs represent 72% of total variable cost.)* Since 1980, however, the Rupiah oil price has increased by approximately 650% (by the steady reduction of indigenous oil subsidies) while cement prices have been allowed to increase by only 60%. Steps are being taken to convert the plant to coal firing and to secure a reliable supply of coal from Ombilin. Part coal firing will be accomplished by May 1985.
- (vi) *Devaluation:* The consequences of 37% Rupiah devaluation are severe as the financing of SAI was arranged almost entirely in US Dollars, while its income is almost entirely in Rupiahs.

G O I

7. BCI consider that the Government of Indonesia has both a major part to play in any rescue package in addition to a strong moral obligation towards SAI. In particular, GOI help will be sought on restraining the activities of P T Semen Padang and others who under-cut cement prices in SAI's local market, in maximising the incentives offered for exports of cement and in restricting any further investment in needless cement capacity in Indonesia.
8. Negotiations have been proceeding with the Government of Indonesia, its fellow shareholders and lenders to SAI in an attempt to structure a rescue package which will allow SAI to continue operating albeit on a reduced scale in the early years. This will be achievable only if SAI manages to obtain significant concessions from all interested parties and Lazard Brothers have been retained to assist BCI in these negotiations.
9. Some sixteen months have now been spent in endeavouring to reach agreement on a proposed restructuring of the company but so far IFC have failed to produce any proposals that are acceptable to the principal parties involved - the crucial underlying problems of the cement market and the balance of the necessary contributions from lenders and equity investors being the crucial factors.
10. In the meantime, the company has been in default on its interest and capital repayment schedule since 1 January 1984 and is currently experiencing a severe cashflow crisis.
11. The collapse of SAI would reflect adversely on Blue Circle as a group, and, more importantly, such a collapse might well have unfortunate repercussions in the overall business relationships between the United Kingdom and Indonesian Governments.

Chris JM

Blue O

Be Malagasin

Blue O

Thurs 1.7

Blue O 1.1

5.8 N. Jones

9.00 N. Sumatran

Michael! Casey

P T SEMEN ANDALAS INDONESIA

PROFIT AND LOSS ACCOUNT

	<u>Rupiah, Million</u>			<u>US\$M*</u>	<u>US\$M</u>
	<u>1983</u>	<u>1984</u>	<u>Total</u>	<u>Total</u>	<u>1985 Forecast</u>
Profit before Depreciation	7,773	688	8,461	7.9	1.6
Depreciation	(4,526)	(11,151)	(15,677)	(14.6)	(10.9)
Profit/(Loss) after Depreciation	3,247	(10,463)	(7,216)	(6.7)	(9.3)
Interest	(11,206)	(15,514)	(26,720)	(24.9)	(16.2)
Profit/(Loss) after Interest	(7,959)	(25,977)	(33,936)	(31.6)	(25.5)
Sales Tonnages	200,000 (Part-year)	527,000			
% Capacity	N.A.	48.8%			

* Translated at end February 1985 exchange rates.

Additional Notes:

1. Investment Written Off by BCI

Share Capital US\$19m)
Advances $\frac{2}{3}$ x US\$7m = US\$4.7m) US\$23.7m

2. Import Restrictions on Cement

Total exclusion (since October 1983).

3. Export Subsidy

Approximately US\$10 per tonne since early 1984

4. Expatriates

45 as at December 1983 - Now 29 as at March 1985

5. P T Semen Andalas is the first cement company in Indonesia to effect a conversion from oil to coal - commissioning of this coal plant is currently taking place.

PTSAI CAPITAL

SHARE CAPITAL

	US\$ M	%
Blue Circle Industries (BCI)	19.0	26.4
Cementia	9.5	13.2
P T Rencong Aceh Semen (RAS)	10.7	14.9
	-----	-----
	39.2	54.5
Islamic Development Bank (IDB)	9.0	12.5
Commonwealth Development Corporation (CDC)	7.5	10.4
Bapindo	7.0	9.7
International Finance Corporation (IFC)	5.0	6.9
Deutsche Gesellschaft Fur Wirtschaftliche Zusammenarbeit (DEG)	4.0	5.6
Private Development Finance Co of Indonesia (PDFCI)	0.3	0.4
	-----	-----
	<u>2.0</u>	<u>100.0%</u>

Note: BCI and Cementia have contributed a further US\$ 7 million during 1983 and 1984.

LOAN CAPITAL

	US\$ M
International Finance Corporation (IFC) 'A' Loan	20.0
International Finance Corporation (IFC) 'B' Loan	28.0
Deutsche Gesellschaft Fur Wirtschaftliche Zusammenarbeit (DEG) DM8 Million	2.4*
Commonwealth Development Corporation 'A' Loan £3.375 Million	3.7*
Commonwealth Development Corporation 'B' Loan £3.375 Million	3.7*
Private Development Finance Co of Indonesia (PDFCI) Rupiahs 750 Million	0.7*
Mitsubshi	60.0
Grindlays £1.1 Million	1.2

	<u>116.0</u>

SHORT TERM FACILITIES

P.T. INDOVEST	4.0	
P.T. FINCONESIA	1.0	

	<u>5.0</u>	of which \$2.0M has been drawn down

* at end FEB 85 exchange rates.

MALAYSIAN/SINGAPORE COMPANIES : SITUATION REPORTA. PERFORMANCE OF MCBCONSOLIDATED PROFIT AND LOSS ACCOUNT

	<u>For the year ended 30th November</u>			
	<u>1984</u>	<u>1983</u>	<u>1982</u>	<u>1981</u>
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Operating Profit	1,804	1,478	2,049	1,340
Share of Profits of Associated Companies	44,796	47,742	36,197	17,436
Profit Before Taxation	46,600	49,220	38,246	18,776
Taxation	(16,990)	(13,433)	(7,788)	(8,120)
Profit After Taxation	29,610	35,787	30,458	10,656
Extraordinary Item	-	-	4,558	-
	29,610	35,787	35,016	10,656
Profit Unappropriated Brought Forward	98,393	70,771	43,104	37,347
Profit Available for Appropriation	128,003	106,558	78,120	48,003
Dividends	(18,312)	(8,165)	(7,349)	(4,899)
Profit Unappropriated Carried Forward	<u>109,691</u>	<u>93,393</u>	<u>70,771</u>	<u>43,104</u>

MALAYSIA(i) Cement

Cement consumption in Peninsular Malaysia grew by some 10% in 1983 to 3.86m tonnes. For 1984, demand was expected to grow by 9% to 4.20m tonnes, but the end-year projection is now some 5/7% only.

Kedah Cement (Pulau Langkawi Plant) commissioned its plant of 1.2m tonnes in mid-1984, increasing the industry capacity to some 5m tonnes. As an interim measure, prior to the commissioning of their grinding plant in Johore planned for March 1985, Kedah Cement has entered into arrangements with 3 Singapore manufacturers (including PMCWS) to grind the excess clinker output to supplement their own existing cement grinding capacity of 600,000 tonnes for re-export into Malaysia with dispensation from export duty.

(i) Cement (Continued)

Tariff protection (of the higher of M\$80 or 50% CIF) came into effect in Malaysia on 29.6.84 and this has effectively prohibited imports. Average domestic selling price remains at around \$180 per tonne, unchanged since March 1981.

Kanthan Works conversion has been commissioned on schedule, and the status of the other projects is as below:-

Tasek's expansion programme of 1.5m tonnes has been shelved indefinitely.

Works at CIMA's expansion project of 600,000 tonnes had commenced, and expected completion is in second half of 1986, costing some M\$260 million.

No significant progress at the Perak Hanjoong site but it is generally expected that the 1.2m tonne plant will come onstream some time in 1986.

(ii) Trading

Following the reorganisation in the top management within CMCM in 1983, the performance of this Company has improved. The ratio between cement and non-cement sales is approximately 90:10, whilst on a contribution basis the ratio is 87.5:12.5.

(iii) Property

DDSB's result for 1984 show further improvement on 1983 as rental rates for Wisma Damansara and Wisma Perdana have been substantially revised. Both buildings continue to enjoy full occupancy. The development of the third office block was temporarily shelved in view of the projected glut in supply of office space in the short to medium term.

The proposed housing development in Ipoh with IGB Corporation Bhd (formerly called Ipoh Gardens Bhd) has been resuscitated. The total development covers an area of approximately 230 acres with MCB taking a minority stake of 20%. The overall acreage includes some 40 acres of property purchased by MCB in the early 1960's. The proposed project is a mixed development of low/medium/high-cost housing and commercial. Discussions with IGB Corporation to develop the property on a joint-venture basis are in progress.

(iv) Other Activities

The layout plan for the APMC complex in PJ has been submitted to the PJ authorities for planning approval. Subject to there being no unforeseen delay, the complex is expected to be completed in late 1985. The development will be undertaken by APMC Enterprises and will provide accommodation for all companies/activities within the MCB/PMC partnership.

(iv) Other Activities (Continued)

Supermix Concrete Malaysia, incorporated in January 1983, commenced operating in September 1983. It currently has three batching plants, one each in Ipoh, Seremban and Kuala Lumpur. The Company made a maiden profit in 1984.

The performance of ACP in recent months has been adversely affected by the cut in development expenditure in the public sector. A fourth plant was set up in August 1984 in Johore as part of an overall strategy to improve the performance of this company as it is hoped that this plant will be able to secure some of the contracts for the MRT project in Singapore.

(v) Blue Circle Housing Development

This is a garden suburb development of some 2,000 homes and shophouses aimed at the junior executive and professional sector, situated four miles south east of Seremban, owned by a joint venture company Naga Sakti Sdn Bhd (NS).

The equity in Naga Sakti is held equally between a combined Malayan Cement Bhd and Blue Circle Industries holding with Sungei Gadut Development which in turn is principally controlled by His Royal Highness, DYMM Tuanku Ja'afar, the Sultan of Negri Sembilan.

The development is in two phases and 382 houses have been sold and first occupancy is expected in June 1985. The total number of houses to be built is 1,642. The management contract is held by Blue Circle Housing Development Bhd, a wholly owned subsidiary of Blue Circle Industries Plc.

(vi) Armitage Shanks Operations

Large sanitaryware plant originally established in 1964 at Petaling Jaya, Kuala Lumpur. Armitage Shanks have 54% of the equity. Approximately 50% of the output is exported to Singapore and other Far East countries. The factory was recently modernised and extended at a cost of M\$13m.

SINGAPORE

(i) Cement

After the extraordinary growth experienced in 1982 and 1983, consumption in Singapore for 1984 grew at a more moderate rate to 3.4m tonnes from 3.2m tonnes in 1983. Following the emergence of the bulk cement operators (Falcon Cement and ABT) in late 1983, compounded by the withdrawal of the export tonnage to Malaysia following the imposition of tariff protection in that country, domestic selling prices have declined by some 40% to around \$90 per tonne to the general market while the price to HDB has recently been further reduced to \$100 per tonne from the contracted price of \$105 per tonne. The sharp decline in selling prices has to some extent been cushioned by the reduction in clinker prices ex Japan.

(i) Cement (Continued)

Following the entry of the sixth manufacturer, total installed cement capacity has increased to 5.2m tonnes. Resulting from the competitive situation now prevailing, Falcon Cement has decided to cease its operations in Singapore; its commitment to the HDB being taken over by a Consortium, comprising Intraco and Indocement, who have announced plans to install a bulk cement terminal in Singapore (two other parties in this Consortium have dropped out).

(ii) Trading

Twincem's performance is closely related to that of PMCWS. The ratio between cement and non-cement sales at 93.7 is disappointing, and efforts are continuing to develop this company along the same lines as CMCM.

(iii) Other Activities

The investment in Supermix Concrete Singapore is now held by PMCWS Enterprises. Supermix Concrete Singapore continues to perform well despite the competitive situation which prevails in the readymix industry.

(iv) Armitage Shanks Operations

Very small sanitaryware plant purchased in 1979 from local Chinese manufacturer. Armitage Shanks have 100% of the equity.

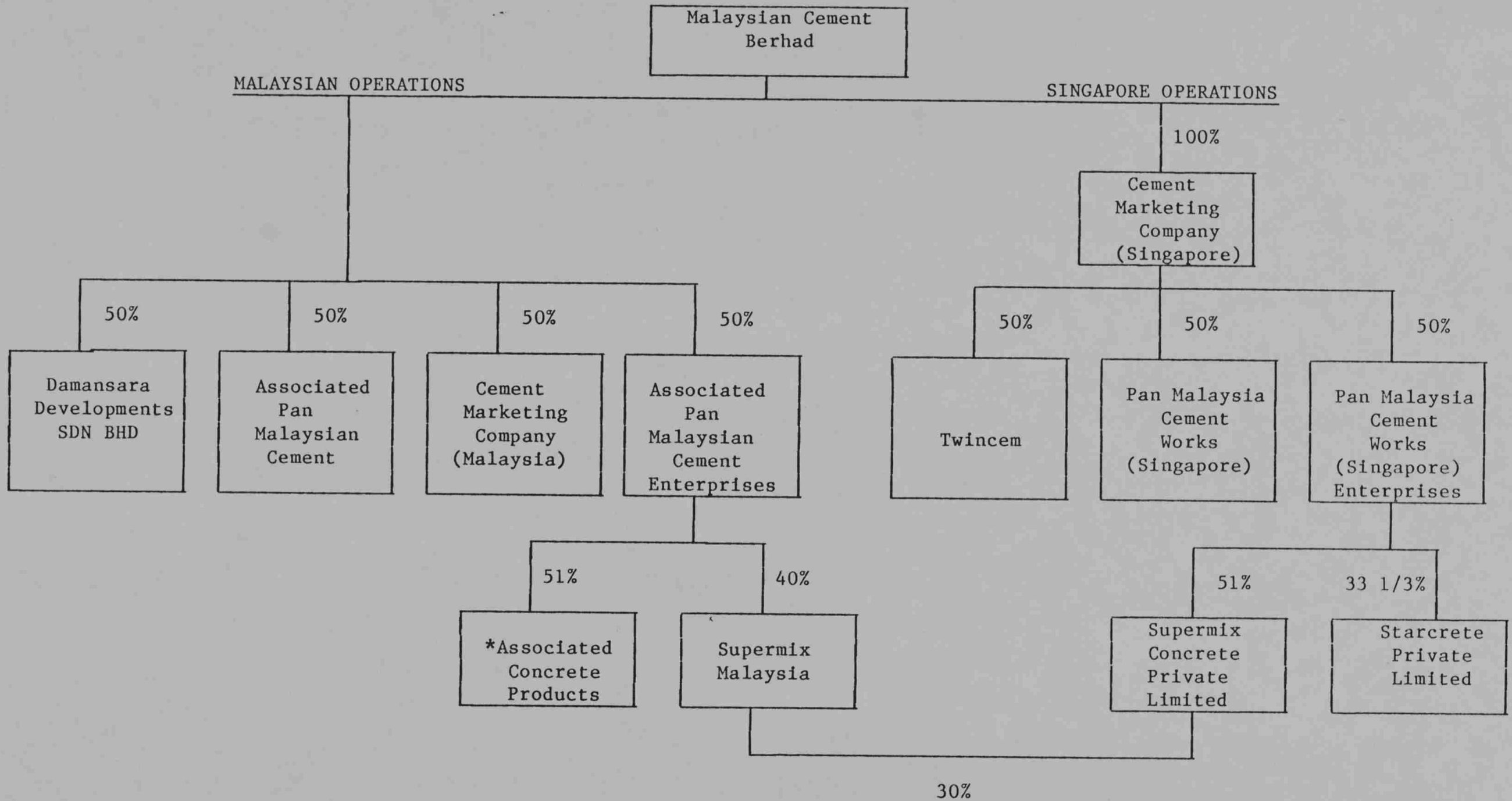
Armitage Shanks also have a warehouse and marketing organisation in Singapore for the sale of UK imported bathroom products not locally produced as well as for the sale of Malaysian and locally produced products.

B. MCB'S SHARE CAPITAL

The Bonus Issue and share split from \$1.00 to 50 sen par has been completed. The Special Issue of 4,447,312 shares has yet to be implemented as response is still awaited from the Bumiputra institutions in the state of Perak while the offer of the other 50% has been accepted by LUTH at the approved offer price of \$1.90 per 50 sen share. The Special Issue includes an allocation of 130,000 shares to the Malaysian staff of MCB. The share price on suspension was \$8.15, equivalent to \$2.04 for a new share. The market price came back in on 1.10.84 at \$1.96 and has since drifted with the market to \$1.86.

CORPORATE STRUCTURE

The corporate structure of the Malaysian Cement Berhad Group is illustrated below:



* Application has been made to the relevant authorities to transfer this investment from Cement Marketing Co (Malaysia) to Associated Pan Malaysian Cement Enterprises.

ADS/JDM
28.3.85

Blue Circle Industries Plc
Portland House
Stag Place
London SW1E 5BJ

SUMMARY OF BLUE CIRCLE'S INVOLVEMENT IN SRI LANKA

BCI has been monitoring the Sri Lankan cement industry for a number of years, though to date, a suitable opportunity for equity participation has not arisen.

Recently BCI were approached by the Maharaja Group regarding the possibility of an invitation from the Government to give an overall appraisal of the Sri Lankan Cement Industry. It transpired that the Sri Lankan Government was concerned about the lack of profitability of both the Sri Lanka Cement Corporation (SLCC) and Lanka Cement Limited (LCL) and the Prime Minister had appointed his Industry Secretary, Mr Paskaralingam, Chairman of both companies. Mr Paskaralingam had been set the task of inviting a competent international cement company to assist in the management of the cement industry in that country, although it was thought unlikely that foreign investment would be needed or indeed practicable at this time.

After discussion, Blue Circle offered to make a preliminary commercial/technical survey, with a view to a consultancy contract. Korean and Japanese companies are also lobbying to become advisers in this field.

The Blue Circle team which undertook the review between the 4th and the 15th March included two engineers, a financial controller, a market analyst and an Overseas Executive.

Due to political problems in the North, it was decided that the risks were too great to visit the SLCC and LCL plants in Jaffna though plant operating data was made available and the opportunity arose to interview both Corporation Managers. Visits, however, were possible to the two SLCC plants (Puttalam and Galle) in the South and it became immediately obvious that there was significant scope for increasing operating efficiencies and output.

As a result of the visit, the BCI team felt sufficiently confident to offer to provide overall management support to the cement industry of Sri Lanka. BCI submitted a proposal document to Mr Paskaralingam on 25th March outlining in general terms the management role that they would be prepared to undertake with remuneration to be based solely on a "performance basis".

Mr Paskaralingam will present the proposal document to the Cabinet on either the 3rd or 10th April for approval subject to satisfactory negotiations.

*29 March. We have just been informed that Cabinet approval has been given today. The next step will be an in depth financial investigation prior to negotiating terms.

COVERING CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

28 March 1985

CB

Dear Charles,

Prime Minister's Visit to South East Asia: Speeches,
Indonesia

I enclosed with my letter of 27 March a copy of the revised Bandung speech. *with CDP*

I am afraid it contained one mistake: Gatot Kaca (page 4 of the draft) should in fact be pronounced "gateau carch'a".

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

COVERING CONFIDENTIAL

Taylor Woodrow International Limited

Building Civil and Mechanical Engineering Contractors

REGISTERED OFFICE:

Western House . Western Avenue . London W5 1EU

INCORPORATED IN ENGLAND REGISTERED NO. 374634

TELEMESSAGE (INLAND) TAYWEST LONDON . CABLES (OVERSEAS) TAYWEST LONDON W5 1EU . TELEPHONE: 01 997 6641 . TELEX: 23502 TAYINT G . TELEFAX: 01 991 3117 . (C.C.I.T.T. GROUPS 2 & 3)

DIRECTORS:
CG F. HAZELL (CHAIRMAN)
W. HOGBIN, M.A., C.ENG., F.I.C.E. (DEPUTY CHAIRMAN & MANAGING DIRECTOR)
J.E. PAGE, F.C.A. Joint Deputy
J.G. BEVAN, B.Sc., C.ENG., F.I.C.E., M.ASCE } Managing Directors
F.R. GIBB, C.B.E., B.Sc., F.ENG., F.I.C.E.
M.V. ANGWIN, B.Sc., C.ENG., M.I.C.E., M.ASCE
W.G. CRAIG, B.Sc., C.ENG., F.I.C.E., FRGS
F.C. STOTT, C.ENG., M.I.C.E.
J.E. COX, O.B.E.
R.M.T. RAIKES, B.A. (ENG.), M.I.C.E.
F.A.B. SHEPHERD, C.ENG., F.I.C.E.
B.L. MOSELEY

SECRETARY:
A.R. JOHNSON, A.C.I.S.

DIVISIONAL DIRECTORS:
G.H. COCHRANE, M.A., M.Sc., D.I.C., F.I.C.E.
A.J. DOUGLAS, M.I.P.M., M.INST.M.
B.S. ING SIMMONS, B.Sc. (ENG.), C.ENG., F.I.C.E.
G.D. SMITH, B.Sc., C.ENG., M.I.C.E.
B.E. STRANGE
A. JARVIS, F.C.I.O.B.
R.W. CHAPMAN, F.C.A.
C.J. CLARK, A.C.I.O.B.
R. COURTNEY GUY
P.W. WATSON, B.Sc., C.ENG., M.I.C.E.

YOUR REF

OUR REF WH:sjw

28th March, 1985.

Mr. Michael Allison,
Principal Private Secretary,
10 Downing Street,
London SW1

Dear Mr. Allison,

You will be aware that the current dispute between the Malaysian Airline System and British Airways has stalled negotiations for a major Railway Contract in Malaysia by a Consortium of British companies.

You may not be fully aware however of the extent of the work and the potential value in terms of British jobs that the contract represents, and I attach for your assistance some brief notes on the current situation.

It is our understanding that the Malaysians are likely to withdraw the controversial "tax concession to MAS flights only" in 1986 if they are to be allowed a fifth frequency flight into Heathrow from 1986 and that British Airways will be allowed an additional frequency into Kuala Lumpur, should they so wish. Britain must of course maximise the commercial benefit of any "concession" the Government make and link British Airway's agreement to the reopening of negotiations for the major Railway Contract.

Would you kindly use your influence to bring this matter to an early and commercially acceptable solution.

Yours sincerely,

Walter Hoggins

W. HOGBIN.

MALAYSIAN-BRITISH RAIL GROUP PROPOSAL.

In May, 1984 Taylor Woodrow International Limited together with other members of a British consortium, The Malaysian-British Rail Group*, was invited to produce a study for a proposal to modernise a major part of the Malaysian railway system. The study was submitted to the Malaysian Railway Authorities in August, 1984 and was favourably received. Subsequent to this, considerable interest has been expressed and discussions proceeded positively until interrupted by the airline landing rights dispute.

The project consists of:

1. The laying of 670 km. of new track.
2. The realignment of 320 km. of existing track.
3. The supply of 80,000 tons of rail.
4. Major earthworks involving the movement of 34 million cu. m. of material.
5. Supply of 9 high-speed trains.
6. Supply of 24 rail buses.
7. In the longer term, the continued supply of spare parts for all the equipment and machinery provided.

The potential value of the project is estimated at £750 million and a value of British goods and services included within this figure of some £360 million. We further estimate that the provision of such British goods and services would result in at least 30,000 man years of employment for personnel in the United Kingdom.

The Malaysian-British Rail Group have been told that the technical content of their offer is acceptable to the Malaysian Minister of Transport and that the financing for the project has been included in their 5-year plan for development. It is particularly frustrating therefore that we are unable to make further progress in our negotiations due to the current dispute over landing rights. The British refusal to discuss this matter further has opened the door to competition for the rail project from the Japanese, French and Spanish which is in danger of eroding our present advantage.

The Prime Minister will be visiting Malaysia from 5th to 8th April and it is the earnest wish of all those involved in the Malaysian-British Rail Group that she be made fully aware before her visit of the scope and value of this major project to British industry as a whole.

*
The Malaysian-British Rail Group is a consortium
of the following companies.

Taylor Woodrow International Limited.
Davy-British Rail Limited.
British Steel.
Wimpey International Limited.
Balfour Beatty Limited.

***THE
MALAYSIAN
RAILWAY PROJECT***



MALAYSIAN BRITISH RAIL GROUP



The railway project is a vision of the future for those who are working towards the prosperity and development of Malaysia.

To initiate a discussion of the concept, the new Malaysian British Rail Group offers this document as a broad outline of its capability.

A CHALLENGING PROJECT

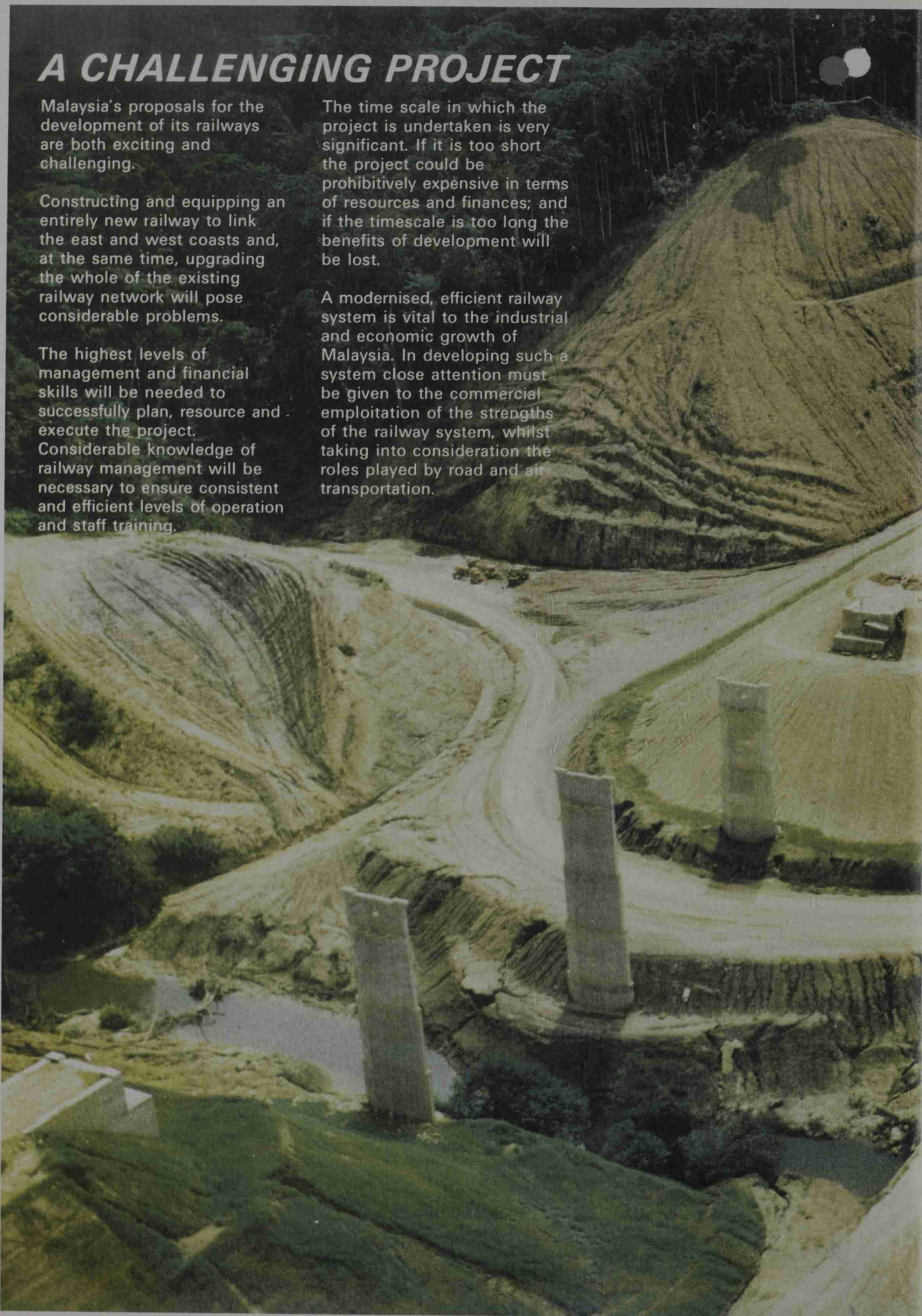
Malaysia's proposals for the development of its railways are both exciting and challenging.

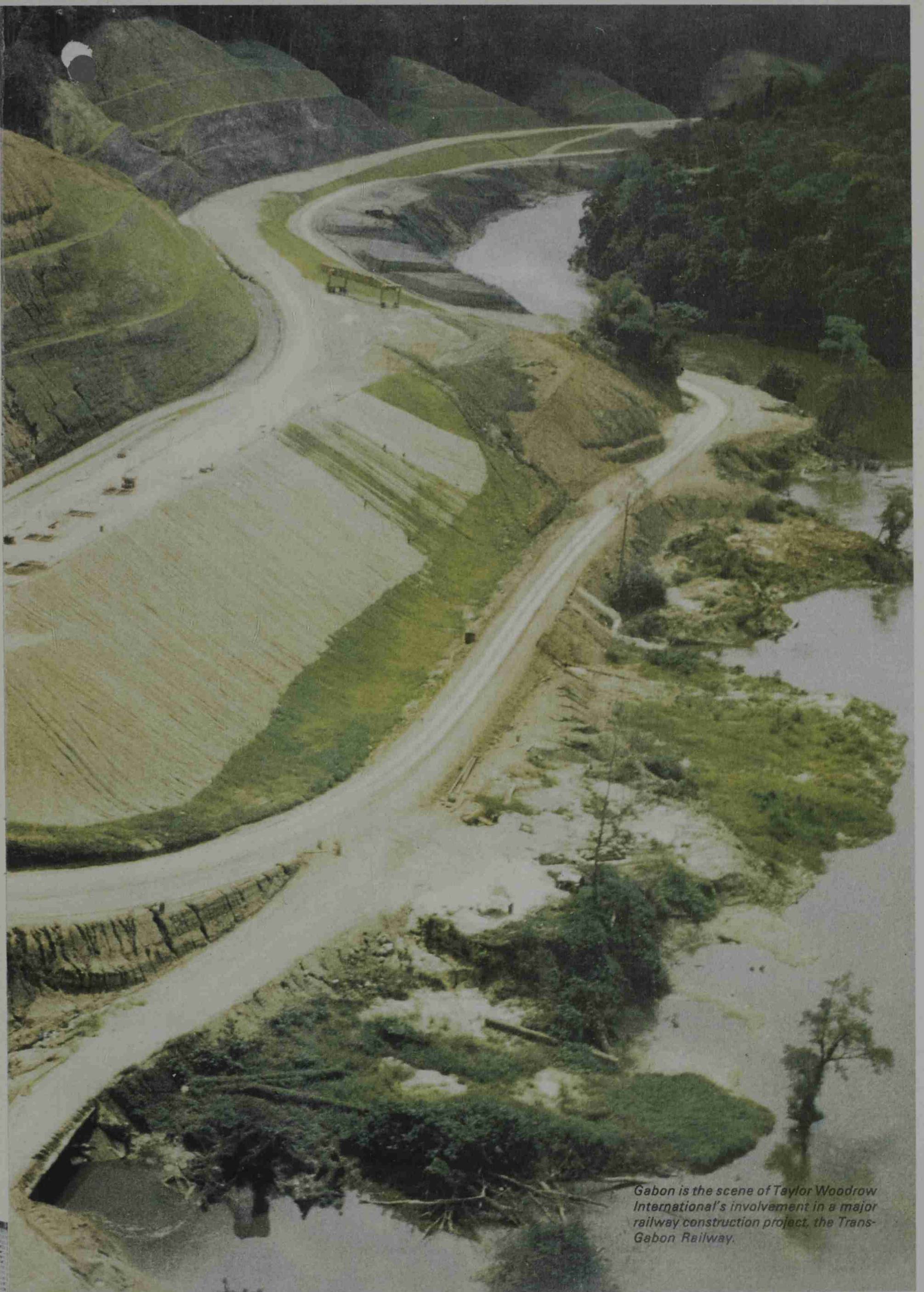
Constructing and equipping an entirely new railway to link the east and west coasts and, at the same time, upgrading the whole of the existing railway network will pose considerable problems.

The highest levels of management and financial skills will be needed to successfully plan, resource and execute the project. Considerable knowledge of railway management will be necessary to ensure consistent and efficient levels of operation and staff training.

The time scale in which the project is undertaken is very significant. If it is too short the project could be prohibitively expensive in terms of resources and finances; and if the timescale is too long the benefits of development will be lost.

A modernised, efficient railway system is vital to the industrial and economic growth of Malaysia. In developing such a system close attention must be given to the commercial exploitation of the strengths of the railway system, whilst taking into consideration the roles played by road and air transportation.





Gabon is the scene of Taylor Woodrow International's involvement in a major railway construction project, the Trans-Gabon Railway.

THE MALAYSIAN BRITISH RAIL GROUP

The Malaysian British Rail Group (MBRG) combines in one project team all the skills of Britain's rail transportation technology.

It spearheads a new force in railway engineering and construction — now combined for the first time in a British group.

Malaysian self-sufficiency in railway operation and management is a priority within MBRG, and local labour skills and capability will be fully utilised from the earliest stages of construction.

MBRG has five members — each with a sound experience in international railway projects.

DAVY BRITISH RAIL INTERNATIONAL

Davy British Rail International is a new British company bringing together the international contracting capability of Davy Corporation and the railway experience of British Rail and Transmark.

This skill and capability is typified by the transformation of the 33 kilometre Kowloon to Canton Railway in Hong Kong. The overcrowded, single-track line had to be

doubled, electrified, re-signalled and equipped with a fleet of EMU cars. At the same time, all the stations had to be rebuilt to allow for a ten-fold increase in passenger traffic — and, throughout modernisation, the heavily-used line had to remain in full use.

All the associated maintenance facilities and staff training were included in the project.



TAYLOR WOODROW INTERNATIONAL

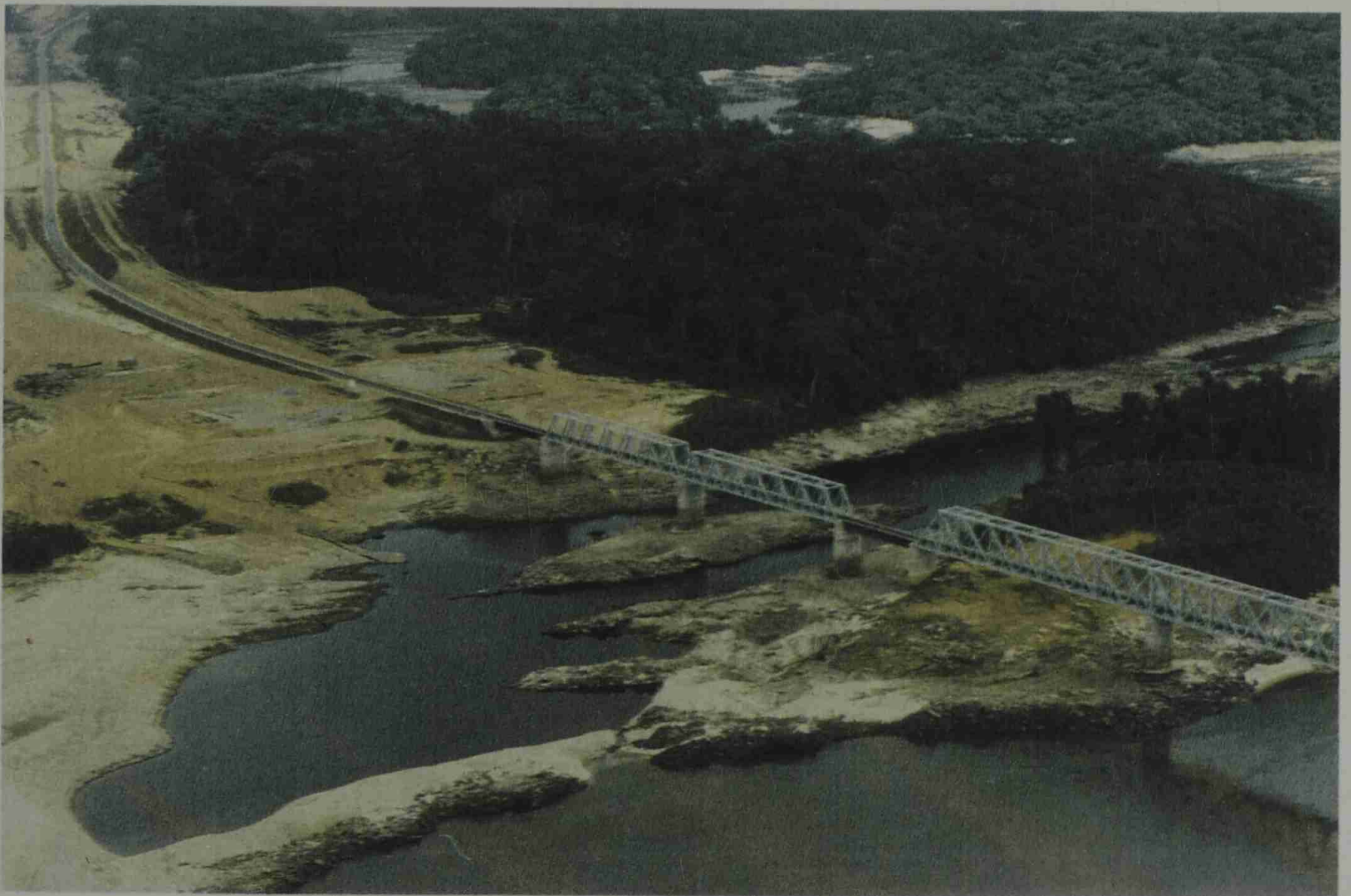


Already well-known in Malaysia as Teamwork Malaysia Sdn. Bhd., Taylor Woodrow International has over 60 years of international civil engineering and contracting experience. It is one of the few construction companies in the world established specifically to work outside its national base. Subsidiary and associated companies have been established in Australia,

Ghana, Gibraltar, Malaysia, Nigeria, Oman, Saudi Arabia and Trinidad.

Gabon is a typical scene of Taylor Woodrow International's involvement in a major railway construction project. The Trans-Gabon Railway is a single line, standard gauge system linking the mining district of Franceville in the east of the country, with the

port and capital city of Libreville, some 650km away. The purpose of the line is to carry the valuable manganese and uranium ores, for export to the modern commercial port at Libreville. Much of the line is through dense, uninhabited jungle and 33 million cubic metres of earth will be moved.



BSC TRACK PRODUCTS

BSC Track Products is part of the British Steel Corporation, one of the largest steelmakers in the world. It has extensive modern rail production facilities including continuous casting, and has supplied rails and accessories to the USA, South America, Hong Kong, South Korea and Spain.



BSC Track Products is able to meet highly specific rail quality requirements. The Hong Kong metro system has found this particularly attractive, and there are applications worldwide where alloy rail and other wear resistant grades of premium rail are proving just as effective.



WIMPEY INTERNATIONAL

Wimpey International Limited is a subsidiary of George Wimpey PLC, one of Europe's largest construction and engineering groups. Contained within the subsidiary is the entire strength and experience of the Group's overseas operations which extends over many years and embraces almost the full spectrum of building and civil engineering in more than 50 countries of the world.

Wimpey International is presently working on rail projects in Hong Kong and the Gabon and has recently completed work in the USA.

A Wimpey Joint Venture successfully completed the double tracking of the San Diego (USA) Trolley System. The contract involved the construction of new main and secondary track, modifications to existing track, installation of substations, construction of new power catenary system and the design and installation of a new block signal system.



BALFOUR BEATTY CONSTRUCTION



The 75 year old Balfour Beatty Group has four operating companies and is engaged in more than 70 countries throughout the world, in the Americas, the Middle and Far East, Africa, Australia and Europe. The extensive range of activities within the Group includes the management, design and construction of civil engineering, industrial and building projects, electrical power generation and mechanical installations, overhead transmission and distribution lines and steelwork fabrication and the supply of construction plant. The work

has involved various dams, aqueducts, tunnels, underground caverns and transmission lines, industrial complexes, buildings and infrastructure development such as harbours, roads, bridges and railways in the UK and overseas.

Civil engineering construction is handled by Balfour Beatty Construction Limited which has considerable history in major civil engineering projects both in the UK and overseas. Recent and current major projects are the construction in joint venture of the largest

man made harbour in the world at Jebel Ali, Dubai where a total of 14 kms of quay was constructed, and the spent nuclear fuel handling facility at Sellafield.

In addition to the substantial civil construction work carried out by the Group, Balfour Beatty Power Construction Limited, one of the Group's four Operating Companies, undertakes railway electrification and power transmission schemes worldwide.

Three span type D Callendar-Hamilton Railway Bridge over the M'Konda River in Tanzania of 90m total length. Designed to carry 16 units of RAT Loading.



MALAYSIAN BRITISH RAIL GROUP

Overall Capability

The Malaysian British Rail Group is a powerful combination of design, project management, construction engineering services, training, maintenance and operating advice, together with the ability to arrange the appropriate financing package for all types of railway projects.

Transport Systems:

Analyses of passenger and freight needs, demand studies and choice of system.

New Railways:

Design of track, tunnels, bridges and stations; selection of local contractors; detailed design and equipment

specification; procurement of materials and equipment from appropriate suppliers in any country; supervision of construction, commissioning, training and operational management.

Modernisation:

Specification and installation of new equipment and technologies, such as electrification, advanced rolling stock, station and handling facilities development, improved track materials and maintenance procedures.

Advanced Technologies:

The benefit of proven scientific and technical developments in

areas of research such as track technology, traction systems, signalling systems, electrification and rail vehicle dynamics.

Passenger Traffic:

Introduction of high-speed inter-city travel, mass transit systems including metro-type rolling stock, low-cost rural railways and interchange facilities.

Freight Traffic:

Utilisation of specialised rolling stock, high utilisation operations, modern terminals and handling systems.



Operations:

The introduction and use of advanced operational systems and signalling, centralised traffic control and safety procedures.

Britain's railway expertise

Britain gave birth to railways in the modern form and British Railways has a history of 150 years of development, innovation and experience in the design, construction, operation and maintenance of a railway system unequalled anywhere else in the world.

In 1982 freight traffic amounted to 143 million tonnes which travelled an average haul of 70 miles to produce a total annual net tonne mileage figure of 10 billion.

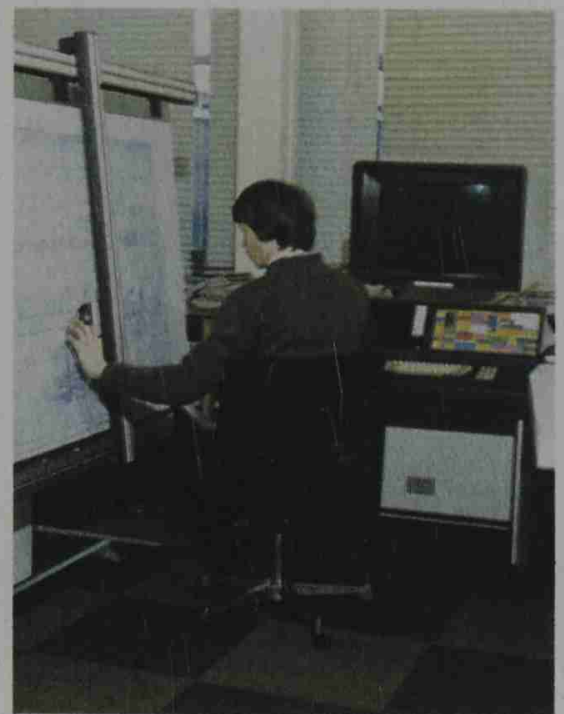
The movement of large volume of passenger and freight traffic requires managers and engineers of the very highest calibre. It also needs a high level of expenditure on maintenance and the continuing provision of the latest equipment so as to improve the service and replace out-of-date and worn assets. In 1982 expenditure on new stations, track, structures, signalling and rolling stock reached almost £150 million.

During the past fifteen years, engineers from British Rail have undertaken projects world-wide through Transmark, British Rail's wholly owned consultancy subsidiary.

Contracts have varied from the choice of alignment and design of new railways through to the rehabilitation and complete modernisation of existing railway systems.



Freight handling at Felixstowe, U.K.



Davy British Rail computer-aided design facilities.





Major road improvements in the U.K. Carried out without interference to rail traffic.

Britain's Inter-City 125 high-speed train





Rail Changing Machine in action, substituting long welded rails for jointed track.

The fastest train in the Southern Hemisphere, designed for Australian conditions by British Rail.



THE MALAYSIAN PROJECT

The existing main line from Singapore to Butterworth is meter gauge and is restricted in capacity by the need to rehabilitate and modernise. Whilst the ruling gradient is

an acceptable 1.25% there are some tight curves and the modernisation plan presents the opportunity to upgrade the line, ease the curves and move towards electrification

and change of gauge. Improvement, electrification and possible change of gauge of the existing railway would provide opportunity of compatibility, within a given



timescale, with the planned modern railway from Kuala Lumpur to Kuantan and Kuala Terengganu.

The problems of the

rehabilitation of track and the associated signalling and telecommunications are well within the capability of the British Group. An important feature of the services offered

by the Group is the ability to supply operations experts from British Rail, who have experience in planning rail services during track rehabilitation and who would



be able to assist their Malaysian counterparts in the task of minimising traffic disruption during the reconstruction phase.

Whilst the design and construction of the proposed line to run East/West would be a separate part of the overall project there would eventually be a need to integrate it with the existing railway. The Group has particular expertise in the solution of those problems of interface and would ensure a smooth transition from a

project to a part of an ongoing efficient railway system. The secret of this transition is to have given considerable thought to the harmonisation of each discipline at an early stage, and by working closely with Malayan Railways. It would be essential for the Group's project team to involve MRA railway men both to provide local detailed

knowledge and also to participate in technology transfer which would be of great benefit to MRA.

Having the full support of British Railways means that the Group can offer services beyond those normally associated with contracting organisations. Follow-up expertise in operations, maintenance planning and procedures, and training which are vital in the commissioning phase of any railway modernisation project are all part of the overall package supplied by MBRG.



WORKING WITH MBRG

The Malaysian British Rail Group philosophy is based on an in-depth understanding of the objectives and requirements of the project, followed by the early establishment of good personal working relationships between Malaysian project engineers and MBRG project personnel.

The constituent parts of the British Group come together into a cohesive and properly managed project team with wide experience of major projects. Over the years methods have evolved for co-opting the best resources from various sources — group Companies, sub-contractors and joint venture partners — and bringing them together into effective teams for such projects.

Successful completion of a project, in minimum time and at minimum cost, is dependent on the effective management of resources: principally manpower, equipment, materials and capital. We will use an integrated project management approach in which total responsibility is assigned to one highly competent and experienced Project Manager of senior rank. The Project

Manager, with the participation of staff assigned to the Project and forming the Project Management Team, plans, directs, co-ordinates and controls every phase of project execution in accordance with appropriate standard company procedure. This ensures the required degree of control of costs, quality and programme. The control procedures can be modified or supplemented to suit the specific needs of the Client and or the Project.

The Project Manager is normally assigned for the duration of the project. Client contacts are through this one individual, on all matters relative to the project execution, and he has complete responsibility to fulfil the scope of work defined within the contract, within the established budget and within the proposed schedule.

The Group has varied experience of railway design, construction, maintenance and operation world-wide. Its operating staff and specialists in civil, signal and telecommunication, electrical and mechanical engineering have relevant overseas experience, much of it in South East Asia.

The Group's experts include project engineers, design and co-ordination engineers, planners, cost controllers and accounting specialists. In addition various specialists from consultancy organisations or sub-contractors may be assigned into the task force for exceptional ground problems, major bridges or tunnels.

The team would be assembled at one location for the design and procurement phases of the project, forming a cohesive unit. Later as construction proceeded it would split into site construction groups and also liaise with suppliers. The project manager would move with the centre of activity as appropriate.

These project management techniques perfected on major projects around the world ensure that the Government of Malaysia can place any task with the British Group in full confidence that it will proceed smoothly to completion in accordance with planned schedules and budgets.



PROJECT FINANCE

MBRG is headquartered in London, the world's largest international financial centre. Through its international connections, MBRG is in regular contact with export credit organisations, major banks, finance houses and international funding agencies. This expertise in arranging favourable finance terms will be a key element in this project.

Bankers to the consortium are Standard Chartered Merchant Bank Limited, a subsidiary and principal merchant banking arm of The Standard Chartered

Bank Group, which is itself the UK's largest independent international bank with total assets in excess of £28,000 million. In Malaysia the Group is represented through The Chartered Bank which has been established since 1875 and offers a complete range of banking services through a 35 branch network throughout the country. The Chartered Bank has merchant banking representation in Malaysia through its 30% investment in Permata Chartered Merchant Bank Berhad (PCMB) one of the leading merchant banks in Kuala Lumpur.

The financing proposals in support of the Malaysian British Rail Group will be developed and coordinated by the International Project Finance Division of SCMB, supported as required by way of local advice and funding by The Chartered Bank and PCMB. SCMB has an acknowledged experience in the capital project financing sphere, both as advisors on and arrangers of finance, and has a reputation for innovation in this area.

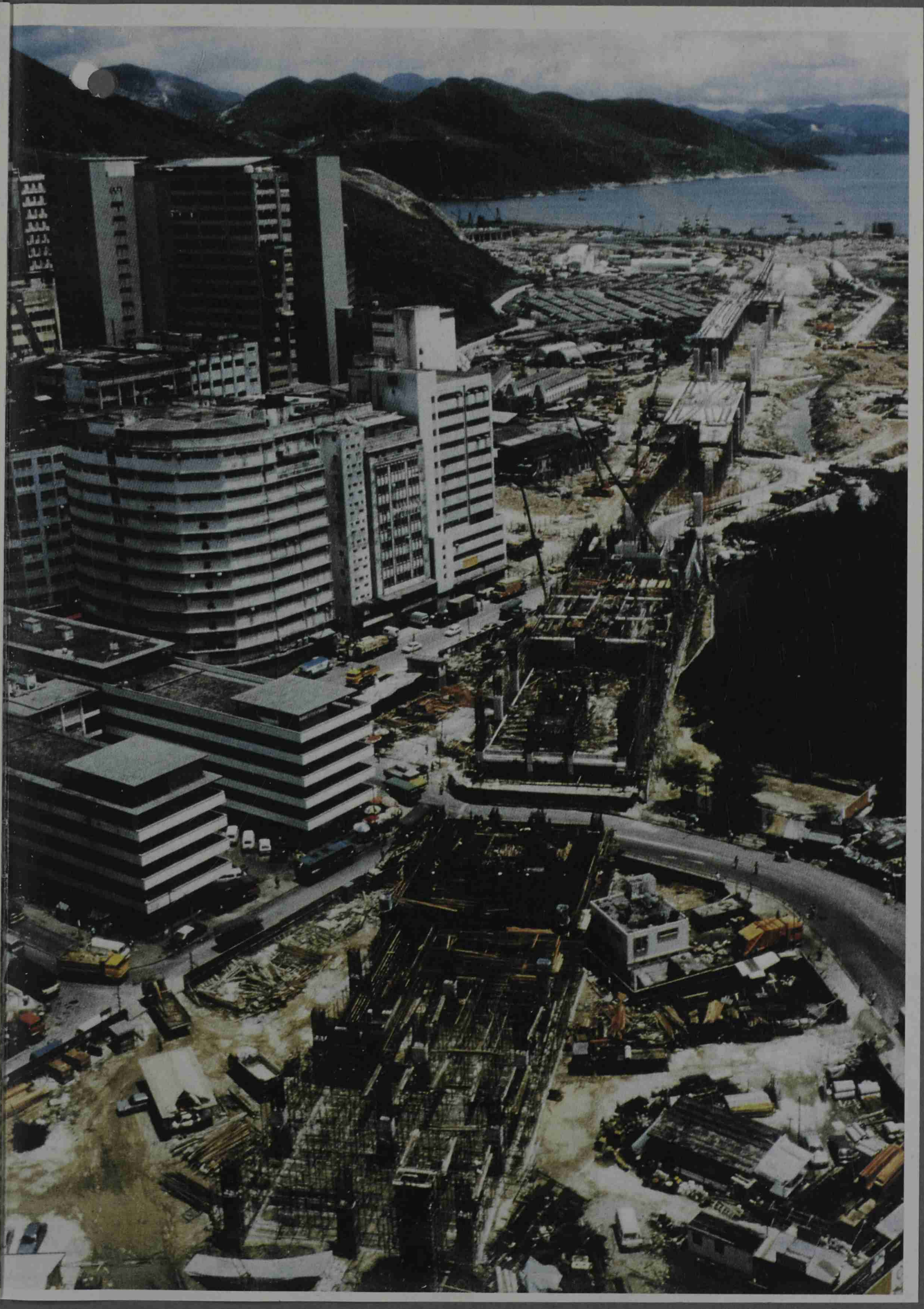
It is SCMB's experience that, whilst pure export financing may be appropriate for comparatively simple contracts for the supply of goods, in the case of major capital projects, a variety of financing arrangements may be required. SCMB has recent practical experience and a successful track record in tailoring all the required elements into attractive and effective packages for major projects in a number of countries.

In Malaysia, SCMB has actively supported a number of UK companies and consortia bidding for major projects. The experience gained in recent years, together with the contract established with relevant Malaysian Government officials, will be invaluable in ensuring that the proposals of the Malaysian British Rail Group are supported by a comprehensive project financing package tailored to the requirements of the Malaysian authorities.

Construction of the Chai Wan overhead station and related viaducts for The Mass Transit Railway Corporation, Hong Kong, financed within a supporting Hong Kong dollar financing framework arranged by Standard Chartered Merchant Bank in conjunction with The Chartered Bank.



Headquarters of The Chartered Bank in Malaysia .





MALAYSIAN BRITISH RAIL GROUP

Room 1704 & 1706, Wisma Lim Foo Yong,
P.O. Box 12556, Kuala Lumpur, Malaysia.
Telephone: 428644 Telex: Teamco MA 30975.

Western House, Western Avenue, London, W5 1EU, England
Telephone: 01-997 6641 Telex: 23502.

250 Euston Road, London, NW1 2PG, England
Telephone: 01-380 4886 Telex: 22527.

20

From the High Commissioner



*High Commission of the Democratic
Socialist Republic of Sri Lanka
13, Hyde Park Gardens,
London W2 2LU*

28 March 1985

Dear Mr Powell,

I have the honour to forward herewith a letter from the Hon. E. L. Senanayake, Speaker of the Parliament of Sri Lanka and shall appreciate very much if it is placed before the Rt. Hon. Margaret Thatcher, Prime Minister.

A copy of the letter is attached herewith for your information.

Thanking you,

Yours Sincerely

C. MONERAWELA.

Mr. Charles Powell
Private Secretary to the Prime Minister
10 Downing Street
London SW1.



Parliament of Sri Lanka - Sri Jayewardenepura Kotte



Mr. Speaker

22nd March 1985.

The Rt. Hon. Margaret Thatcher, FRS, MP.
Prime Minister of the United Kingdom of
Great Britain & Northern Ireland.

Dear Prime Minister,

It is my sincere pleasure to send you warmest greetings on the occasion of your forthcoming visit to Sri Lanka.

I have the great privilege of extending to you an invitation on behalf of the Parliament of the Democratic Socialist Republic of Sri Lanka to honour us with your presence at the Sittings of Parliament on the 13th of April 1985 at 9.00 a.m. It will also give us great pleasure if you will address the Members of Parliament on this occasion.

Your visit to Sri Lanka will be a significant event in the history of our country and it will help to further strengthen the firm bonds of friendship and solidarity that exist between our two countries.

Please accept the assurances of my highest consideration.

With my best regards,

Yours sincerely,

E. L. Senanayake
SPEAKER

Sir Arnold Hall F.R.S., F.Eng.

Chairman

Hawker Siddeley Group PLC

18 St. James's Square,

London, SW1Y 4LJ

Tel: 01-930 6177

28th March, 1985.

R29

The Rt. Hon. Margaret Thatcher, F.R.S.,
Prime Minister,
10 Downing Street,
London. SW1

Dear Prime Minister.

/pps

Thank you for your letter dated 19th March about Indonesia. I have passed a brief to the Department of Trade and Industry on that situation, as well as on another major project there in which we are interested. A copy of the note on this is attached.

Having in mind that, as I understand it, you are visiting Malaysia and Singapore, I am also attaching a note on a major railway locomotive project in Malaysia, about which I hear that it is possible that you may be asked. As you will see, the problem is one that has become almost usual - our price is lower than the Japanese competition, but the Japanese Government are offering finance terms which are sufficiently easier than the British to more than offset our competitive price advantage.

I also enclose a brief note on the Singapore Metro, about which I am sure you will hear while there.

Yours sincerely,



A.A. HALL.

Encs.

THE JAMBU AYE PROJECT, INDONESIA

Jambu Aye is a multi-purpose hydro electric irrigation and water supply scheme in Northern Sumatra.

Hawker Siddeley, Tarmac and a small group of U.K. consultants led by Rendel, Palmer & Tritton formed an association to promote the scheme in conjunction with HMG.

OPF support was granted for the feasibility study which was generally to be conducted by the consultants with financial and technical support from Hawker Siddeley and Tarmac.

The first phase of the study was completed in January 1984 and has been enthusiastically received by the Indonesian authorities. The final phase of the study is now near completion and will be ready for presentation in Indonesia in early April 1985.

Hawker Siddeley involvement comprises the turnkey provision of 160MW of hydro generation plant in four units together with associated gates, valves, switchgear, transformers and control equipment. In addition, there is 130km of 150KV transmission line and two or more 150KV sub-stations and a number of pumping stations. Total value of the Hawker Siddeley part of the scheme amounts to about £70m.

The total value of the project is about £328m of which the U.K. element would be approximately £185m.

MALAYAN RAILWAYS

25 MAIN LINE LOCOMOTIVES

1. Technical Evaluation

4 contenders identified - see below.

2. Bid Price Comparison

1) Hawker Siddeley (Brush)	54,513,138 M\$
2) Mitsui/Toshiba (Japan)	60,206,335 M\$
3) Mitsubishi/Hitachi (Japan)	61,300,115 M\$
4) Alsthom (France)	63,147,027 M\$

British offer is : 11% cheaper than Japan
 16% cheaper than France

3. Finance Terms

Japan : 100% finance at 4.5% interest over
 25 years with 7 years grace period.

France : 100% finance consisting of 37% over
 30 years at 2.5% interest plus 63%
 credit at 10.7% interest over 10 years.

U.K. : 100% finance consisting of 25% grant aid
 plus 75% credit at 10.7% interest over
 10 years.

4. Net Present Value

Relating the above bid prices and credit terms, the net present values of the offers to the Malaysians are :

Japan :	31,497,000 M\$
U.K. :	35,588,000 M\$
France :	41,655,000 M\$

In order to match the Japanese finance terms, the British Government would be required to provide grant aid worth 41% of the contract value.

SINGAPORE MASS TRANSIT CORPORATION

In January 1984, Hawker Siddeley through its subsidiary Westinghouse Brake & Signal Co., was awarded the £42m contract for the signalling and automatic train operation for Phases I, IA and II covering 40 stations. The contract also covers automatic Platform Edge Screen Doors. Under a separate £5.4m contract, the company is also supplying the braking system for the Japanese built coaches. An extension to the Singapore Mass Transit Corporation system (Phase III) is under consideration by the Corporation.



CAP Group

233 High Holborn
London WC1V 7DJ

Telephone 01 831 6144
Telex 267152
Telecopier 01-242 5968

AAB/BAR

28 March 1985

The Rt Hon Mrs Margaret Thatcher MP
The Prime Minister
10 Downing Street
London SW1

Ru

Dear Prime Minister

On the occasion of your visit to Singapore I would like to draw your attention to the successful establishment of CAP in that country.

We have focussed upon and won some substantial orders in the Financial Services markets which are growing very rapidly in Singapore. We have brought to Singapore, CAP's experience and technology and we now employ 20 local staff who are being trained in both London and Singapore.

Amongst our most recent successes, which total over US\$5 million of exports, is the securing of a contract to build Singapore's Electronic Funds Transfer Point of Sale (EFTPOS) network for the banking industry. In this we were also instrumental in obtaining a sizeable export order for Fortronics in Scotland.

CAP expects Singapore to be its regional base for further export success and we are well know to the Singapore Government's National Computer Board in matters of technical training and co-operation.

I hope this information may prove useful to you, and I wish you a pleasant and successful trip.

Kind regards.

Yours sincerely

ALAN BENJAMIN
DIRECTOR

COVERING CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

28 March 1985

CB

Dear Charles,

Prime Minister's Visit to South East Asia: Speeches

In your letter of 25 March you requested that some additional points should be incorporated in the Malaysian/British Society Banquet speech.

/ I enclose a revised draft which includes suggestions made by our High Commission.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

COVERING CONFIDENTIAL



THORN EMI

THORN EMI House,
Upper Saint Martin's Lane,
London WC2H 9ED
telephone 01-836 2444
telex Thorn London 24184/5

27th March 1985

Charles Powell Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1

*Pl. copy to
FCO & Mr Benjamin,
DTI
Re-submit with
SE Asia briefing
CDID.*

Dear Mr Powell,

You kindly agreed in our telephone conversation this morning to include in the Prime Minister's papers a note on the bid by one of our companies for the contract to supply a computerised Police and Fire/Ambulance system (COP/SAFEST) to the Singapore Government.

I know that the Prime Minister's time in Singapore is very short, but any support that she could give to this British bid, which has already involved Software Sciences in considerable effort and expense and is very important to our future Technology business in South East Asia, would be greatly appreciated. The Ministry of Home Affairs, as the user, is primarily responsible for the project; supported by the National Computer Board.

*Yours sincerely,
Derek Empson*

Admiral Sir Derek Empson

COMPUTERISED POLICE AND FIRE/AMBULANCE SYSTEM FOR SINGAPORE

Software Sciences Limited, a THORN EMI Company, has been negotiating with the Singapore National Computer Board for some 2½ years in a bid for the contract to supply a Computerised system similar to that in successful operation on Merseyside. Negotiations have been complicated by frequent changes to the specifications, but a revised tender is being submitted by 8th April, with presentations following on 16th April in Singapore.

This determined bid by a British Company using British-made equipment, is worth 12 million Singapore dollars, and if the contract can be won it would in all probability lead to similar orders in other ASEAN countries. From the Singapore point of view, it would provide an ideal vehicle for the transfer of technology to their people by which they set such store, and would encourage Software Sciences to invest in Singapore.

28 MAR 1985



Parliamentary Human Rights Group



From Lord Avebury

12
MR POWELL
1985 March 27

Dear Prime Minister,

Members of the Parliamentary Human Rights Group have noted with great concern, over the years, the human rights abuses committed by the Indonesian Government. We therefore hope that during your forthcoming visit to Indonesia you will include these matters on the agenda for your discussions with Indonesian leaders. I set out below the matters which we consider to be particularly acute, with suggestions from requests that could be made to the Indonesian Government:

East Timor

We are aware that the British Government continues to regard Indonesia's annexation of East Timor as unlawful. Likewise the people of East Timor continue to resist annexation and are still subject to atrocities and repression at the hands of the Indonesian occupying forces. Amnesty International recently made a detailed submission on this to the UN Human Rights Commission, a copy of which is enclosed.

In a recent private letter, the leader of the Catholic church, Mgr Carlos Filipe Ximenes Belo, Apostolic Administration of Dili, set out his views on the need for support from foreign governments to bring about an end to the use of armed force in East Timor and to ensure respect for the right of his people to self-determination. Although the letter concerns the French Government, the hopes expressed are addressed to all governments of western Europe. This is an appeal to which we believe the British Government must respond in view of its past and present policy on similar principles concerning other territories. Mgr Belo also recently drew attention to a massacre perpetrated by the Indonesian Armed Forces at the start of the military offensive launched in August 1983.

A group of foreign journalists who visited East Timor last month were not allowed to visit places freely in order to make an independent assessment of conditions.

On the consultations now under way, under UN auspices, regarding

the future of East Timor, I respectfully urge you to reconsider the government's view that consultations involving only Indonesia and Portugal can ensure that the people of East Timor will be given an opportunity to determine their own future, unaffected by outside pressures. Unless other powers take a hand, the people of East Timor will have no say in demanding their own political destiny.

The International Red Cross is still prevented from enjoying the necessary facilities to carry out a much-needed relief programme in mainland East Timor.

May we ask you therefore:

1. To request the Indonesian Government to permit the ICRC to resume its relief programme in East Timor.

1. To permit free and unfettered access to journalists and independent observers in East Timor.

3. To ask the Indonesian Government to accept the necessity of representatives of the East Timor people being directly involved in the consultations on their country's future, in accordance with the principle of self-determination, laid down in the United Nations Covenant on Civil and Political Rights.

Irian Jaya (West Papua)

Human rights violations and military operations by the Indonesian Armed Forces have resulted in some 12,000 Papuans who live in the border area fleeing across the border into Papua New Guinea. Visitors to the refugee camps in the past few months have confirmed that the vast majority of refugees will not contemplate returning home while Indonesian rule and its attendant abuses continue.

Many people are being held in detention on political charges. Moreover, the Indonesian Government has still failed to give a satisfactory account of the circumstances leading to the death of Mr Arnold Ap who was shot dead by members of the Kopassandha regiment.

The Indonesian Government's policy of transmigration which plans to re-settle 137,000 families from Java in Irian Jaya by the end of the current Five-Year Plan is causing a great deal of hardship and anxiety for the local inhabitants for many reasons, particularly because their ancestral land rights are not being respected.

May we therefore ask you:

1. To press the Indonesian Government to allow an independent inquiry to take place into the circumstances of the death of Arnold Ap;

2. To ask the Indonesian Government to reconsider its programme of transmigration, taking account of the legitimate needs and rights of the local inhabitants.

Violations in Indonesia

General Benny Murdani, Commander-in-Chief of the Indonesian Armed Forces, admitted on 13 September last year that 9 people were shot dead when troops fired on a demonstration in Tanjung Priok the day before. Independent accounts of the incident, based on eye-witness reports, put the death toll at over 60 with a very large number of people being injured when troops fired without warning on a crowd calling for the release of four detainees. Much of the evidence contained in these accounts is being confirmed in trials now under way in Jakarta.

There is opposition in Indonesia to the introduction of a new Societies Law which will require all organisations to adopt the State ideology as their sole ideology. The law will also give the Executive powers to disband organisations considered to be anti-government and therefore subversive.

May we therefore ask you:

1. To press for an independent inquiry into the Tanjung Priok incident.
2. To call upon the Indonesian Government to reconsider the terms of the Societies Law now before Parliament.

Yours sincerely,

L. Hacking

The Rt. Hon. Margaret H Thatcher MP
The Prime Minister
10 Downing Street
London SW1

BRIEF BY OVERSEAS ESTATE DEPARTMENT FOR THE VISIT BY THE PUS TO ASIA, ACCOMPANYING THE PRIME MINISTER: APRIL 1985

DIPLOMATIC ESTATE IN KUALA LUMPUR

Offices

1. The High Commission occupies rented offices on the top two floors of the 14 storey Wisma Damansara building, some five miles from the centre of the city. Consular and Immigration Sections are nearer to the centre, at 186-190 Jalan Ampang (which HMG own).

Residence

2. The Residence, "Carcosa", was built in 1896 by Sir Frank Swettenham for himself when he became Resident-General in the Federated Malay States. The house was a gift to Britain from the Malaysian Government at Independence. In recent years there has been mounting political and public pressure in Malaysia for this, the most prestigious house in Kuala Lumpur, to be returned. In October 1983 we agreed with the Malaysian Government that we would exchange "Carcosa" for a three-acre site on which we could build our own High Commission; we did this as a contribution to the restoration of good and productive Anglo-Malaysian relations (though "Carcosa" is now much too large and costly to run). This agreement is part of the planned rationalisation of the diplomatic estate in Kuala Lumpur (see para. 5) which will be achievable with asset recycling with end-year flexibility.

Other Residential Accommodation

3. There are 15 owned units, and 17 post rented properties. Rental costs range from £3,682 (DS9/10) to £16,219 (DS5/6) p.a.

Amenities

4. There is a club house in a cottage in the grounds of "Carcosa", and a representational pool and two tennis courts which the staff may use, but there are no officially provided staff

/amenities.

amenities.

Estate Rationalisation

5. Plans are now well advanced for the rationalisation of the Kuala Lumpur estate. The main components of the plan are as follows. The 11½ acre site at Jalan Ritchie, which includes 7 old staff houses, and the 5½ acre site at 186-190 Jalan Ampang (Consular/Immigration offices, three residential units and a store), will both be sold. The Jalan Ritchie site is now on the market. Receipts from both will provide money to be spent over several years on:

- (i) providing a new Residence;
- (ii) providing accommodation for staff leaving the Jalan Ritchie and Jalan Ampang sites;
- (iii) building new High Commission offices, staff amenities and staff flats on the three-acre site (across the road from the present Consular offices and very well placed) received in exchange for "Carcosa".

6. On (i) above, our original plan (put to Dr Mahathir) was to adapt and convert the Deputy High Commissioner's house into a new High Commissioner's Residence. But the projected cost of doing this has risen considerably above our first estimates, and we would still end up with a compromise and not a really long term solution. With the agreement of Mr Gillmore we have now decided on a cheaper and better course: to build a new High Commissioner's Residence on the site of the present (inadequate) Defence Attache's house (on Langgak Golf). We shall probably run a limited design competition among selected private architects. The site is rather tight, but will nonetheless allow a good, modern, purpose-built Residence in the right part of town which will meet our long term needs. Our new plan has been endorsed by the Chief Secretary to the Malaysian Government, who will mention it to Dr Mahathir. We hope it may be possible for the High Commissioner and/or his successor to stay in "Carcosa" until the new house is built, but

/it would

it would be best if the Malaysians offered this rather than we sought it - please see attached papers:

- (i) a round-up telegram from Kuala Lumpur sent by the Head of OED during his recent visit;
- (ii) later relevant telegrams; and
- (iii) the draft brief by OED on Malaysia submitted to No. 10 for the Prime Minister.

7. If end-year flexibility is permitted, remaining receipts should provide the pump-priming funds needed to purchase or build accommodation elsewhere in the overseas estate, and to enable us to realise, over time, some other assets with redevelopment potential, thus financing further rationalisation and permitting reductions in running costs. But it is most important not to let any Malaysians think that we might be taking "profits" out of the Kuala Lumpur exercise or, worse, taking money out of Malaysia.

Overseas Estate Department

27 March 1985



Foreign and Commonwealth Office

London SW1A 2AH

27 March 1985

A handwritten signature in blue ink, appearing to be 'CB' or 'Colin Budd'.

Dear Charles,

Prime Minister's Visit to South East Asia: Speeches, Indonesia

/ Thank you for your letter of 25 March. I enclose a revised text of the Prime Minister's Bandung Speech which now contains more local colour and less on technology. Mr Donald in Jakarta has warned that we risk disappointing Dr Habibie if we dilute the technological content too much. The revised draft seeks to strike a balance which avoids this danger.

Mr Donald has made two suggestions about the Prime Minister's Indonesian Banquet Speech, of which he has seen a recent draft:

- (a) that no reference be made to the precise sum we pledged in 1984 to the International Governmental Group on Indonesia, as it compares unfavourably with that of other European as well as Japanese and American contributions and would thus gain us no credit;
- (b) that it would sound odd to the Indonesians to refer to Borobodur and the Rafflesia bloom in stark juxtaposition. He has proposed the following alternative wording: "Your rich cultural and historical traditions, your marvellous ancient monuments, of which Borobodur is the most famous, and your immensely varied geography, fauna and flora - all these and so much else were revelations".

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

FM JAKARTA 270606Z MAR 85

TO IMMEDIATE FCO

TEL NO 143 OF 27 MARCH.

YOUR TEL NO 100 : PM'S VISIT : BANDUNG SPEECH

1. BANDUNG IS KNOWN LOCALLY AS KOTA KEMBANG (WHICH MEANS CITY OF FLOWERS, PRESUMABLY BECAUSE THE HIGHER ALTITUDE ENABLES A WIDE VARIETY OF FLOWERS TO BE GROWN). THE PRIME MINISTER MIGHT WISH TO MAKE SOME SUITABLE REFERENCE TO THIS IN HER OPENING SENTENCE.

2. ANOTHER POSSIBLE ALLUSION COULD BE MADE TO THE CHARACTER IN THE WAYANG CALLED GATOT KACA (PRONOUNCED LIKE THE FRENCH "GATEAU" THEN CARACH'A).

HE WAS THE NEPHEW OF ARJUNA AND REPRESENTS THE SPIRIT OF INTELLECT AND ENQUIRY. THE LEGEND WAS THAT THOUGH HE COULD NOT FLY WHEN HE WAS BORN, HE SUCCEEDED IN GAINING THE GIFT OF FLIGHT. I THINK DR HABIBIE NAMED ONE OF HIS PROTOTYPE AIRCRAFT GATOT KACA AFTER THIS CHARACTER. I AM INVESTIGATING FURTHER ALONG THIS LINE OF THINKING (ON THE ANALOGY OF THE DEVELOPMENT OF A CHILD'S MIND INTO INTELLECTUAL FLIGHTS AS MATURITY DEVELOPS) AND WILL TRY AND GET A FORM OF WORDS TO YOU SOONEST.

3. THE REAL DANGER ABOUT TRYING TO ADAPT OR USE PROVERBS HERE IS THAT SO MANY OF THEM ARE EITHER IN THE JAVANESE DIALECT OR COME FROM MINANKABAU IN CENTRAL SUMATRA. THERE IS THUS ALWAYS A RISK OF GIVING OFFENCE TO THOSE FROM WHOSE CULTURAL BACKGROUND THEY DO NOT SPRING. FOR EXAMPLE, WHEN IN 1982 AT A DINNER IN HIS HONOUR HERE LORD CARRINGTON SUGGESTED BY WAY OF COMPARISON THAT THE BRITISH WERE "THE JAVANESE OF EUROPE", THIS DID CAUSE OFFENCE, PARTICULARLY AS HIS HOST, DR MOCHTAR, IS A SUNDANESE AND THERE WERE MANY NON-JAVANESE PRESENT IN THE AUDIENCE. THIS WILL APPLY IN BANDUNG: HABIBIE FOR EXAMPLE WAS BORN IN SULAWESI.

WE ARE PURSUING ENQUIRIES WITH TEACHERS, WORKS OF REFERENCE ETC, AS FAST AS WE CAN, AND IF WE CAN FIND A WAY THROUGH THIS CULTURAL MINEFIELD WE WILL LET YOU KNOW.

DONALD

LIMITED
SEAD
PLANNING STAFF
RES D
PS
PS/PUS
MR WILSON

COPIES TO:-
PS NO 10 DOWNING ST.

CONFIDENTIAL

OW

Chares

Please of this forward
with brief for PM's visit
AL

26th March 1985

This is just a note to acknowledge your letter of 19th March, together with its enclosures. I am most grateful for this, and will of course ensure that this is brought to the Prime Minister's attention.

MICHAEL ALISON

The Rt Hon Sir Bernard Braine DL MP

CAF - to remind.

020
Ref. A085/897

MR POWELL ✓

Yes
CD 26/3.

← has occurred 26/3/85. H/A

Prime Minister's Briefing Meeting for
Far East Visit: 4.00 pm Wednesday 3 April

The following Ministers and officials have been invited to attend the Prime Minister's briefing meeting.

The Foreign and Commonwealth Secretary
The Secretary of State for Transport
The Minister of State, Department of Trade and Industry,
Mr Channon
The Minister for Overseas Development, Mr Raison
Sir Antony Acland, Foreign and Commonwealth Office
Mr D C Wilson, Foreign and Commonwealth Office
Mr C B Benjamin, Department of Trade and Industry
Mr J M M Vereker, Overseas Development Administration
[Mr D Holmes, Department of Transport]

Mr Ridley has asked if he may be accompanied by Mr D Holmes.
Could you please let me know if you would be content with this?



ROSALIND MULLIGAN

26 March 1985

PRIME MINISTER

FAR EAST SPEECHES

Weekend
work

For tomorrow's session, I suggest that we look again at the following:

- (1) Institute of Public Administration

I have now cleared this through Whitehall Departments.

- (2) British Business Association, Singapore

This, too, has now been cleared through Whitehall.

- (3) State Banquet in Indonesia

I have had a go at re-writing this.

- (4) Speech at Victoria Dam

Again, I have re-written this following our last discussion. It is shorter. But I have added some specific references to the companies involved. DTI - and the companies themselves - are very keen on this.

- (5) Singapore Banquet Speech

This is amended to incorporate your comments on the earlier version.

C.D.P.

26 March 1985



DEPARTMENT OF TRADE
PROJECTS AND EXPORTS POLICY
DIVISION

1 Victoria Street
London SW1H 0ET

Telex: 8811074/5DTHQG

Telephone Direct Line:
01-215

Switchboard: 01-215 7877

CV

With the Compliments of

C B BENJAMIN

The attached is in amplification
of the copy telex sent over to
you yesterday.

CS 344



PM'S VISIT TO KEDAH

We have no knowledge of any other projects within PEP and PT2 apart from the Biwater Rural Water Supply Schemes. The position here is that of the 49 schemes approved to date by the Malaysians 7 are in Kedah.

Balfour Beatty are also hoping to gain other contacts in Kedah through their joint venture.

Post have advised on other projects in the attached telex (OTTER 50), and we have requested them to provide Mr Benjamin with an update on arrival.

PEP/DTI
26 March 1985

10/2



DEPARTMENT OF TRADE
PROJECTS AND EXPORTS POLICY
DIVISION

1 Victoria Street
London SW1H 0ET

Telex: 8811074/5DTHQG

Telephone Direct Line:

01-215

Switchboard: 01-215 7877

Alan Powell

With the Compliments of

C. B. BENJAMIN

CS 344

85-03-26 07:49

8811074DTHG A B

BOT 2/26

LKN 745/26

NRK 376/26

DD DTI 260900Z

GRS 130

UNCLASSIFIED

FM KUALA LUMPUR 260730Z MAR 85

TO IMMEDIATE DESKBY DTI

TELEGRAM NUMBER OTTER 50 OF 26 MARCH

YOUR TELNO OTTER 59: PM'S VISIT TO KEDAH

1. SIR M McDONALD AND PARTNERS LTD IN ASSOCIATION WITH WATSON HAWKSLEY AND WATER RESEARCH CENTRE HOPE TO SECURE (IN NEXT WEEK OR SO) CONTRACT TO UNDERTAKE ADB FUNDED 'ALOR SETAR WATER LEAKAGE CONTROL PROJECT'. VALUE APPROX. £300,000.

2. WE EXPECT UK FIRMS TO PREQUALIFY FOR ADB FUNDED SUNGAI PETANI WATER SUPPLY SCHEME (MS 55.5M) BUT NO DETAILS AVAILABLE. PREQUALIFICATION DATE 2 APRIL.

3. JITRA PROJECT ASSOCIATION (A JOINT VENTURE BETWEEN TRAVERS MORGAN INTERNATIONAL AND LOCAL PARTNER) ARE JUST COMPLETING SITE SUPERVISION CONTRACT ON CONSTRUCTION OF 24 KM SECTION OF NORTH-SOUTH HIGHWAY FROM JITRA TO BUKIT KAYU HITAM (ON THAI BORDER). PROJECT COMMENCED MARCH 1981. HIGHWAY OPENED TO TRAFFIC AUGUST 1984. TRAVERS MORGAN NOW IN MAINTENANCE PERIOD (UNTIL AUGUST 1985). APPROXIMATE VALUE £700,000.

GILLMORE

MANN

8811074DTHG A B

Master cc subject on
Foreign Policy: Visit to
South East Asia 12/84.



JP
bc PC

10 DOWNING STREET

From the Private Secretary

26 March 1985

Dear Colin,

CIVIL AVIATION: MALAYSIA AND SINGAPORE

The Prime Minister held a meeting this evening with the Secretary of State for Transport, Mr. Channon and Mr. Renton to discuss possible solutions to outstanding air services problems with Malaysia and Singapore, in the light of her forthcoming visit to these countries. Mr. Roberts (Department of Trade and Industry), Dr. Wilson (Foreign and Commonwealth Office) and Mr. Stevens (Department of Transport) were also present.

Malaysia

It was agreed that an effort should be made to find the basis for a settlement of the problems with Malaysia in advance of the Prime Minister's visit, making it possible for an agreement to be concluded during her talks with Dr. Mahathir.

Instructions should therefore be sent to our High Commissioner in Kuala Lumpur to approach Dr. Mahathir with the following proposition, making clear that he is speaking on the direct instructions of the Prime Minister.

The Prime Minister is particularly keen that her visit to Malaysia should be a success, to match that by Dr. Mahathir to the United Kingdom in 1983. She does not wish the current problems over air services to cast a shadow over it. She is therefore ready to try to reach an agreement in advance of her visit, which she and Dr. Mahathir could ratify or finalise during it. The agreement which she proposes has two main elements. Malaysia should end its discrimination in favour of passengers travelling by MAS services. This is a clear breach of the fair and equal opportunity principle, and makes it impossible for us to negotiate on the fifth frequency sought by MAS. If Dr. Mahathir is ready to give a clear commitment to rapid removal of the discriminatory tax measure, we should be ready to grant MAS the fifth frequency. Precise details and timing will have to be worked out by officials. The High

Commissioner can go on to suggest that the fifth frequency would be introduced from 1987. But he has discretion to fall back on 1986 if it is clear that this would clinch agreement (but not if it is patently only a step by the Malaysians towards securing further concessions during the Prime Minister's visit).

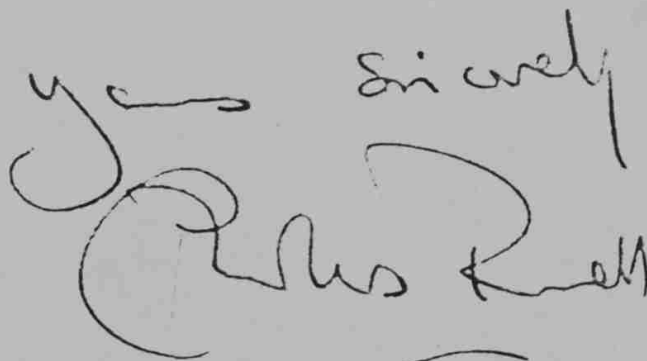
In the course of the discussion with Dr. Mahathir and leaving the clear impression that the matters are linked in the Prime Minister's mind, the High Commissioner should make the further point that the Prime Minister very much hopes that it will be possible to announce the conclusion of at least one very substantial contract for a British firm during her visit. (Clearly the Taylor Woodrow bid for the railway project would be the best.)

If Dr. Mahathir resists a settlement on the lines suggested and shows no serious inclination to seek agreement during the Prime Minister's visit, the High Commissioner should make clear that we shall not simply be able to let the matter rest there. We shall have to consider further steps, which might include a call for consultations under the Air Services Agreement on the effect of the discriminatory tax; or a decision to give notice of our intention to terminate the Agreement.

Singapore

It was acknowledged that the situation with regard to Singapore was different. There was no intention on the part of the Singapore Government to make this a major issue during the Prime Minister's visit. The Prime Minister should be able to tell Mr. Lee Kuan Yew that we would be ready to negotiate to reach an agreement on Singapore Airlines' request for additional services into Manchester but would ourselves be seeking additional concessions in return, including access for British Airways to additional points beyond Singapore and dual designation for British Caledonian. The department would provide a precise form of words for the Prime Minister's brief.

I am copying this letter to Richard Allan (Department of Transport), Steve Nicklen (Department of Trade and Industry) and Alistair Harrison (Foreign and Commonwealth Office).

Yours sincerely


(C. D. POWELL)



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

C D Powell Esq
10 Downing Street
London SW1

26 March 1985

CDP 26/3

Dear Charles

PRIME MINISTER'S VISIT TO SOUTH EAST ASIA

Thank you for your letter of 22nd March. I attach a number of comments by Treasury officials on each of the draft speeches.

I am copying this letter and enclosures to Callum McCarthy (DTI) and Peter Ricketts (FCO).

*Yours ever
Rachel*

RACHEL LOMAX

P10A

SINGAPORE: BRITISH BUSINESS ASSOCIATION

- Page 5** Collapse the last two paragraphs by replacing "longer than any recovery since 1945" by "and (the Chancellor feels that statements like this - whilst correct - tend to be misunderstood). Remove "and" from the third line up to start the last sentence with "Britain".
- Page 8** Amend 25 per cent in the following line to 22 per cent.
- Page 9** Replace "nearly" one line from the bottom by "more than".

MALAYSIA: INSTITUTE OF PUBLIC ADMINISTRATION

- Page 9** Delete last line (the proportion of investment in GDP actually increased). How about "too much consumption, too little investment"?
- Page 10** Depending on the definition used, the average inflation rate in the period 1973-79 would probably be better quoted as 10 per cent.
- Page 12** The reference to public spending in the "first" point looks rather out of place. It is well covered in the third point. Replace by:
- "In Britain between 1970 and 1980 attempts to maintain demand in the face of inflationary pressures simply produced even larger increases in inflation and very little growth; they did not stop unemployment rising rapidly."
- Page 16** The fifth point uses the phrase "living off borrowed time and borrowed money" which the Chancellor attributed in his Budget speech to Paul Volcker's comments about the US. An alternative expression would be preferable here.
- Page 17** In the last complete paragraph, delete from "indeed allowed...". They are still rising in the UK and social security is only one factor in the rise in real incomes.
- Page 32** With the dollar a little less buoyant, we now need to moderate remarks about the US and the dollar. Perhaps delete "persistent" in the fourth sentence of the second paragraph.
- Page 33** First complete sentence. Insert "had" after "have"; replace "are channelled" by "have been channelled"; replace "a sharp fall" by "further sharp falls".

CONFIDENTIAL

PRIME MINISTER

CIVIL AVIATION: MALAYSIA AND SINGAPORE

The meeting is to consider how we can make a drive to settle the civil aviation dispute with Malaysia and Singapore before your visit. It will be attended by Mr Ridley, Mr Channon and Mr Renton each with one official.

You have seen Mr Ridley's minute (A), the Foreign Secretary has now also minuted (B), and there is a note recording Ian Sproate's views (C).

The Malaysian and Singapore cases are different. In the Malaysian case there is a substantial risk to our other commercial interests if the dispute is not settled: the Malaysians are quite likely to act irrationally and increase the pressure: but the shape of a possible deal is fairly clear. In the Singapore case, there are important domestic political considerations in relation to our airports policy: time is needed for further detailed negotiations: and there seems no immediate risk of retaliation against British trade interests. The first point on which agreement might be sought is whether it makes sense to go all out to settle the Malaysian dispute while taking the Singapore one in rather slower time.

On Malaysia, there are two points to consider:

(i) the elements of a possible agreement. It seems clear that the discriminatory tax being imposed by the Malaysians is costing BA a good deal more than would a fifth frequency. The basis of a deal seems therefore to lie in asking Malaysia to lift their discriminatory tax now in return for a firm agreement in principle to a fifth frequency in 1987. In practice we might have to shorten the gap between these two moves and possibly even accepting that they would be simultaneous. You will want to discover how far the Transport Secretary thinks we can travel down this road.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

(ii) How to conduct negotiations. Instructions might be sent to our High Commissioner to approach the Malaysians at a high level now to propose an agreement on the basis set out above, to be clinched during your visit. If they were prepared to accept the basic deal you would have to negotiate the most favourable possible timing for lifting the discriminatory tax and introduction of the fifth frequency. If it is clear that they are not interested in a deal on this basis, there seems little alternative to suggesting the meeting of senior officials to continue negotiations straight after your visit.

As regards Singapore, it seems best to let negotiations take their course at official level. But you might hint to Lee Kuan Yew that an arrangement ^{allowing Singapore Airlines to land at Manchester} should be obtainable provided Singapore can offer some reciprocal benefit to British carriers.

C.D.P.

25 March 1985

CONFIDENTIAL

B

PM/85/22PRIME MINISTERAir Services to South-East Asia

1. I shall not be able to come to your meeting tomorrow on the above subject as I am accompanying The Queen on Her State Visit to Portugal. I have asked Tim Renton to come in my place; you might find it useful to have my comments in advance on Nicholas Ridley's minute of 22 March, particularly on Malaysia.

2. As Nicholas says, we have been trying hard to persuade British Airways to reach an amicable solution with MAS. During direct negotiations between the airlines considerable progress was made, and it looked as if agreement might be reached for MAS to have their fifth service, but starting in 1987. But the Malaysian Finance Ministry's decision on the discriminatory tax point referred to by Nicholas Ridley (about which the governments of the other major airlines serving Malaysia feel equally strongly) makes it impossible for BA to reach a commercial agreement. The British High Commissioner in Kuala Lumpur has accordingly been instructed to raise the matter with the Malaysian Government and to try to persuade them to end this discrimination so that the whole dispute can be settled before your visit. Mr Gillmore may be able to make the point directly to Dr Mahathir himself if the latter agrees to see him: he has asked to see the Minister of Finance as well. We should press ahead vigorously with efforts to settle all this before your visit. But at the same time, we need to plan on the assumption that the problem is not settled before you go.



3. We have accordingly considered whether the High Commissioner should in advance of your visit formally offer a fifth service to begin two years after the removal of the tax measure. Such an offer would have the advantage of presenting our position in a constructive light without yielding the point of principle on the discriminatory Malaysian tax measure. We should not take a final decision on this until we learn the outcome of Mr Gillmore's initial approach. But my view at this stage is that it would be tactically better to keep this offer in reserve for you yourself to make, if necessary, to Dr Mahathir - who wishes, we suspect, to reserve the final steps in a settlement to his personal meeting with you. If this is right, you will need to have a card in your hand.

4. If the issue cannot be settled before you go, we must expect ^{him} to raise it with you in strong terms. But I do not believe that he would wish to see the overall success of the visit jeopardised. We ourselves have on repeated occasions stressed our view to the Malaysians that this issue should not be allowed to spill over and affect our relations generally. The Malaysian Foreign Minister assured me during a conversation with him in Dublin last November that this was no part of Malaysian intentions.

5. If it becomes clear that the issue cannot be resolved during your meeting with Mahatir and that there is a clear risk of this souring the atmosphere for the whole visit, you will need to have a means of defusing the situation. I suggest that in that case, you propose an immediate meeting of senior officials with instructions to take the matter up urgently and resolve it. If the blockage concerns the tax issue, then you might propose that a senior Malaysian Ministry of Finance official join the talks.

CONFIDENTIAL



6. I am copying this minute to Norman Tebbit and to Nicholas Ridley.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office
25 March, 1985

CONFIDENTIAL

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

25 March 1985

Dear Charles,

Air Services Dispute with Malaysia

You asked, in your letter of 12 March, for comments on representations made by Mr Ian Sproat about possible adverse implications for British companies competing for contracts in Malaysia, arising from the airline dispute. Mr Ridley and the Foreign Secretary have now minuted on the question of policy involved.

Mr Sproat is an adviser to both MAS and Taylor Woodrow. There was some evidence late last year that the Malaysian Government was discriminating against British companies as a result of the MAS dispute, and British Steel, for example, lost a large contract for rails which they had expected to win. Lord Taylor, of Taylor Woodrow, told Mr Michael Spicer in November that the Malaysian Minister of Transport had warned that Taylor Woodrow's prospects for a project to modernise Malaysian railways were being jeopardised by the air services dispute.

Dr Mathathir subsequently made a public statement denying that there was a policy of discriminating against British firms; but Malaysian officials have nevertheless continued to threaten British business visitors with penalties for British firms if MAS does not receive its fifth flight. What Mr Sproat says he was told in Kuala Lumpur is consistent with these tactics, but it may be significant that he also mentioned the ending of the tax concession as a possible price the Malaysian Government would pay for the fifth frequency for MAS.

I am copying this letter to Richard Allan at the Department of Transport and to Callum McCarthy at the DTI.

Yours ever,
Peter Ricketts

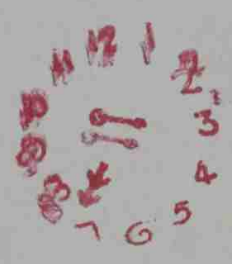
(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

FOR POL: SE ASIA, Dec 84

25 MAR 1965



hi
CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

25 March 1985

Civil Aviation: Malaysia and Singapore

The Prime Minister was grateful for your Secretary of State's minute of 22 March about current problems with Malaysia and Singapore on civil aviation.

The Prime Minister has commented that we must make a drive to settle these problems before she goes to Malaysia and Singapore (which is on 4 April). The Prime Minister would like to discuss this with your Secretary of State as soon as possible and a meeting has been arranged for 1800 hours tomorrow.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office) and to Callum McCarthy (Department of Trade and Industry).

(C.D. Powell)

Richard Allen, Esq.,
Department of Transport

CONFIDENTIAL

h



hwe

SH

cc: DT

10 DOWNING STREET

THE PRIME MINISTER

25 March, 1985

Dear Frank

Thank you for your letter of 19 March about the problems which could arise for Taylor Woodrow's efforts to win railway business in Malaysia if the air services dispute is not resolved soon.

The Government have been giving strong support to the consortium in the initial stages of this project. The feasibility study has been supported by the Department of Trade and Industry and consideration is being given to some aid support for the implementation of the project if the consortium win the contract. We are very much alive to the importance of this business and everything possible is being done to resolve the air services problems which might pose a threat to it.

My visit to Malaysia this time is a little shorter than it was to have been last September. Much as I would have wished to have heard a presentation by your representatives in Kuala Lumpur, I very much doubt whether there will be time in a very tight programme. But I shall, of course, take a special interest in the project in my discussions with Malaysian Ministers.

Yours ever

Raymond

RT

The Lord Taylor of Hadfield



10 DOWNING STREET

From the Private Secretary

25 March 1985

PRIME MINISTER'S VISIT TO S.E. ASIA: SPEECHES

I enclose a draft of the Prime Minister's speech to the Malaysia-British Society Banquet as it presently stands.

The Prime Minister wants to add to it more about personalities and about the achievements of particular companies, perhaps something about the aims of the Malaysian Government for the next few years and above all some human interest stories.

BF I should be grateful if the Department, the High Commission and the Department of Trade and Industry could have another go at this and let me have a revised draft by 3 pm on 28 March.

(Charles Powell)

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

From the Private Secretary

25 March 1985

PRIME MINISTER'S VISIT TO S.E. ASIA: SPEECHES

I enclose a copy of the draft of the Prime Minister's speech at the lunch with Dr. Habibie in Bandung on 11 April.

The Prime Minister wants to shorten considerably the parts on technology and add more about Indonesia. You might like to get out the speeches made during President Soeharto's visit here in, I think, 1979 - particularly his own and The Queen's - and see if there is useful material.

BF I should be grateful for a revised draft by 6 pm on 27 March.

(Charles Powell)

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.



HOUSE OF COMMONS
LONDON SW1A 0AA

With Compliments,

Eldon Griffiths, M.P.
22.3.85.

FROM: Eldon Griffiths, M.P.

CONFIDENTIAL



HOUSE OF COMMONS
LONDON SW1A 0AA

20th March, 1985.

Trade with India

We spoke about this.

One current project that merits your interest and support is that for refurbishment of the Durgapur Steel Plant (DSP) built by a U.K. group with financial support from HMG in the 1950's. This DSP plant needs up-dating. The Indian Steel Authority has allotted £850 million (in rupees) to pay for the local element. The MECON (Consultancy) division of India Steel have parcelled out the work into some 40 "packages" and invited international contractors to pre-qualify to bid; and, not surprisingly, there is keen competition for the job.

British Steel (Overseas) did a feasibility study two or three years ago. A U.K. consortium (principals Davy McKee and Babcock) then submitted an aid-supported bid; but changes at the Indian Steel Ministry (and, in my view) the Government of India's distaste for the government of Bengal!) so far have stymied progress.

The project has now come to life again. Babcock International and Davy McKee are now actively seeking a large share of the work, and according to BSC (Overseas) the total FOB value of plant would amount to £250 million, if we get the business.

There is no reason why we should not do so!

Three things, I believe, would help.

1. A sophisticated financial support package. Depending upon the policy (and resources) of ECGD and anything that may be available under your aid programme, a U.K. merchant bank could, I think, put forward proposals to match, and possibly surpass, those of the competition.
2. A political approach to Natwar Singh, now the Indian Steel Minister (and a close personal friend of Swraj Paul and myself). I doubt if Natwar would be able to take a decision of this magnitude without full Cabinet support, especially from Rajiv Gandhi; but it should be possible to obtain an insider assessment of the prospects from him. Your own meetings with the Indian Commerce Minister will obviously be important, as will the Prime Minister's talks with Rajiv on her way home from Malaysia.



HOUSE OF COMMONS
LONDON SW1A 0AA

(In this connection I very much hope that the idiotic little matter of the Indira Gandhi memorial at the British Council's office on Portland Place can be tied up soon!)

3. Some coaching of the Davy-Babcock consortium on their presentation. Davy McKee ought to have the inside track, since it was they who constructed the original Durgapur plant; but in my view the scar tissue in Delhi over their previous abortive efforts on the Indian coastal steel plant is apt to be an impediment to their success on the DSP project. Far better, I suspect, to have Babcock in the lead, with Davy as junior partner (even though their part of the job - steel making plant - is the thick end of the investment). It is essential, too, that the consortium finds a strong Indian partner - not Trafalgar as originally suggested - for as much of the civil engineering as can be done at the local level.

The role of the merchant bank will also be important. I personally would recommend a change from the financial team who advised on the Coastal plant - despite the excellent job they did then.

I have no interest to declare in this business, save only in my capacity as a friend of India - and Swraj Paul; but if you would find it useful for me to have a talk with your officials, or yourself, I am at your disposal.

The Rt. Hon. Paul, Channon, M.P.
Minister of State,
Department of Trade and Industry,
1 Victoria Street,
LONDON, S.W.1.

PRIME MINISTER

All drafts
within can be
destroyed.

a

VISIT TO SOUTH EAST ASIA: SPEECHES

I attach drafts of a further five speeches for your South East Asia visit. They are:

- (i) The Malaysia-British Society Banquet.
- (ii) The visit to the Suhnei Ahning Dam site in Kedah province.
- (iii) Lunch with the Indonesian Minister of Technology in Bandung.
- (iv) The Sri Lanka Banquet.
- (v) The opening of the Victoria Dam.

These have not yet been checked by other Whitehall Departments. Nonetheless, you may like to glance at them before our session on Monday.

CDP

22 March 1985



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/
Secretary of State for Trade and Industry

22 March 1985

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

Dear Charles,

with cp? YES (FOR POL SE ASIA)

MALAYSIA: LORD TAYLOR'S LETTER TO THE PRIME MINISTER

Thank you for your letter of 20 March enclosing one from Lord Taylor of Hadfield, on behalf of Taylor Woodrow, to the Prime Minister.

2 The project in which Taylor Woodrow are interested, as members of a consortium, is the refurbishment and upgrading of the railway network on Malaysia's east coast. In total, it is worth about £800 million of which the British content would be about £400 million. Taylor Woodrow's share of the first phase - design and management - would be worth about £6 million but they are also looking ahead to some of the civil engineering work of the second and larger phase.

3 The DTI have been working closely with the consortium: a feasibility study carried out by Davy/BREL was partly funded by the BOTB and active consideration is being given to making some aid (from the Aid Trade Provision) available for the project. It is clear that we regard it, together with some smaller associated railway contracts, as a most important piece of business to win. This has already been reflected in the briefing we have prepared for the Prime Minister's visit. We doubt whether there is much to be gained from a special presentation by Taylor Woodrow's representative in Kuala Lumpur. But if time for this could be found we would have no objection.

4 We are, of course, also conscious of the threat to British firms winning such business if the air services disputes with Malaysia are not resolved soon. Traditionally, the contenders in disputes over air services have not allowed these difficulties to spill over into separate and unrelated areas of trade. Dr Mahathir has confirmed that there is no policy of discrimination against British suppliers. Nevertheless, threats of discrimination in the field of transport have been made.

JH2AJT



5 Lord Taylor's brief reference to the problem of frequency of Malaysian Airline Systems (MAS) flights to London, however, rather over-simplifies the matter. We understand that the discussions of this problem between British Airways and MAS had made a great deal of progress towards a solution. This was undermined by the tax measure introduced in October of 1984 by the Malaysian Government which discriminates in favour of MAS at the expense of other airlines, including BA and Cathay Pacific, operating from Kuala Lumpur. They have suffered severe losses of revenue as a consequence. The way forward may be to reaffirm that a solution to the frequency difficulty can be found if the Malaysian Government can resolve the discriminatory tax problem. The High Commissioner in Kuala Lumpur will explore this, if possible with Dr Mahathir, in advance of the visit. The Prime Minister will be briefed in the light of his consultations.

6 A draft reply for the Prime Minister to send to Lord Taylor is enclosed. Copies go to Richard Allan and Peter Ricketts.

*Yours sincerely,
Maureen Dodsworth.*

MAUREEN DODSWORTH
Private Secretary

JH2AJT

BEMAKU

The Lord Taylor of Hadfield DSC (Hon) FCIQB
Taylor Woodrow Group
10 Park Street
London W1Y 4DD

Thank you for your letter of 19 March about the problems which could arise for Taylor Woodrow's efforts to win railway business in Malaysia if the air services dispute is not resolved soon.

The Government have been giving
~~You will, of course, know of the strong support that~~
strong support to the consortium
~~the Department of Trade and Industry have given in~~
~~the initial stages of the project. In which Taylor~~
~~Woodrow are associated with Davy and BREL. The~~
Department of Trade and Industry
~~feasibility study has been supported by the Department~~
~~and active consideration is being given to some~~
~~aid support for the implementation of the project~~
~~if the consortium win the contract. We are, therefore,~~
~~very much alive to the importance of this business~~
~~and everything possible is being done to resolve the~~
~~air services problems which might pose a threat to~~
~~it.~~

My visit to Malaysia this time is a little shorter than it was to have been last September. Much as I would have wished to have heard a presentation by your representatives in Kuala Lumpur, I very much doubt whether there will be time in a very tight programme. *But* I shall, of course, take a special interest

We are
certainly
in no
doubt of
its
importance

in the project in my discussions with Malaysian
Ministers.

EM

THE tour of south-east Asia planned by Mrs Margaret Thatcher next month threatens to become bogged down in a row over airline flights. Diplomatic sources in London said last week that this vexed issue is bound to be raised when Mrs Thatcher makes the first trip to Malaysia by a British Prime Minister.

Talks between British Airways and the state carrier Malaysian Airline Systems collapsed last month amid bitterness and recrimination. At the core of the long-running dispute is MAS's claim for one extra flight each week from Kuala Lumpur to London, which jeopardises important arms and trade deals planned between the two countries.

Senior British industrialists are annoyed that what appears to be a straightforward dispute has been allowed to fester for at least a year. Lord Taylor, chairman of the construction company Taylor Woodrow, is believed to have complained to Mrs Thatcher at a recent private meeting at 10 Downing Street. In addition the Defence Sales Organisation - the British arms exporting body - has sounded

Eastern flack for PM

by Lionel Barber

out the Malaysians on possible contracts but has been given a lukewarm reception.

Taylor Woodrow's concern centres on an important construction contract, worth about £750m, to upgrade Malaysia's rail network. Although this has yet to be put out to tender Taylor Woodrow, along with other top British exporters such as the Davy Corporation and Wimpey International, believe their chances of winning the order are being damaged by the dispute.

A second contract for British Rail Engineering's railbus - worth more than £50m - also

hangs in the balance. Malaysia is testing a Hungarian version and is said to have been impressed by the Hungarians' willingness to accept bartered goods.

The airline row stems from British Airways' refusal to accept MAS's case to increase its flights to London from four to five. BA claims that too many passengers from Kuala Lumpur are on stop-overs from Australia and this undermines BA's arrangements with Qantas on the Australian route.

The Malaysians weakened their case recently by offering tax incentives to Malaysians to travel on MAS flights. Their defence is that it helps to reduce the big deficit on invisible trade, but BA has seized on the move as a covert subsidy. This new element has made the row even more intractable.

Mrs Thatcher will not be pleased by the failure of the transport department and BA inability to come to a settlement. Her south-east Asian hosts will point to several other airline disputes with Far East carriers:

DOWNING STREET,
WHITEHALL S.W. 1

return to No. 10

the Private Secretary's
Compliments

THE MALAYSIAN RAILWAY PROJECT



MALAYSIAN BRITISH RAIL GROUP

THE tour of south-east Asia planned by Mrs Margaret Thatcher next month threatens to become bogged down in a row over airline flights. Diplomatic sources in London said last week that this vexed issue is bound to be raised when Mrs Thatcher makes the first trip to Malaysia by a British Prime Minister.

Talks between British Airways and the state carrier Malaysian Airline Systems collapsed last month amid bitterness and recrimination. At the core of the long-running dispute is MAS's claim for one extra flight each week from Kuala Lumpur to London, which jeopardises important arms and trade deals planned between the two countries.

Senior British industrialists are annoyed that what appears to be a straightforward dispute has been allowed to fester for at least a year. Lord Taylor, chairman of the construction company Taylor Woodrow, is believed to have complained to Mrs Thatcher at a recent private meeting at 10 Downing Street. In addition the Defence Sales Organisation - the British arms exporting body - has sounded

Eastern flack for PM

by Lionel Barber

out the Malaysians on possible contracts but has been given a lukewarm reception.

Taylor Woodrow's concern centres on an important construction contract, worth about £750m, to upgrade Malaysia's rail network. Although this has yet to be put out to tender Taylor Woodrow, along with other top British exporters such as the Davy Corporation and Wimpey International, believe their chances of winning the order are being damaged by the dispute.

A second contract for British Rail Engineering's railbus - worth more than £50m - also

hangs in the balance. The government is testing a Hungarian offer and is said to be impressed by the willingness to accept goods.

The airline row between British Airways and Malaysian Airline Systems has its roots in MAS's claim for its flights to London to be increased from five to ten. BA claims that many passengers from Kuala Lumpur are on stopovers in Australia and this upsets BA's arrangements with the Australian carriers.

The Malaysians have made their case recently by offering tax incentives to encourage travel on MAS flights. The defence is that it helps to reduce the big deficit on imports but BA has seized on this as a covert subsidy. The element has made the dispute more intractable.

Mrs Thatcher will be displeased by the failure of the transport department to come to a settlement. Her south-east Asian hosts will point to several airline disputes with other carriers.

10, DOWNING STREET,
WHITEHALL S.W. 1

Pl. return to No. 10

*With the Private Secretary's
Compliments*

THE MALAYSIAN RAILWAY PROJECT



MALAYSIAN BRITISH RAIL GROUP



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

BS/
Secretary of State for Trade and Industry

22 March 1985

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

CDD
22/3.

Dear Charles,

BRITISH INVESTMENT IN SINGAPORE: PRIME MINISTER'S SPEECH TO THE
BBA

Thank you for your letter of 19 March asking for details of UK
investment in Singapore in recent years.

... 2 The attached table shows the trend of UK investment in
Singapore's Manufacturing Sector together with figures for the
UK's total equity investment in Singapore. The figures on total
equity investment are published infrequently after detailed
statistical analysis and are always a few years out of date. The
last report, published in the Economic Survey of Singapore (first
quarter of 1984) covering the period up to 1981 showed that the UK
was the leading foreign investor in Singapore with investment
totalling S\$4.4 billion. We were followed in order by USA (S\$3.3
billion), Hong Kong (S\$2.2 billion), Malaysia (S\$3.3 billion) and
Japan (S\$1.7 billion).

3 I hope the figures are of some help.

Yours sincerely,
Maureen Dodsworth.

MAUREEN DODSWORTH
Private Secretary

JH2AJS

BRITISH INVESTMENT IN SINGAPORE

	1970	1972	1975	1980	1981	1982
Manufacturing	199	375	481	1,227	1,412	1,581
Total UK Equity	472	684	1,478	3,412	4,439	-
Total Foreign Equity	1,744	2,694	5,515	12,986	16,785	-

All figures S\$ Millions

SOURCE: Economic Survey of Singapore

FOR POL: visit to SE Asia: Dec 84

22 MAR 1985

1
2
3
4

Prime Minister

We must make a decision before 18th at least

A cc PE.
cc BT

CIVIL AVIATION: MALAYSIA AND SINGAPORE

I thought it might be helpful to you if I let you have a note on our current problems with Malaysia and Singapore on civil aviation in advance of your visit next month. You will, of course, be receiving a brief through the Foreign and Commonwealth Office. You are likely to be under some pressure from Dr Mahathir in Malaysia and to a lesser extent from Lee Kuan Yew in Singapore to make substantial concessions on air services. The circumstances and the political overtones of the two cases are in fact different. While I am doubtful whether either will be ready for resolution during your visit, I believe that you have a tenable position on each.

The Malaysian Government is seeking an additional weekly service to London for MAS, giving them five services in total. BA, the British carrier on the route, operate four services a week. Our air services arrangements with Malaysia provide for fair and equal opportunities as between both carriers to compete for traffic on the route; so long as the two airlines agree on the basis on which a fifth frequency could operate at a future date there should have been no substantial problem in meeting with Malaysians on their request. In fact, BA and MAS have made good progress in identifying a way forward.

But last October, the Malaysians amended their tax law to discriminate in favour of passengers travelling on MAS services and against travellers on foreign carriers including BA and Cathay Pacific. This is a blatant breach of the fair and equal opportunity principle and it is estimated

that it could cost BA about £4m per annum. We cannot conclude an agreement with the Malaysians while this tax discrimination remains. If we can secure unequivocal Malaysian political commitment to a rapid removal of the tax measure, you could in turn offer the prospect that MAS could have their fifth frequency, although the precise details and timing would have to be worked out in negotiation by officials. I am sure that we must press strongly on Dr Mahathir that the solution to their problem rests at least initially in their own hands.

Why?

Singapore Airlines are pressing for a new service of three frequencies a week to Manchester in addition to their daily service to Heathrow. A number of our North West MPs have taken this up with me in the context of airports policy and are insisting on it as part of the price for accepting development at Stansted. But the cost to BA would be a loss of profit of over £7m a year.

All this has added a particularly difficult political dimension to the basic air services arguments. You have agreed to see Ian Gow and me about the airport issues next week, and we shall be discussing them at E(A) on 3 April. Whatever concession we need to make to Singapore will have greatest effect if it is made at about the time of our airports policy White Paper in May or June, and I believe that it is very important to carry our North West supporters if we can.

The next step is to have discussions at official level on the detail of the SIA case; the Singapore Civil Aviation Authority has just written in support of SIA and I saw the Singapore High Commissioner yesterday. I have told the High Commissioner that we would be pleased to begin negotiations between officials as soon as these can be arranged. I made it clear that the talks will take time and that we will want

to secure countervailing benefits for British carriers in line with the principle of fair and equal opportunity in our air services arrangements. I have asked BA to urgently consider the areas on which we might negotiate. I have suggested to the High Commissioner that continuing press campaigns would not be helpful. He accepted these points. These negotiations will not be easy but we will certainly enter into them in a spirit of wanting to find solutions.

If Lee Kuan Yew raises the matter with you, it will be helpful if you could stress the need for officials to meet as soon as practicable to examine the technical details and the broader questions of reciprocity of benefits for British carriers.

I am sending a copy of this minute to Geoffrey Howe and to Norman Tebbit.

R. A. Allen.
(Private Secretary)

NICHOLAS RIDLEY

22 March 1985

*(approved by the Secretary of State
and signed in his absence.)*

CONFIDENTIAL

PRIME MINISTER'S VISIT TO ASIA, 4-13 APRIL 1985

Briefs of Officials

014: UK/Malaysia and UK/Singapore Air Services

Malaysia

1. British Airways and Malaysian Air System each operate four services a week between the UK and Malaysia under an Air Services Agreement dated 24 May 1973 which is amplified by a Memorandum of Understanding containing more detailed provisions dated 26 March 1982. Under these arrangements both sides are entitled to operate additional services when a joint seat load factor of more than 67% has been achieved over a previous period of six months.
2. The Malaysians claim that they have achieved a 67% seat factor but we dispute that. The underlying statistics are not seriously in dispute. The problem arises because the agreed arrangements provide for the Malaysians to count 'a reasonable amount' of through passengers between London and Australia not breaking their journey in Kuala Lumpur other than to change planes (if that). This imprecise phrase (originally part of an airline agreement) lies at the root of the trouble. The Malaysians argue that 25% is perfectly reasonable; we do not and cannot agree. BA and QANTAS between them already have less than 60% of London/Australia passengers, the remainder being carried on the connecting services of intermediate carriers like MAS. There is no shortage of healthy competition from carriers based in Singapore, the Philippines, Indonesia, Hong Kong, Thailand, not to mention several of our European neighbours. If they were all entitled to increase their capacity to London when a quarter of their passengers were simply travelling between London and Australia, the share of traffic available to BA and QANTAS would shrink still further, and the day when a second British carrier could be licensed to compete on the Australian route (one of BCal's ambitions) would recede still further into the distance.

/3.

CONFIDENTIAL

**CLOSED UNDER THE
FREEDOM OF INFORMATION**

CONFIDENTIAL

ACT 2000

3. The Malaysians have a long history of bringing political pressures to bear in support of their air services negotiators. They made a major advance in 1979 when we needed their support within the Commonwealth for our handling of the Rhodesia question. They made a further advance in 1980-82 when they bought new Boeing 747s with Rolls Royce engines which had been ordered by BA, and used this deal to extract a promise of sympathetic consideration for their requests to have additional capacity in order to make economical use of the larger new aircraft. The negotiations took place in March 1982 at a time when we were trying to persuade the Malaysians to abandon their 'buy British last' policy, so again we may have been more generous than was strictly justified on aviation grounds. At all events the Malaysians went away satisfied at the time, though now they are claiming that even then we did not honour our undertaking to give their request for additional capacity 'sympathetic consideration'.

4. Since the dispute commenced, British firms seeking major contracts in Malaysia, particularly in the transport sector, have reported that they will not get any business until the dispute is resolved in favour of MAS. British Steel certainly lost an £8m contract for steel rails to Poland despite the fact that they were the lowest bidder. Dr Mahathir has publicly denied any such policy, but reports continue to reach us that it is being applied.

5. Another factor in all this is Malaysia's deep seated jealousy of Singapore. SIA operate daily flights to London, and also make no secret of the fact that they carry passengers between London and Australia. But London/Singapore traffic is also more than double the traffic between London and Malaysia.

6. [redacted] we have encouraged BA to enter into discussions with MAS about a fifth frequency on terms consistent with the Air Services Agreement. Abandoning the old approach based on achieved traffic patterns, the airlines have made quite good progress towards agreeing how the market might expand in future, based on cooperation to stimulate both business travel and
/tourism

CONFIDENTIAL

CONFIDENTIAL

tourism in both directions. These forecasts might justify a fifth service for MAS in about 1987, but their whole basis has been undermined by the adoption of discriminatory tax arrangements in Malaysia.

7. The Malaysian Government announced last October that in future the tax concession available to Malaysian residents on annual leave journeys would be available only to passengers travelling on MAS. This is a flagrant breach of the commitment to fair and equal opportunity which is fundamental to all Air Services Agreements, and it is already costing BA £4m per annum in lost revenue. Cathay Pacific are even harder hit on Kuala Lumpur-Hong Kong services where they are losing up to £8m per annum. Both airlines reckon that the tax concession affects about 30% of their available market.

8. Reasoned protests have been made through the Board of Airline Representatives in Kuala Lumpur, and discussion between BA and MAS continued without interruption on the assumption that the tax measure would be withdrawn; but on the contrary the Malaysian Finance Minister confirmed his intention to maintain it on 18 February.

9. As a result BA have understandably not been disposed to move from their discussion of forecasts to any question of when additional frequencies might be justified. Nor could such discussions now be held at official level. The Malaysian action has both breached the agreement and distorted the market on which forecasts were being based. Until fair competition is restored there is no basis for further discussions about additional frequencies.

10. Indeed if the Malaysians do not themselves take action to deal with the taxation issue we will have to call for consultations with them to discuss the effect on the market, and to decide what action to take in defence of our rights under the agreement.

/Singapore

CONFIDENTIAL

CONFIDENTIAL

Singapore

11. British Airways and Singapore Airlines each operate seven services a week between the UK and Singapore under an Air Services Agreement dated 12 January 1971. Both airlines are entitled to mount whatever services they consider appropriate, but there has been an informal understanding that neither side will operate more than a daily service without prior approval.

12. SIA are currently interested in operating three services a week via intermediate points in the Gulf and Europe to Manchester, in addition to their daily services to London. They first expressed interest in serving Manchester in 1983 when we agreed that 'as and when SIA wants to operate to Manchester the application will be approved provided that any SIA service to Manchester is in substitution for an SIA service to London. The same constraint was applied to any services which BA might wish to operate from Manchester to Singapore. Consequently when SIA applied for these services in September last they were turned down. It is only this month (letter dated 13 March 1985) that SIA's application, widely canvassed in the Press, has actually been formally supported by the Singapore authorities. There will have to be consultations about it.

13. In strict air services terms Singapore have no case for additional services. They first operated a daily B747 service between London and Singapore in 1976, though at that time their services called at three or even four intermediate stops. Since then with increasing traffic and improved technology they have progressively reduced the number of intermediate stops, so that this summer for the first time they will be operating daily direct non-stop services south-bound from London to Singapore. In the opposite direction one stop is still necessary (in the Gulf) on essentially technical grounds. Moreover the new 'Big Top' jumbos have about 10% more seats than the earlier aircraft. In consequence SIA's available capacity for services between London and Singapore will have increased by more than the 67% traffic growth which they say has taken place since 1976.

/14.

CONFIDENTIAL

CONFIDENTIAL

14. We do not begrudge either SIA or the passenger the improvements in service which have resulted, but it is much more doubtful whether SIA really have a case for additional services.

15. An important consideration however is the lobby of North West MPs who have opposed the development of London's airports on the grounds that growth should be funnelled to the regional airports, particularly Manchester. There is no way that Manchester could handle a sufficient proportion of London's traffic to seriously affect the need for development in the London area, but it may well prove necessary to make some concessions to the Manchester lobby in order to gain their support. Despite the likely cost to BA, SIA's services to Manchester may have to be part of that package, but it is a concession which, if it has to be made, should be made as near as possible to the time of publication of the White Paper on Airports Policy in order to have the maximum political effect on the Manchester lobby. We therefore need to play our consultations with Singapore long enough to delay any decision until close to the date of publication of the proposed White Paper.

FOREIGN AND COMMONWEALTH OFFICE
MARCH 1985

CONFIDENTIAL

Letter + DW

①



Malaysia
FTE

10 DOWNING STREET

Prime Minister

Civil Aviation

This threatens to be
a bit of a cloud,
particularly over your
visit to Malaysia.

on the face of it
the problem does not
look insuperable.

Agree to a meeting
with Transport Secretary,
Industry Secretary & FCS
to discuss prospects for
settling it during your
visit. MRC DP 22/3

FILE

SH2AFO



10 DOWNING STREET

From the Private Secretary

22 March, 1985

Prime Minister's Visit to S.E. Asia

I enclose drafts of two of the Prime Minister's speeches on this visit:

- (i) that to the Institute of Public Administration in Malaysia (on which we were very grateful for the Treasury's help); and
- (ii) that to the British Business Association in Singapore.

I should be grateful if you and other recipients of this letter could have the drafts checked and let me have any necessary amendments by 6 p.m. on 26 March.

IBF 24/3

I am copying this letter and enclosures to Callum McCarthy (Department of Trade and Industry) and Peter Ricketts (Foreign and Commonwealth Office).

C. D. POWELL

Mrs. Rachel Lomax,
H.M. Treasury

548



10 DOWNING STREET

CF

arranged p.

1600 ^{on}
wed 3 April

CR

2213

CR



For Sec. on Mr. Luce

David Wilson
Paul Channon
Mr. Benjamin - Dir

10 DOWNING STREET

From the Private Secretary

Tim Raison - ODA
John Verker - ODA

A. Adair.

Nick Ridley (or substitute)
to cover Malaysian

Air services.

CDP

for East Trip

Briefing meeting

P. Gault - if he
PERB wants

I have bloused out

11.00 on wed

3 April for 1 1/2 hrs.

Who do you

want invited?

CR



10 DOWNING STREET

From the Private Secretary

22 March, 1985

Prime Minister's Visit to S.E. Asia

It has been suggested to the Prime Minister that three major pieces of business involving British companies could be brought to fruition during the Prime Minister's visit to Sri Lanka. They are:

- (i) Cable and Wireless proposal for privatising the Government-owned Telecommunication system.
- (ii) Blue Circle's proposal to privatise the Cement Corporation of Sri Lanka.
- (iii) The Samaralawewe Project. As I recall, the ODA are considering the possibility of using ATP for this.

BF | I should be grateful for an urgent report on the prospects in all three cases, which should also be covered in the briefing for the Prime Minister's visit.

I am copying this letter to Peter Ricketts (Foreign and Commonwealth Office) and Michael McCulloch (Overseas Development Administration).

C. D. POWELL

C. B. Benjamin, Esq.,
Department of Trade and Industry



filed

10 DOWNING STREET

From the Private Secretary

21 March, 1985.

I have not so far bothered you directly with the speeches for the South East Asia visit. But I enclose a small one for the Prime Minister's visit to Kedah, to see the Sungei Ahning project. I should be grateful for any improvements you can suggest, such as details of further projects sought by British companies in Kedah, by 4 p.m. tomorrow, Friday, 22 March please.

(C.D. Powell)

C.B. Benjamin, Esq.,
Department of Trade and Industry.
(Overseas Trade Division)



Foreign and Commonwealth Office

London SW1A 2AH

21 March, 1985

Dear Charles,

Prime Minister's Visit to Asia: Speech at Malaysian/British
Society Banquet, 7 April

We have now had an opportunity to consult Mr Gillmroe in Kuala Lumpur about the correct form of words for the Prime Minister to use in introducing her speech. It is as follows:

"Tun Ismail Ali, President of the Malaysian/British Society, Honourable Ministers, Distinguished Guests, Members of the Society, Ladies and Gentlemen ...".

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

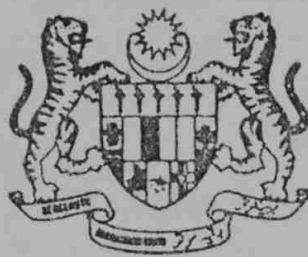
C D Powell Esq
10 Downing Street



21 MAR 1985

[Faint, illegible handwriting]

[Faint, illegible handwriting]



CT 10/85

The High Commission of Malaysia presents its compliments to the Foreign and Commonwealth Office and has the honour to convey the following message from the Honourable Minister of Foreign Affairs, Malaysia, as Chairman of ASEAN Standing Committee to the Rt. Honourable Sir Geoffrey Howe, Secretary of State for Foreign and Commonwealth Affairs:

"Excellency,

I have the honour to transmit to your Government the enclosed ASEAN Memo to the Bonn Summit expressing the collective views of the Association of Southeast Asian Nations (ASEAN) re economic matters of great concern to them in the expectation that the views will be given serious consideration by the Summit of Industrialised Nations which will be held in Bonn, the Federal Republic of Germany, in May 1985. At the same time I would like to seek the strong support of your Government for the ASEAN views at the Summit.

I would like to inform Your Excellency that a letter with the same content has been sent to the Foreign Minister of the other participating countries.

Accept, Excellency, the assurances of my highest consideration.

(TENGGU AHMAD RITHAUDDEEN BIN TENGGU ISMAIL)
Foreign Minister of Malaysia,
Chairman, ASEAN Standing Committee"

ASEAN Memo to the Bonn Summit

1. Despite the strong economic upturn in certain industrialised countries, developing countries continue to be plagued by uncertainties caused by market inaccessibility, persistent decline in prices of many primary commodities of interest to them and unresolved debt problems.
2. For an international economic recovery to be widespread and sustained, a global, integrated and comprehensive approach to international

economic issues is essential. The relative absence of an ongoing North-South Dialogue constitutes an undesirable situation, particularly as it defies the reality of the growing relationship between economic problems and interdependence among nations. Only through global initiatives for international cooperation can solutions to the present economic problems be found and the development and revitalization of the world economy achieved.

3. The developing countries, including the ASEAN member countries rely heavily on their export earnings to maintain economic growth and social development. The countries proliferation of protectionist measures taken against exports of developing countries is a problem of pressing concern to ASEAN. Protectionism also hampers the ability of developing countries to contribute to global economic recovery. ASEAN therefore wishes to reiterate that an open international trading system is essential both to the health of the world economic and to the continuing economic dynamism of all countries. With the apparent improvement in the world economic situation it is now timely to implement effectively trade liberalization.
4. In order for a new round of multilateral trade negotiations to renew wide support, commitments undertaken at the took round as well as those undertaken at the 1982 GATT Ministerial Meeting and previous Economic Summits should be fully implemented. In negotiations for a new round of multilateral trade negotiations, emphasis should be given to issues and topics of interest to ASEAN and other developing countries. The principle of special and differential treatment for developing countries on a non-reciprocal basis should also be strictly adhered to and should not be interpreted as unfair trade practices.
5. In order to accelerate the economic recovery in both the developed and developing countries ASEAN strongly urges the developed countries to fully implement the commitments made at previous Economic Summits to a standstill and roll-back on protectionist measures.
6. With regard to falling commodity prices and hence export earnings of developing countries including most ASEAN members there is a need for constructive dialogue between producers/exporters and consumers to find joint solutions to urgent commodity related problems. This could be carried out along the lines stipulated in the integrated programme for commodities.
7. The linkage between economic growth, trade and finance is widely recognised. Large budget deficits, high real interest rates, and appreciation of a key international currency have direct repercussions on the financial situations of developing countries.

The investment capital in international financial markets which should be made available for development projects in developing countries has been seriously curtailed or is available at higher costs thereby increasing the debt burden and adversely affecting the economic development of developing countries. ASEAN therefore supports extensive discussions and urges the summit to find satisfactory solutions to redress this situation.

8. Long term solutions to the debt problem fundamentally requires that national economies, particularly of those heavily-indebted nations, grow at faster rates. This would be achieved by easing interest rates, stabilising the volatile exchange rates, sustaining the recovery in major industrialised countries and more importantly, maintaining and expanding market access for exports of developing countries. Furthermore multilateral financial institutions should provide liquidity to meet the requirements of a long term development projects in developing countries in addition to short term financing.
9. High expectations are once again generated by the summit of advanced industrialised nations. However the results of the previous summit, particularly over the questions of market accessibility and export earnings, have not fulfilled the expectations of developing countries.
10. ASEAN enjoys with each of the summit participants cooperative dialogue arrangements and shares with them certain basic social and other value. At the same time, ASEAN as a group of developing countries recognizes the necessity for the developed countries to address in a just and equitable manner the various issues facing the international economy. Statesmanship of a high order and strong political will are required and it is ASEAN's hope that the Bonn Summit will produce tangible results, which would ensure a stable and a sustained international economic growth as well as foster an international trading and financial system responsive to the needs of, and be of benefit to all nations.

The High Commission of Malaysia avails itself of this opportunity to renew to the Foreign and Commonwealth Office the assurances of its highest consideration.

LONDON.

20th March, 1985.



Clear demonstration of the political will to revive such a dialogue between North and South, to ensure sustained economic recovery of the industrialized countries and to reactivate the development process of the developing countries, should figure highly on the agenda of the London Summit.-



MR Lowen -
TO SEE

10 DOWNING STREET

From the Principal Private Secretary

20 March 1985

Many thanks for your letter of 18 March. It is enormously useful. We expect to have to deal with the MAS point, but it is useful to know that the Malaysians are interested in other matters mentioned in your letter.

Christopher R. Reeves, Esq.



10 DOWNING STREET

From the Private Secretary

20 March, 1985.

BF. | I enclose a letter to the Prime Minister from Lord Taylor of Hadfield about the Prime Minister's visit to Malaysia, and in particular the problems which could arise for the Railway Contract as a result of the continuing dispute over Malaysian Airways. I should be very grateful for an early draft reply, if possible for the Prime Minister's weekend box.

Lord Taylor asks whether the Prime Minister will be able to receive a briefing on the railway project while in Kuala Lumpur from Taylor Woodrow's Director on the spot. My impression is that there is no space in the programme for this.

I should add that the Prime Minister is increasingly concerned about the possible effect on her visit of the continuing airline dispute, both with Malaysia and Singapore. I have suggested to the Department of Transport that their Secretary of State might like to minute the Prime Minister soon on this.

I am copying this letter and enclosure to Richard Allan (Department of Transport) and Peter Ricketts (Foreign and Commonwealth Office).

(C.D. Powell)

Callum McCarthy, Esq.,
Department of Trade and Industry.

ls

The Rt. Hon. Sir Bernard Braine, DL, MP



HOUSE OF COMMONS
LONDON SW1A 0AA

19th March, 1985

My dear Michael -

... I enclose a letter from the Catholic Institute for International Relations, which is self-explanatory.

You will know best how to ensure that the subject matter is covered in the briefing the Prime Minister receives.

*Yours
Blw*

Rt. Hon. Michael Alison, MP
Parliamentary Private Secretary to
the Prime Minister



Taylor Woodrow Group

The Lord Taylor of Hadfield
D.Sc. (Hon.) F.C.I.O.B.
Founder and Life President

10, Park Street, London, W1Y 4DD
Telemessage: Tayrow London W1
Telephone: 01-499 8871
Telex No: 22513

Our Ref: FT/MO.

19th March, 1985.

The Right Honourable Margaret Thatcher, M.P.,
Prime Minister,
First Lord of the Treasury and Minister for
the Civil Service,
10 Downing Street,
London, S.W.1.

Dear Prime Minister,

In September, 1984, when you previously were due to visit Malaysia, we were asked to give half an hour's presentation to you in Kuala Lumpur on our current and future projects. This, I believe, was very helpful to you.

We are now told that, due to the short length of your next visit, your programme will not permit time for such a presentation.

However, may I please put the following points to you for your kind consideration and wise decision:-

- A. Unless the delicate nature of the Airline dispute is settled, (they are only asking for one slot at Heathrow per week) we are advised by important Government Officials that there will be no orders to the U.K. for either manufactured goods or contracts and that orders will be placed in Japan, France and elsewhere.
- B. The Railway Contract, which we are trying to negotiate, as a British syndicate (please see brochure enclosed), would be in the region of £800 million in value and this would bring a lot of orders to Britain and would create a considerable amount of employment.
- C. Malaysia is in good financial strength and their currency is strong overseas. They are developing their country and there will be many orders available for all kinds of merchandise, but, in which our country will not participate unless the Airline dispute can be settled.
- D. In view of the above, do you consider it would be wise if Mr. Brian Burdekin, our No. 1 Director in Kuala Lumpur, could give half an hour's presentation to you during your visit?

PTO

P.T.O.

**TAYLOR
WOODROW**
AAAA

10 Park Street, London W1Y 4DD
Telephone: 01-499 8871
Telex No. 55213

Taylor Woodrow Group
The Lord Taylor of Harfield
Director
President and Vice President

It is with reluctance that I place this suggestion to you for your consideration, because I know you have thousands of problems claiming your time and attention. However, after consideration, I thought that this was so big and so important that I was justified in putting the matter to you for your kind consideration and decision.

With every good wish.

Sincerely,
Franky

10



10 DOWNING STREET

From the Private Secretary

19 March 1985

PERSONAL

Thank you very much for your splendid contribution to the INTAN speech in Malaysia. I have taken this very fully and will send you a copy of the version which the Prime Minister has approved.

I enclose a draft which I have been working up for the opening of the Victoria Dam. It only needs quite a short speech but my version is a bit sparse. If you could fill it out a bit and make any other changes you think necessary, I would be very grateful. I need it back by mid-morning on Friday.

Charles Powell

John Vereker, Esq.,
Overseas Development Administration.



10 DOWNING STREET

From the Private Secretary

19 March 1985

BRITISH INVESTMENT IN SINGAPORE

Could I please have, by the end of this week if possible, some figures showing the trend of British investment in Singapore in recent years. This is for the Prime Minister's speech to the British Business Association.

CHARLES POWELL

Callum McCarthy, Esq.,
Department of Trade and Industry.



with the

RK

compliments of

Robert Kilroy-Silk MP

~~CP~~ to note
/

HOUSE OF COMMONS
LONDON, SW1A 0AA

ROBERT KILROY-SILK M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

The Hon Lalith W. Athulathmudali MP
Minister of National Security
Ministry of Defence
Republic Square
Colombo 1
SRI LANKA

18 March 1985

Dear Minister,

You will recall that when Roger Sims and I saw you in February, you agreed to my suggestion that Welfare Officers be appointed to visit the detainees at Boosa Army Camp. You said that if the Civil Rights Movement submitted ten names to you, you would select five. Again, you agreed that such designated Welfare Officers would be able to visit the camp freely, meet the prisoners, help them keep contact with their families and deal with any problems they might have.

Would you confirm that the Welfare Officers are now functioning ?

I am sending a copy of this letter to the British Prime Minister who may wish to enquire about progress during her visit to Sri Lanka in April.

Robert Silk

Robert Kilroy-Silk

Morgan Grenfell & Co. Limited

23 Great Winchester Street
London
EC2P 2AX

Telephone: 01-588 4545
Telex: 8953511 MG LDN G
Cables: Morganfell, London

18th March, 1985

From: C. R. REEVES
Chairman and Group Chief Executive

Robin Butler, Esq.,
10 Downing Street,
LONDON S.W.1

Dear Robin,

While I was in Kuala Lumpur I saw a number of senior members of Government including the Deputy Prime Minister and the Finance Minister. I thought it worth letting you know, as I did the High Commissioner, that there does seem to be an expectation that the Prime Minister will make a substantial gesture regarding MAS London lending rights on her forthcoming visit and that the talks are likely to be very much tougher and less productive if it is not possible to make some sort of concession.

I know that you will all have had a lot on this subject but it was a universal theme with all the senior people I met.

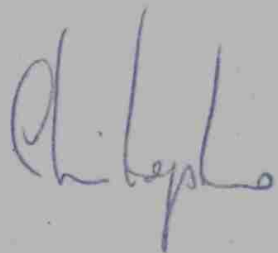
Apart from this, I found a most enthusiastic approach to the whole visit. I was also asked specifically:-

- (a) Has the British Civil Service really been reduced in numbers;
- (b) About Pensions Portability and Tax;
- (c) The Government's relationship with Nationalized Industries with regard to policy and performance.

There was a general feeling that the British were not taking advantage of the UK / Malaysian exchange rate.

I hope these comments may be of some use to you.

Yours ever,



PRIME MINISTER

VISIT TO SOUTH EAST ASIA

I attach worked-up drafts for six of the speeches on this visit. They are in the attached folder.

They are:

- (i) Speech to the Malaysian Institute of Public Administration. This deals with world economic issues.
- (ii) Speech to the British Business Association in Singapore. These will be British businessmen who will want to hear an upbeat account of Britain's prospects, which we shall also want to get across to the local press. But we have shortened the 'boost Britain' bit from the earlier draft which you saw, and added sections on 'what still needs to be done' and on the work of the British Business Association.
- (iii) Speech to the Sri Lankan Parliament. I have tried to cover a pretty wide field in this. You may think it could also do with a section on international development issues - global negotiations and all that - which I could ask John Vereker to provide.
- (iv) Malaysian)
- (v) Singapore) State Banquet speeches.
- (vi) Indonesian)

The advice from all three of our posts is that 'serious' speeches are expected dealing with bilateral relations rather than light after-dinner type speeches, although I have put in a few

touches. You will probably want to say something rather more personal about Lee Kuan Yew in the Singapore speech.

We have time set aside to work on these on Monday afternoon.

I hope to find time next week for drafts for the Sri Lanka State Banquet, the Anglo/Malaysian Society and the Opening of the Victoria Dam. That will leave only two more to do!

C.D.P.

16 March, 1985

COVERING CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

15 March, 1985

GM.

Dear Charles,

Prime Minister's Visit to South East Asia: Speeches

Thank you for your letters of 11-12 March.

I now enclose further drafts of the following speeches:

- / the speech to the official banquet in Malaysia;
- / the speech to the official banquet in Singapore;
- / the speech to the official banquet in Indonesia;
- / the speech to the Sri Lankan Parliament.

I have retained two speeches here for further work over the weekend: the speech to the Sri Lankan banquet, and to the Malaysia-British Society. They will follow on Monday morning.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

COVERING CONFIDENTIAL



cc AT ✓

00.15/3

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq
10 Downing Street
LONDON SW1

15 March 1985

Dear Andrew,

PRIME MINISTER'S FAR EAST TOUR

You asked us to provide a draft speech on world economic issues for the Institute of Public Administration in Kuala Lumpur. I attach a draft which follows the synopsis you suggested.

Although the Far East tour is now not far off we will need to keep a watch on movements in the dollar and on the preparations for the IMF/IBRD meetings on 17-19 April. Significant developments here may need to be taken on board nearer the time.

Yours ever,
A M EllisA M ELLIS
Private Secretary

CONFIDENTIAL



Hughes International Farms Limited



GH/smb

15th March 1985

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
London SW1

Dear Prime Minister,

Before your forthcoming visit to Indonesia may I inform you of the Indonesian government's enthusiasm for my test-tube cattle programme?

Dr Habibie, Minister for Technology, got the green light from President Soeharto and invited me to visit last month.

Dr Sumarlin, Minister for National Planning is excited not only about the supply of milk and meat but also about the development linkages throughout the whole economy.

Ir Achmad Affandi, Minister for Agriculture, invited me to his home for discussions.

Dr Sumarlin and Dr Habibie both emphasised the relevance of your forthcoming visit to this national programme.

The British Ambassador - Alan Donald - also believes it is the only major commercial programme at the moment between Britain and Indonesia fit for the Prime Minister.

Accordingly he has issued official invitations to the four directors general of the relevant ministries to visit Hampton Court - hopefully to return to Indonesia before you arrive.

For your convenience my original framework for discussion - "All the Milk and Meat Indonesia Needs" - is enclosed.

I realise of course how extremely busy you are and therefore the key elements have been highlighted in yellow for ease of scanning.

Please note Morgan Grenfell have offered US\$100 million to launch the programme on normal terms acceptable to the Indonesians.

Dr Sumarlin as a purely judgemental decision has suggested the target gap to be closed between the UK and Indonesia in milk and meat consumption should be halved.

This means a \$250 million programme - \$50 million a year for 5 years.

As the results emerge of course they may wish to revert back to \$100 million a year.

/Cont...

HUGHES INTERNATIONAL Farms Limited

Hampton Court Castle
Leominster
England HR6 0PN
☎ 056884-261
Telex: 35655

Adelaide House
London Bridge
EC4R 9HA
Reg'd Office
1284023 England



Hughes International

FARMS LIMITED



The Rt Hon Margaret Thatcher MP

15th March 1985

....

My initial document has sparked off the excitement but now in the normal process the Indonesians seem to want to "Indonesianise" the ideas and remove the foreign "not-invented here" label.

We are of course very happy they take all the credit - so long as we in Britain get the export business.

Nonetheless they still wish three of my team to join two of theirs in writing their own national programme feasibility study!

You may recall Prime Minister in this area of bio-technology Cambridge University - led by Tim Rowson and the late Sir John Hammond - pioneered for over forty years.

Tim Rowson brought the fruits of his work to me in 1978 and we are lucky to have achieved a "Henry Ford type" commercial breakthrough in mass application on the back of specifically British research.

It is estimated we have a four-year lead over the Americans.

The strategy is to make a pre-emptive strike on key markets like China, Indonesia and India before the Americans can catch up.

Your personal help in promoting the fruits of British research and technology is sought and requested on this occasion and would be very greatly appreciated as a boost to British exports.

Kindest personal regards.

Yours sincerely,

George Hughes,
Chairman.

Encl:

PRIME MINISTER

Kan Yew

10 November 1971.

Lee Kuan Yew

I wonder if you can remember when you first met Lee Kuan Yew. I am sorry to bother you with something so trivial, but he (Lee) wants to know. He distinctly remembers meeting you in 1976, but apparently you both remembered having already met on an earlier occasion - perhaps when you were Secretary of State for Education?

Do you by any chance remember when and where?

Yes - at a dinner in Downing St - when I was S/S for Edu. We discussed

grammar schools which I was fighting to maintain. CP.

15 March, 1985.



089

10 DOWNING STREET

From the Private Secretary

14 March 1985

The Prime Minister has asked me to thank you for your letter of 8 March. She will certainly try to find an opportunity to raise this matter with the Sultan during her visit and I have asked for it to be covered in the briefing.

Charles Powell

Professor Sir Hermann Bondi, K.C.B., F.R.S.

Michael NIGHTINGALE



28/3

✓

Ack'd 14/3

10 DOWNING STREET

From the Private Secretary

14 March 1985

I enclose a further letter to the Prime Minister from the Chairman of the Anglo-Indonesian Corporation. I should be grateful for a draft reply.

I am copying this letter and enclosure to Peter Ricketts (Foreign and Commonwealth Office).

Charles Powell

Callum McCarthy Esq
Department of Trade and Industry

✓



10 DOWNING STREET

From the Private Secretary

14 March 1985

I enclose a copy of a letter to the Prime Minister from Sir Hermann Bondi suggesting that she might mention the Churchill Museum in Brunei to the Sultan during her forthcoming visit. I should be grateful if this point could be covered in the briefing for the Prime Minister's visit.

Charles Powell

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

[Handwritten signature]



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JF7811

PS/ Secretary of State for Trade and Industry

14 March 1985

Charles Powell Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Dear Charles,

PRIME MINISTER'S VISIT TO SOUTH EAST ASIA : SPEECHES

Thank you for your letter of 11 March to Callum McCarthy.
You asked for a substantial passage on a new GATT round for
inclusion in the Prime Minister's speeches. This is
... attached.

Yours sincerely

Maureen Dodsworth

MAUREEN DODSWORTH
Private Secretary

Encl

NEW GATT ROUND

1. The UK favours an early round of multilateral trade negotiations in the GATT. This is a matter of self-interest for the UK - because we live by our exports and the open trading system of the GATT. But it is also a matter of self-interest for you, the developing countries of South East Asia. You too live by your exports. You too depend on the multilateral trading system which has offered you markets for the products in which you have shown yourselves increasingly cost-competitive. It is my belief that a New Gatt Round is essential to the maintenance and reinforcement of this system - with all the opportunities it offers for the creation of wealth and the sharing of prosperity.
2. I urge you not to under-estimate the current threats to open trade. The oil price revolution triggered a long-delayed process of restructuring in the older industrial economies; this process is going on at the maximum acceptable speed. But the costs, particularly in terms of high unemployment, have been great, and domestic protectionist pressures have grown in consequence. Due to the current level of the dollar, they are particularly strong in the USA. On world markets, the balance of national economic forces reflected in the GATT has been significantly changed by the rapid growth of some countries, particularly where this has taken place in narrow sectors and been associated with high levels of exports. All of this poses a major challenge to the liberal trading order and to GATT. If the GATT cannot meet the challenge, it could start to wither away. This in turn could provoke a trend towards bilateralism and inward-looking trading blocs. This would be particularly harmful to the developing countries - who are major beneficiaries from the present trading system. A productive GATT Round would be the surest way to avert this danger.

3. As to the subject matter of negotiations, we believe that a New Round should encompass the whole range of issues which currently make up trade policy. This means going beyond the traditional themes of tariffs and market access for goods - to look at issues like trade in services and the containment of counterfeiting. It is anomalous that services, which now comprise more than 20% of world trade, are currently outside GATT disciplines. Liberalisation in this sector would operate, on the model of our experience with trade in goods, to the benefit of both providers and users of services. A greater openness of international services markets would also make it easier to accept the painful process of adjustment in developed country markets as certain types of manufacturing activity pass - quite rightly - to the newly-industrialised countries. Equally we hope these countries will be ready to graduate towards acceptance of the responsibilities as well as the rights of full GATT membership. [Some like Singapore and Hong Kong already have liberal import regimes. But] Certain fast-growing developing countries still maintain import restrictions which are a poor reflection of the free access they enjoy to our markets. I recognise that there may be short term difficulties because of debt problems. But our aim should be to make free trade a genuinely two-way street.

4. I can understand the developing world's hesitations about a Round. But some of the arguments against it do not stand up. For example, it is said that a New Round must wait until GATT has finished its current work programme. No one is arguing that GATT has no work in hand. I for one would certainly not want to lose the impetus of present work on a subject like trade in agricultural products. But I think

a New Round would give the GATT new purpose - and embrace a range of objectives both old and new. If the present work is to be carried to a successful conclusion, this can only be through a New Round.

5. I have also heard it argued that the developing countries will not agree to a Round because there would be nothing in it for them. It is clear to me that negotiations can only succeed if all GATT members participate in a process of give and take which addresses the major preoccupations of each one of them. I do not want an agenda of interest only to developed countries. I very much want to hear from developing countries which items, whether from the existing work programme or not, they want to pursue. Certainly the United Kingdom is ready for some "giving" as well as some "taking" as part of a balanced outcome.

6. Perhaps, in any case, the concept of issues being of interest only to developed countries, or only to developing countries, is itself becoming out-dated. We all stand to benefit from a GATT system which promotes enterprise. The GATT should now be adapting to a world where the boundaries between industrialised and non-industrialised economies, and between manufacturing and other activities, are becoming ever more blurred. Let us relish the challenge which this poses for us all.

157-11-10051

FOR POL: ASIA: Pt 2

11 12 1 2 3
9 8 7 6 5 4

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

14 March, 1985

CG...

Dear Charles,

Prime Minister's Visit to Asia: British Business Association
(BBA) Speech, Singapore

Thank you for your letter of ~~11~~ March.

I enclose a suggested 300 words or so for the above speech on the work and role of the BBA.

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

SINGAPORE: PRIME MINISTER'S SPEECH TO BBA:

8 APRIL

1. Next year, your Association will celebrate ten years of service in promoting British trade with Singapore. It is a remarkable record of growth. I see that your membership of 400 is drawn from every major British business interest here: banking, industry, the high-technology sector and commerce. In your vigour and diversity, you truly mirror Singapore's own extraordinary and many-sided development.

2. If British exporters are to succeed in the demanding markets of this region, it is essential that they compete, tenaciously. That means individual companies being present here, in touch with local conditions and needs. It also means having a really effective Business Association on the spot.

3. I know that you do valuable work in representing the views of your members here to the Singapore Government. Equally important, you pass back your pooled experience

of operating in Singapore to individual members. And you enable British businessmen here to meet each other, and international counterparts.

4. That can only be good for British trade with South East Asia. As representatives for the CBI you have the challenging responsibility of representing the whole of British Industry here and will often be companies' first point of reference when they wish to do business with Singapore. You have every reason to be confident of your position with the support which our own revitalised industrial power base back in Britain will provide. As major contributors to the South East Asia Trade Advisory Group you play an important role, too, within the wider context of our trade with South East Asia as many British firms use Singapore as a springboard for entry to other markets in the region.

5. I know that you work closely with the British Overseas Trade Board in helping visiting trade missions, Chambers of Commerce and individual businessmen make the most of their time here. And your list of recent speakers is itself testimony to Singapore's importance as

a major financial and business centre.

6. Clearly, you have much to do, and you are doing it very well. With your energetic full-time Director, Jack Snowden, you are well set for further expansion. I am sure that Britain and Singapore will both benefit. British exports to Singapore have doubled in the past five years. Your Association has contributed in no small way to that success. I am grateful for all the hard work the Association has put in to this.



114 MAR 1985





**Catholic Institute for
International Relations
22 Coleman Fields
London NI 7AF, UK**

Telephone 01-354 0883
Telex 21118 GIBBON G

Sir Bernard Braine, MP
House of Commons
SW1A 0AA

March 14 1985

Dear Sir Bernard,

I am writing to ask whether you would request the Prime Minister to take up the question of humanitarian aid and access to East Timor when she visits Indonesia during her tour of Southeast Asia between April 5 and 15.

The most recent resolution of the United Nations General Assembly which covers this issue (A/C.4/37/L.8 of November 1982) requested the United Nations Secretary General to bring Indonesia and Portugal together in talks. In the report which he submitted to the General Assembly in July of the following year (A/39/361, 1983), Mr de Cuellar stated that "The improvement of the humanitarian situation of the people of East Timor remains one of my primary concerns". Since 1975, when Indonesia invaded and occupied East Timor, until then a Portuguese colony, it has been practically impossible for international aid and development organisations to work in the territory.

Only three agencies operate at all. The International Committee of the Red Cross first established a programme, having at first been prevented by the Indonesian authorities from doing so, when the military operations of the Indonesian army caused a major famine in 1979-80. Although it can still run its programme to trace political detainees and provides relief aid to several thousands of prisoners on the offshore island of Atauro, since 1983 the ICRC has been obliged to close down its programme in almost all other parts of the territory, because it cannot get permission to move around the countryside. (Since August 1983, the Indonesian armed forces have embarked on a major new military campaign to suppress local resistance to their authority.) United States Catholic Relief Services, which assisted the ICRC to provide emergency food and relief aid during the famine of 1979-80, now runs only one or two agricultural projects. Finally, UNICEF opened a programme in the territory in 1982 with the aim of identifying areas of serious undernourishment, but is obliged to operate indirectly through the official Indonesian Red Cross.

It is widely recognised that people in a number of areas in East Timor are vulnerable to periodic food shortages, and that the risks to health and life have been vastly increased by the conditions of war which have existed in many of the rural areas since Indonesia invaded in 1975. Current military operations are most intense in precisely those areas, such as the Eastern zone of the country, in which food shortages are most likely to occur.

It is also recognised by such independent sources as Amnesty International, the International Committee of the Red Cross, and the Catholic Bishops of Indonesia that human rights violations, often of the gravest kind, have occurred regularly in East Timor since 1975. For most of these the Indonesian military has been responsible. In July 1984, Pope John Paul II publicly stated that 'The Holy See continues to follow the situation in East Timor with preoccupation' and that it is 'the ardent wish of the Holy See that all rights of individuals be respected and that every effort be made to lighten the sufferings of the people by facilitating the work of relief organisations and by ensuring the access of humanitarian aid to those in need'.

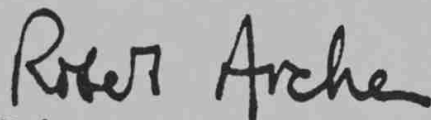
The British government has consistently stated, most recently in a letter from the Foreign Secretary to CIIR in January 1985, that 'the people of East Timor deserve the opportunity to determine their own future in accordance with their own political aspirations, unaffected by pressures of one kind or another', and that a solution must involve direct contact between Portugal and Indonesia. The British government also accepts that concern about human rights abuses in the territory is quite justified.

We would therefore be most grateful if you would urge the Prime Minister to raise all these issues during her meetings with Indonesian officials in April, and in particular to emphasise British concern about the restrictions placed on the work of international development agencies, about the pattern of human rights violations which have occurred in connection with military counter-insurgency operations in the territory, and the conditions of political detainees and the refusal of the Indonesian authorities to grant access to the territory.

I enclose a copy of a recent Amnesty Statement, in which a number of specific matters are raised. I have taken the liberty of marking these in red for easier reference.

Thank you very much indeed for helping raise this matter.

Yours sincerely,

A handwritten signature in cursive script that reads "Robert Archer". The signature is written in dark ink and is positioned above the typed name and title.

Robert Archer
Asia Secretary

1984

Written Statement submitted by AMNESTY INTERNATIONAL

(a non-governmental organization in Category II consultative status)

to the United Nations Commission on Human Rights

Situation of Human Rights in East Timor

Amnesty International has been gravely concerned that, since the invasion of East Timor in December 1975, Indonesian forces in the territory have engaged systematically and persistently in practices of unusual brutality. Amnesty International has received reports from a variety of sources of human rights violations of the most serious kind over several years: of the "disappearance" and summary or arbitrary execution of non-combatants; of the torture and ill-treatment of persons taken into the custody of Indonesian forces, including their detention in cruel and inhuman conditions; and of the imprisonment without charge or trial of persons often held on the simple suspicion of opposition to the Indonesian occupation.

To the knowledge of Amnesty International, the Indonesian authorities have not conducted or permitted impartial investigations into the violations of human rights brought to their attention in the past several years. Nor is there any evidence that the Indonesian authorities have instituted or enforced safeguards which might prevent the recurrence of these violations. Indeed, recent reports indicate that since August 1983 further arrests, killings and "disappearances" have taken place on a scale which cannot yet be determined. In this context Amnesty International welcomes the concern expressed by the Commission on Human Rights with respect to the human rights situation in East Timor as reflected in resolution 1983/8 and the more recent recommendation of the Sub-Commission in resolution 1983/26 that the Commission "continue to consider with attention the evolution of the situation of human rights and fundamental freedoms in East Timor."

Recently, Amnesty International received a copy of manuals containing guidelines issued in July-September 1982 by the Indonesian Command for East Timor to Indonesian military personnel serving in the Baucau district of East Timor, providing direct evidence that these violations have been officially condoned. These guidelines condone the use of physical and psychological torture in certain circumstances during interrogation; and the issuing of threats on the lives of persons undergoing interrogation to ensure their cooperation. The Indonesian government responded by denying that the Ministry of Defence and Security had issued any manuals specifically covering East Timor. However, the manuals in Amnesty International's possession were not issued by the Ministry of Defence but by the military command for East Timor. In the six months since it made the manuals publicly available, Amnesty International has received no information which casts doubt on their authenticity.

1. Interrogation and Torture

Amnesty International has received many reports of the torture of East Timorese suspected of having opposed the Indonesian occupation. These reports often concern persons in precisely those circumstances described in the manual on interrogation mentioned above, namely people undergoing interrogation after capture or surrender. Amnesty International also has the names of people who were held for interrogation and who subsequently "disappeared" or died as a result of torture.

Amnesty International would particularly like to draw attention to two interrogation houses reported to be in current use in Dili as of the beginning of 1983. There have been persistent reports of the torture and ill-treatment of persons held in these places. They are:

- a warehouse attached to the house formerly owned by Francisco Babo in the Rua Abilio Monteiro in the Colmera district, now believed to be occupied by a unit of the RPKAD (Resimen Parakommando Angkatan Darat, paratroops), recently named Kopassandha;
- a house formerly owned by Joao do Rosario Martires in the Rua Alferes Duarte O Arbiru in the Farol district used since late 1979 for interrogation by army intelligence (A-1, commonly known as Intel).

Among those held for interrogation and allegedly tortured in the Intel house were a number of women, some of whom had reportedly been picked up on suspicion of having communicated with relatives in the bush. Amnesty International has the names of several women held by intelligence who were reportedly raped and had burning cigarettes applied to their breasts.

2. Extrajudicial Executions and "Disappearances"

There is now a large body of evidence indicating that Indonesian forces in East Timor have resorted to extrajudicial executions on a large scale since the very first days of the invasion. Amnesty International has lists of hundreds of people who were reportedly killed outside combat or "disappeared" between December 1975 and the end of 1982. Amnesty International's own investigations have concentrated on the period from early 1979 and have revealed recurring patterns of large-scale killings and "disappearances" as well as cases of what appear to be random killings of individuals and small groups.

Amnesty International believes that it is now firmly established that several hundred East Timorese were executed throughout the territory between late 1978 and September 1979. Another wave of arrests, killings and "disappearances" occurred in Dili after a Fretilin attack on 10 June 1980. Again during Operation Security (Operasi Keamanan) in July-September 1981 when thousands of Timorese were deployed to form "fences" of people who were to converge on and flush out remaining Fretilin forces, many persons were reportedly killed outside combat.

Although Amnesty International has not received detailed reports of large-scale killings and "disappearances" between the time of Operation Security in 1981 and August 1983 reports of individual killings persisted and there continue to be grounds for concern that, in the absence of any clear intent to bring Indonesian forces within the framework of the law, circumstances may arise in which Indonesian forces resort to brutal measures on a large scale.

3. Atauro and Other Places of Detention

Amnesty International has been concerned at the transportation to the island of Atauro, offshore East Timor proper, of several thousand persons for indefinite periods and in conditions which endanger their health and well-being. The majority of these persons have been women, old people and children often arrested on grounds of family relationship to Fretilin members still fighting in the bush. Reports of the transportation of people to the island of Atauro began in mid-1980 when an unknown number of people were reportedly sent to the island for alleged participation in the attack of 10 June 1980 referred to earlier. The majority of those transported to Atauro were sent there in June-September 1981 during Operation Security.

Despite earlier Indonesian assurances that Atauro would be closed, possibly by mid-1982, the number of detainees held there increased substantially during the year from 3,280 persons in February 1982 to more than 4,000 by mid-September 1982. From the beginning of 1983, large numbers of people were reportedly returned to the mainland. It was understood that the number of persons still held on Atauro had been reduced by August 1983 to about 1,600. However, Amnesty International has recently received reports that about 300 of those arrested since August 1983 have been sent to Atauro.

Amnesty International continues to receive reports of detainees held without charge or trial in places other than Atauro. Apart from a continuing program of visits to the island of Atauro, the International Committee of the Red Cross (ICRC) has not been permitted access to any prisons aside from Dili District Prison (the Comarca) and a prison attached to the military district command (KODIM) headquarters in Los Palos. Visits even to these prisons have not been carried out since November 1982, despite an agreement in principle reached in February 1983 between the Indonesian government and the ICRC that the Committee should carry out a program of visits to all prisons in the territory.

4. Recent Developments

It was reported at the end of August 1983 that Indonesian forces had launched a new offensive in East Timor. The fear that this offensive might lead to further violations of the rights of East Timorese has unfortunately been borne out by reports subsequently received.

Amnesty International has learned that several hundred persons have been arrested since mid-August in the areas of Dili, Baucau and Viqueque. Amnesty International has been informed that many of those arrested have been sent to Atauro and to Denpasar in Bali together with others who were already in detention in August. Amnesty International has received the names of a small number of these persons, some of whom were reported to have been severely beaten after arrest. Despite reports of the transfer of detained persons to Atauro and Bali, it has not been possible to establish the present whereabouts of those detainees known by name and there are fears that they

may have "disappeared". In addition Amnesty International has received further reports in recent months of the arbitrary killing of non-combatants. One report received from several mutually independent sources alleges that as many as 200 persons in the village of Kraras, Viqueque were killed by Indonesian troops reportedly in reprisal for the killing of 16 Indonesian soldiers on 8 August 1983.

In view of the evidence now available that the human rights of individual East Timorese have been and may continue to be systematically violated and in view of the failure of the Indonesian authorities to countermand what appear to be standing policies whose predictable outcome is the perpetration of such violations, Amnesty International believes it is imperative that the Commission on Human Rights during its present session address and take all possible measures to respond to violations of human rights in East Timor.

* * * * *



From the Secretary of State



Foreign and Commonwealth Office

London SW1A 2AH

K. Robert

30 January 1985

Dear Miss Neville

Thank you for your letter of 15 January asking if I would raise the question of East Timor with the United Nations Secretary-General, Mr Perez de Cuellar.

In the limited time available during my lunch with Mr Perez de Cuellar on 23 January there was no opportunity to discuss East Timor. But we have made our position clear on the annexation of East Timor and of developments there on many occasions in the United Nations and elsewhere. In doing so, we have said that the people of East Timor deserve the opportunity to determine their own future in accordance with their own political aspirations, unaffected by pressures of one kind or another. But the issue of East Timor can in our view, only be resolved by direct contact between Portugal and Indonesia. We have welcomed the efforts by the UN Secretary General to promote contacts between these two countries and further the prospects for a just settlement in accordance with the wishes and interests of the local people.

I understand your concern, and that of others, about the human rights situation in East Timor. You will have seen that Mr Perez de Cuellar in his Report on East Timor - published in July 1984 - emphasised that one of his primary

/concerns

Miss Mildred Nevile MBE



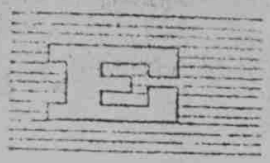
concerns was to achieve an improvement of the humanitarian situation of the people there and that he would continue his endeavours towards that end.

We shall continue to watch the situation closely.

GEOFFREY HOWE

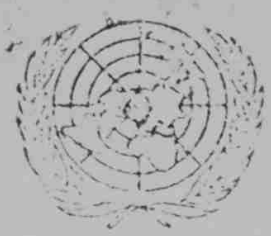
A handwritten signature in cursive script, which reads "Geoffrey Howe", is written over a horizontal line. Above the signature, there are two additional horizontal lines, one on the left and one on the right, which appear to be part of a larger mark or signature.

1985



UNITED NATIONS
ECONOMIC
AND
SOCIAL COUNCIL

ES



Distr.
GENERAL

E/CN.4/1985/NGO/8
11 February 1985

Original: ENGLISH

COMMISSION ON HUMAN RIGHTS
Forty-first session
Agenda items 9 and 12

THE RIGHT OF PEOPLES TO SELF-DETERMINATION AND THE PROTECTION OF
PEOPLES UNDER COLONIAL OR ALIEN DOMINATION OR FOREIGN OCCUPATION

QUESTION OF THE VIOLATION OF HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS
IN ANY PART OF THE WORLD, WITH PARTICULAR REFERENCE TO COLONIAL
AND OTHER DEPENDENT COUNTRIES AND TERRITORIES

Written statement submitted by the Amnesty International,
a non-governmental organization in consultative status
(category II)

The Secretary-General has received the following communication which is
circulated in accordance with Economic and Social Council resolution 1296 (XLIV).

[4 February 1985]

Situation of human rights in East Timor

1. In August 1984, the United Nations Sub-Commission on Prevention of
Discrimination and Protection of Minorities, in resolution 1984/24, recommended that
the Commission on Human Rights study "the evolution of the situation of human
rights and fundamental freedoms in East Timor". From reports available to
Amnesty International and interviews conducted by Amnesty International staff,
there appears to be little evidence of improvement in the human rights situation
over the past year. The internationally recognized rights to freedom of expression,
association, assembly and movement have continued to be denied. "Disappearances"
have persisted. Amnesty International has continued to receive reports of torture
inflicted on East Timorese detained in the custody of the Indonesian armed forces.
Despite Indonesian claims to the contrary, the International Committee of the
Red Cross (ICRC) does not have full and regular access to detention centres outside
Dili. Reports of summary executions of non-combatants in East Timor continue to
reach Amnesty International.

Limitations on access

2. The Indonesian Government has placed stringent restrictions on access to
East Timor by international observers. It has also attempted to impose an embargo
on information coming out of East Timor. East Timorese leaving to join relatives
abroad are understood to have been warned routinely not to reveal anything that
would discredit the Indonesian occupation and have been threatened with reprisals
against family members still in East Timor if they do so. In view of the frequent
resolutions passed by bodies of the United Nations which have urged that humanitarian

organizations have unrestricted access to East Timor, Amnesty International notes with regret that ICRC visits to prisons in Los Palos, Viqueque and Baucau in late 1984 have not yet led to any ongoing programme in detention centres outside Dili.

3. Regular access to all prisons by ICRC might improve the welfare of prisoners; it would not be able to ensure the end of widespread human rights violations or even the provision of information to the concerned public. For this reason, Amnesty International believes that the Government of Indonesia should be urged to grant outside observers every possible co-operation in assessing the state of human rights in East Timor.

Fair and open trials

4. Another internationally recognized right violated by the Indonesian authorities in East Timor is the right to a fair and public hearing by an independent and impartial tribunal. In December 1983, the Indonesian Government began a new policy of bringing detainees in East Timor to trial in Dili. As of the end of 1984, 79 out of a total of some 200 to be prosecuted had been tried.

5. With regard to these trials, the Indonesian representative to the Special Committee on Decolonization stated that they were in civilian courts, open to the public, and in accordance with Indonesian civil and criminal procedural law. He said that each prisoner was entitled to legal counsel and translators or interpreters as necessary, and that the record would show that the court had handed down relatively light sentences.

6. Amnesty International believes that the openness and fairness of the trials has not been demonstrated. Although in theory open to the public, no local announcements are made and no local reporting of them takes place. Amnesty International sent a letter on 12 March 1984 to the Minister of Justice in Indonesia requesting permission to send an observer to the trials in order to monitor compliance with international legal standards. The request was turned down on the grounds that the trials were a matter of domestic jurisdiction. According to reports reaching Amnesty International, legal counsel was not available to all defendants, contrary to the Indonesian claim.

7. The sentences described by the Indonesian representative as "relatively light" range from six to 17 years in 22 of the 23 cases tried as of the end of March 1984. Some of those tried had already been in detention for many years, including Wenceslau do Carvalho, sentenced to seven years, who had been in detention since the Indonesian invasion in 1975. Once sentenced, many of the prisoners were moved from Dili to prisons in Jakarta or West Timor, rendering visits from family members virtually impossible. In some cases, according to Amnesty International sources, family members were not told where the prisoners were sent.

Detention and resettlement

8. Amnesty International has received reports of persons detained in Dili, Viqueque and Los Palos in the past year and is concerned that others may be detained in prisons elsewhere including in Indonesia proper. On the island of Atauro, where many East Timorese from the main island have been sent into exile or detention, the physical condition of the population has improved since 1982 when ICRC was permitted to provide food and medical care. Amnesty International is concerned that approximately 1,500 people remain in detention without charge on Atauro often on suspicion of being sympathetic to the Frente Revolucionária de Timor Leste Independente (FRALTI) or of having relatives in the armed resistance.

Since 1982, Indonesian spokespersons have announced the release of Atauro detainees and have set dates for the closure of Atauro as a place of exile. The Indonesian Foreign Minister, Dr. Mochtar Kusumaatmadja, stated in October 1984 that 600 persons on Atauro who had been "displaced by fighting" had returned to their places of origin, and that all such persons would be returned to the main island by mid-1985.

9. It is reported that many persons sent back to the main island have not been allowed to return to their homes, but have instead been placed in "resettlement villages", sometimes near their place of origin, sometimes far away, where they continue to face severe restrictions on freedom of movement.

Torture

[10. Amnesty International has received extensive evidence of the use of torture by Indonesian troops in East Timor. In July 1983, the organization received copies of manuals issued by the Indonesian commander for East Timor which, among other things, contained guidelines which appeared to condone the use of torture when other methods of getting information failed. Although Indonesian officials have repeatedly attempted to cast doubt on the authenticity of these documents, neither they nor anyone else has produced any facts that would indicate their falsity. While the Indonesian authorities have correctly stated that the Ministry of Defence and Security (HANKAM) never published the manuals, Amnesty International is not aware of any claims that the Ministry did. The manuals appear to have been written by officers of the Command for East Timor for local use.

11. Both Amnesty International staff and experts on Indonesia have examined the documents and are satisfied that they are genuine on the basis of the military terminology used, the nature of the charts and diagrams included, the format and style, the official stamps, and the detailed comprehension of military organizational structure and tactics.

12. Indonesian officials have argued against the authenticity of the manuals largely on the grounds that it would be "fantastic" that a manual prescribing the use of torture should have been issued. ^{*/} But the documents do not deal exclusively with torture. They are not "torture manuals" and Amnesty International has never referred to them as such.

13. There are nine manuals in all covering a wide range of strategic problems, such as the way to break up FRETILIN support networks, the system of security in towns and resettlement villages, the way to provide comprehensive guidance for villages, and procedures for the interrogation of captives. The reference to torture is contained in one subsection of the manual on interrogation methods.

14. Amnesty International's belief in the authenticity of these guidelines is reinforced by its receipt of firsthand evidence that torture has persistently been practised in East Timor. Amnesty International has continued to receive reports of detainees being tortured at several detention centres in Dili including:

[A storehouse attached to the house formerly owned by Francisco Babo in the Rua Abilio Monteiro in the Colmera District;

^{*/} See statement by Dr. Mochtar Kusumaatmadja, "Indonesia denies Amnesty's charge of human rights abuses", Reuters, Jakarta, 25 October 1984.

[A house formerly owned by João do Rosario dos Martires in the Rua Abilio Monteiro;

A house on the Rua Alferes Duarte e Arbiru in the Farol District.

15. Some of those who were reported to have been held in these centres were later reported "disappeared" and some are feared dead.

16. The Indonesian statement to the United Nations Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples on 20 August 1984 (A/AC.109/PV.1260) noted that the use of torture and other forms of ill-treatment was contrary to the Indonesian State philosophy and to the basic values of the Indonesian people. It stated that the use of torture in interrogation was subject to disciplinary action and prosecution and that the Indonesian Government had intensified efforts to prevent torture from occurring. Amnesty International has requested further information on any cases where disciplinary action was taken and on steps recently taken to prevent torture. Amnesty International has received no evidence that allegations of torture have been investigated.

Extrajudicial executions

[17. Killings of civilians of East Timor by Indonesian forces have occurred since the Indonesian invasion in 1975. Following the breakdown of a cease-fire between Indonesian troops and FRETILIN forces in August 1983, Indonesian troops launched an offensive. Amnesty International subsequently received reports of the arbitrary killings of non-combatants associated with this offensive, including reports from mutually independent sources of a massacre in the village of Kraras, shortly after the start of the offensive, where as many as 200 people may have been killed. Of those who fled to the mountains to escape the killings, several were reported to have been captured and executed.

[18. In March 1984, Amnesty International received reports of another massacre near the village of Hauba in the western part of East Timor where some 100 men were detained and subsequently killed by Indonesian troops.

[19. Killings have been reported to have occurred near Ainaro in March 1984 and in Baucau in May 1984 of persons suspected of having had contact with FRETILIN or supplying FRETILIN forces with food.

20. Amnesty International is concerned that summary executions of civilians may be continuing, and regrets that the Indonesian Government has apparently taken no steps to carry out thorough investigations of alleged massacres in the past.

21. In view of the continuing evidence of extensive human rights violations in East Timor, Amnesty International views the forty-first session of the United Nations Commission on Human Rights as an important forum to discuss measures which might be taken to alleviate the situation.



FILE

67

10 DOWNING STREET

12 March, 1985

From the Private Secretary

PRIME MINISTER'S VISIT TO SOUTH EAST ASIA: SPEECH AT
OFFICIAL BANQUET IN MALAYSIA

I enclose a revised draft of the Prime Minister's speech at the official banquet in Malaysia. I should be grateful if it could be further worked up. In particular it needs a passage near the beginning picking out one or two points of Malaysia's history and some amusing references, if they can be found, to our role in it. Perhaps the High Commission could suggest something. It also needs a passage on bilateral problems. It may, of course, not be possible to finalise this until we are there but I should be grateful for a working draft.

It would be helpful to have the text back by 1600 hrs next Friday. May I please leave it to you to consult the Department of Trade and Industry.

(C D Powell)

P Ricketts, Esq.,
Foreign and Commonwealth Office



File No
(3)

10 DOWNING STREET

From the Private Secretary

12 March 1985

MALAYSIA: BAe & TAYLOR WOODROW

I enclose a copy of a note about representations made by ~~Ken~~ Sproat on the current problems in airline negotiations between Malaysia and the UK and the possible implications for Taylor Woodrow's bid for the Malaysian railway project.

BF

I should be grateful for very early advice before putting this to the Prime Minister.

I am copying this letter to Callum McCarthy (Department of Trade and Industry) and to Richard Allan (Department of Transport).

CHARLES POWELL

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

[Handwritten signature]

MR. POWELL

cc. John Wybrew

Iain Sproat came to see me yesterday to give me his views on Malaysian Airways System (MAS), BA and Taylor Woodrow which he thought the Prime Minister ought to be aware of before her own visit. Sproat was in Kuala Lumpur last week seeing the Minister of Transport and the Foreign Secretary.

He is desperately worried that DOT officials, in backing BA's resistance to a fifth frequency for MAS between KL and London, should put at risk the Taylor Woodrow bid for the Malaysian railway project.

As you may know, this conflict between BA and MAS has been complicated by MAS allowing passengers, flying on this route with a MAS ticket, some form of tax deduction.

Sproat believes that if the Prime Minister were to offer MAS a fifth frequency (to which BA would also be entitled) then the Malaysians would look again at this tax position. This would take time but then MAS do not want to start flying to London until May 1986. This would then make Taylor Woodrow able to go back as lead contenders for the railway project and Sproat tells me that (for what it's worth) he has been given an assurance that the tax position would certainly be sorted out.

I know very little about all of this personally but I report faithfully what Iain Sproat thought the Prime Minister should be aware of.

SS.

STEPHEN SHERBOURNE

12.3.85

MR. REDWOOD

Prime Minister's Visit to South East Asia: Speeches

The Prime Minister will be making a number of speeches during her visit to South East Asia. I wonder if I could ask the Policy Unit's help on a couple of points:

(i) In Singapore, the Prime Minister will be speaking about Britain's achievements and a good draft on this has been produced. But she would like to follow it with a section on what still needs to be done. By this, she means both the economic and social policies which we should pursue in this country; and more widely those which the industrialised countries in general together with the more advanced developing countries ought to follow. It would be very helpful if you could let me have a passage of say 500 words or so on this theme in the course of this week.

(ii) The Prime Minister will be addressing the Institute of Public Administration in Malaysia on world economic issues. I enclose a synopsis of the speech. If the Policy Unit had time, in the course of this week, to produce some material for a speech of some 2,000/2,500 words that too would be extremely helpful.

C.P.

(Charles Powell)

11 March 1985



10 DOWNING STREET

From the Private Secretary

11 March 1985

Dear Callum,

Prime Minister's Visit to South East Asia: Speeches

One theme which the Prime Minister will want to pursue in the various speeches she will be making during her visit to South East Asia is that of a new GATT round, the need for liberalisation of trade in services and the importance of securing the integration of the more advanced developing countries into the GATT system of reciprocal rights and obligations.

I should be grateful if the DTI could let me have by Thursday evening a substantial passage - say 600/800 words - which could be used in speeches.

Yours sincerely
Charles Powell

(Charles Powell)

Callum McCarthy, Esq.,
Department of Trade and Industry.

MR. TURNBULL

Prime Minister's Speech on World Economic Issues

Many thanks for your synopsis which the Prime Minister has approved subject to two points:

(i) the need for rather fuller treatment of measures to promote freer trade, particularly in services and to integrate the more advanced developing countries into the GATT system of reciprocal rights and obligations;

(ii) a more forward looking section on policies for the future.

I suggest that you might like to pass the synopsis and these comments to someone in the Treasury to have a go at producing a draft in the course of this week with such further guidance as you want to give. I am also proposing to ask the Policy Unit to do some work on it and will invite the DTI to do a bit on a new GATT round.

C.P.P.

(Charles Powell)

11 March 1985



10 DOWNING STREET

From the Private Secretary

11 March, 1985.

Prime Minister's Visit to South East Asia
Speech to British Business Association in Singapore

There is a point on this speech which I forgot to mention in my earlier letter of today.

We need 250/300 words on the role and work of the British Business Association, which I should like to have by close of play on 14 March. You may like to ask the High Commission in Singapore to provide it.

(C.D. Powell)

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

059

MR. FLESHER

British Business Association, Singapore

The Prime Minister was very grateful for your excellent draft speech for this occasion. Her comments:

1. We need to be careful not to go over the top in beating the drum for Britain's achievements, to the extent of provoking ridicule. She also thought that it went on a bit too long on this theme, and began to pall around pages 12/13.
2. She would like to add a perceptive piece on our view of the future, i.e., of the policies and objectives which ought to be pursued by the UK and others in economic, social and trade matters.
3. There is a need for a piece on the work of the BBA.

I am obtaining 3. from the Foreign and Commonwealth Office. If you had time to think of 2. - to which I have also asked the Policy Unit to contribute - and 1., that would be immensely helpful.

EP

11 March, 1985.



10 DOWNING STREET

From the Private Secretary

11 March, 1985.

Prime Minister's Far East Tour

During the course of her Far East tour, the Prime Minister wishes to devote one of her speeches to world economic issues. This is likely to be the speech to the Institute of Public Administration in Kuala Lumpur. We have prepared a synopsis, and would be grateful for Treasury help in filling it out. A copy is attached. Could a draft speech of approximately 2,000 words be produced on these lines by the end of the week?

(Andrew Turnbull)

Miss Margaret O'Mara,
HM Treasury.

ate JD

g
MA

CPLABD

SYNOPSIS OF A "WORLD ECONOMIC ISSUES" SPEECH

- I. Success of post war recovery; combination of fixed exchange rate providing financial discipline and dismantling of wartime controls giving impetus to enterprise.

- II. Petering out of longest sustained growth in 1970s; frequently attributed to oil but part of deeper malaise, warning signs appeared

earlier. Performance of industrial economies deteriorated, with more inflation and less growth.

III. Misconceptions and errors of policy

- attempt by Governments to underwrite output jobs succeeded only in underwriting inflation;
- change resisted rather than promoted through protectionism and subsidy;
- growth of public expenditure, especially welfare, undermined self-reliance and

produced a claimant/wage demand society.

Taxes rose to stifle initiative.

- Government regulation began to expand again, often in an effort to make good failure of policy.

- Governments borrowed too much and banks lent too much.

IV. Problems especially acute in Britain, but common to most of industrial world.

V. Attitudes are changing as successive Summits have shown. Not just under

so-called Conservative Governments but
Socialists as well.

Budget deficits are being cut.

Public expenditure restrained.

New emphasis on private sector;
recognition that people not Governments
create jobs.

VI. Malaysia has shown the way - anatomy of
its economic success.

VII. Still challenges facing world

- protectionism; (not just need to promote freer trade in goods but extension to services; need to integrate developing countries into GATT system of reciprocal rights and duties);

- international debt;

- strong dollar;

- poverty, especially in Africa.

VIII.

Upbeat conclusion - forward looking
section on policies for the future.

These challenges are being met, new
solutions devised, world economy
expanding again, etc.

PP00 R1413

THE ANGLO-INDONESIAN CORPORATION

PLC

Registered in England No. 108917

Registered Office:

81 CARTER LANE · LONDON · EC4V 5EP

TELEPHONE: 01-236 6135

CABLES: PAMANOEKAN LONDON EC4

TELEX: 297162

11th March 1985

Dear Prime Minister,

I am delighted to learn that your visit to Indonesia, postponed last September, is now likely to take place in April.

I am sending you copies of the letter that I sent you on 20th August and of your kind reply dated 7th September.

Since that exchange, we were able to meet Minister Sumarlin and Suhartoyo, Chairman of the Foreign Investment Board, when they came to London in October but the question of the allocation of the 19,000 hectares in Riau remains unresolved. We should therefore still be very grateful for any help that you can give.

This is particularly important at the present time since we are in the process of merging our own plantation interests in Sumatra with those of two other British companies to be held by a new company, Anglo-Eastern Plantations Plc, and we propose to introduce the shares of this company on the London Stock Exchange on 26th March.

Some 80 plantation companies were brought to the London Stock Exchange between 1900 and 1928 and this will, I believe, be the first new one since then. It will also provide one of the few vehicles to British investors who wish to invest solely in plantations in Indonesia.

The planting of the Tasik area to palm-oil which our consortium commenced in 1983 is going apace. By the end of this year nearly 5000 hectares (12,500 acres) will have been planted and this must be one of the fastest plantings of palm oil by a non-governmental concern in Indonesia for some time.

We do not know whether you will be visiting Sumatra, but if there was any opportunity for us to show you the Tasik plantation, I believe that you would be both interested in and proud of this British achievement. A visit by air from Medan could be fitted into half a day and would demonstrate how vital it is that we should secure the land in Riau at an early date to enable us to continue this good work.

Yours sincerely
Michael Nightingale

Chairman

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1



10 SEP 1984

10 DOWNING STREET

THE PRIME MINISTER

7 September 1984

Dear Mr. Nightingale,

Thank you for your letter of 20 August which you also copied to Geoffrey Howe about the Anglo-Indonesian Corporation's problems in Indonesia.

As you will know, I have decided with regret to postpone my visit to South-East Asia, which means that I shall not now have an opportunity in the immediate future to meet the Indonesian Ministers and officials dealing with agricultural and economic matters. But the Indonesian authorities are aware of the British Government's interest in the efforts you are making to obtain possession of the land at Bengkalis Baratlaut; and it was good of you to bring me up to date.

Since you wrote, our Embassy have reported that your Corporation's representative in Indonesia has made good progress in his contacts with officials there.

I very much hope that this progress will continue. I know that the Embassy remain ready to do all they can to help.

Yours sincerely

Raymond Shelton

Michael Nightingale, Esq., OBE.

THE ANGLO-INDONESIAN CORPORATION

PLC

Registered in England No. 108917

Registered Office:

81 CARTER LANE · LONDON · EC4V 5EP

TELEPHONE: 01-236 6135

CABLES: PAMANOEKAN LONDON EC4

TELEX: 297162

20th August 1984

Dear Prime Minister,

My colleagues and I were pleased to learn of your impending visit to Indonesia. Anglo-Indonesian was born out of a concession granted to British merchants by Stamford Raffles, when he was Governor of Jakarta (then Batavia) in 1812, and I suppose we can claim to be the oldest British group operating in Indonesia. As such we send you greetings and wish you a successful visit.

You may recollect that, during the State Visit of Suharto to London in November 1979, you kindly invited me to lunch at 10 Downing Street and gave me the opportunity to meet him. The President promised to restore 25,000 hectares of virgin land in Sumatra which had been unjustly removed from us.

This restoration was to be in two parts, 6000 hectares of the original Tasik concession and a further 19,000 hectares elsewhere. The detailed arrangements were confirmed in a protocol agreement signed in London on 6th June 1980 in the presence of Professor J B Sumarlin, a senior economic minister. This agreement stipulated that the 19,000 hectares would be made available at Bengkalis Baratlaut in the Province of Riau. The 6000 hectares of Tasik were handed over and by the end of this year about 7000 acres will have been planted to palm-oil, jointly by a consortium of Anglo-Indonesian and two other British plantation companies. I am sending you a copy of our latest Report and you will see photographs of the work in progress at Tasik on pages 3 and 5.

An area to provide the 19,000 hectares at Bengkalis Baratlaut has been surveyed for us by Huntings but we have so far failed to obtain it. The Governor of Riau has refused to see us and has referred us back to the Minister of Agriculture in Jakarta.

The Indonesian Ambassador in London arranged for me to see the Minister of Agriculture on 8th March and I went to Jakarta expressly for that purpose. In the event the Minister could not see me and I also failed to obtain a meeting with Minister Sumarlin. I am sending you a copy of a letter dated 10th March that I wrote to Sumarlin from Jakarta and to which I have so far received no response. I have also since been in touch with Suhartoyo, Chairman of the Foreign Investment Board, and whilst his letter of 15th May is more positive (copy enclosed) I do not believe that we will be granted the 19,000 hectares without a push from H.M.G.

I wrote on this subject to Geoffrey Howe on 1st May and he has put Alan Donald fully in the picture. We imagine that you will be meeting Sumarlin during your visit and would be grateful for any help that you can give.

*Yours sincerely -
Michael Nightingale
Chairman*

The Rt. Hon Margaret Thatcher, M.P.



From the President of the Association.
Major Derrick J. Coupland, OBE.

" LEST WE FORGET "

11th March, 1985

Mr. Charles Powell
Private Secretary to The Prime Minister
The Right Honourable Margaret Thatcher, FRS, MP
10 Downing Street
LONDON

Dear Mr. Powell,

At our Committee Meeting held on 9th March, 1985, it was unanimously resolved that you be addressed once again. We are really disappointed to learn, upon enquiring at the British High Commission, Singapore, that, despite our suggestion, planning and near implementation of a Ceremony of only thirty minutes duration to enable Mrs. Thatcher to honour our Comrades who were lost in the Imperial cause during World War II, the revised schedule for the delayed visit to Singapore does not now allow her sufficient time for this duty.

Our surviving Asian comrades, who were very brave in British interests, and their families would feel complimented and touched that their kith and kin are not forgotten. This creates goodwill of unfathomable value for Great Britain. Her Majesty Queen Elizabeth's visit in 1972 is still discussed with admiration and pride.

Our Vice President, Mr. Tan Yew Kong, a colleague of Mr. Denis Thatcher and also a member of the British Business Association, has written to ask if he would be willing to visit Kranji during the visit to honour our dead and meet our members. We feel that our Association has been excluded from meeting your much admired Prime Minister due to inadequate briefing.

With best wishes,

Yours sincerely,
EX-SERVICES' ASSOCIATION OF SINGAPORE

Derrick J. Coupland

DERRICK J. COUPLAND
Major (Retd)
President

The Ex-Services' Association of Singapore is always
"ON ACTIVE SERVICE"
looking after the welfare of our needy Veterans, their Widows and Dependants.



From the President of the Association,
Major Derrick J. Coupland, OBE.

11th March, 1985

Mr. Charles Powell
Private Secretary to The Prime Minister
The Right Honourable Margaret Thatcher, FRS, MP
10 Downing Street
LONDON

Dear Mr. Powell,

I should like to paraphrase the sentiments expressed by our Committee in the accompanying letter.

The citation which I received in 1976 was "for services to British interests in Singapore and to Anglo-Singaporean relations". I am very proud of my appointment as an Officer of the Most Excellent Order of the British Empire and continue to encourage our Association. This is in accordance with the personal wish expressed to me by our beloved Supremo, the late Admiral of the Fleet, the Earl Mountbatten of Burma, through his then emissary, the incumbent Chairman of the Royal British Legion.

Our members, particularly the older ones, need solicitude and encouragement from VIPs from Great Britain. A former Minister ignored them but indulged in sailing and afforded great publicity to a local tailor. Our members were, therefore, thrilled when they learnt that Mrs. Thatcher was to meet them.

Would you kindly present my personal compliments to Mrs. Thatcher upon her courageous stand against the enemy within. May her successes continue but please recall that we defeated Britain's enemies from without at very great cost in human suffering.

The Association wishes to "rejoice" with her that, due to our deceased comrades' sacrifice for our Victory, we are able to live, work and to receive her in this sunny Island Republic, Member of the Commonwealth.

My best wishes to you, too, Mr. Powell. I hope that you are in the Prime Minister's entourage in the Orient and will contact me.

Yours sincerely,
EX-SERVICES' ASSOCIATION OF SINGAPORE

Derrick J. Coupland



From the President of the Association.
Major Derrick J. Coupland, OBE.

30th March, 1985

Mr. Charles Powell
Private Secretary to The Prime Minister
The Right Honourable Margaret Thatcher, FR $\text{\textcircled{S}}$, MP
10, Downing Street
LONDON

Dear Mr. Powell,

Herewith

- a) Two copies of the Proceedings for the Salute by Major (Retd) Denis Thatcher, MBE, TD at Kranji War Memorial on 8th April, 1985.
- b) An invitation to our Visitor to join us for a short while after he has laid his wreath at Kranji.
- c) Photo-copies of two letters of 11th March, 1985 addressed to you in case they have not arrived by airmail.
- d) A cover addressed privately to Major (Retd) Denis Thatcher, MBE, TD, by our Vice President, Mr. Tan Yew Kong.

Please note that if the Prime Minister wishes to change her schedule even at the last minute, to join us at Kranji, she will stir many a dedicated and warm warrior Asian heart.

Our Members will be delighted that if she chooses to honour their former comrades-in-arms who wore British uniforms and paid the supreme sacrifice for our freedom. What better acknowledgement could they expect for the suffering that they experienced all for the benefit of Great Britain. The consequent boost to morale and inevitable publicity will be of immeasurable value. Our timings at Kranji are flexible and will be changed at her behest.

With best wishes,

Yours sincerely,
EX-SERVICES' ASSOCIATION OF SINGAPORE

Derrick J. Coupland



10 DOWNING STREET

From the Private Secretary

11 March 1985

Dear Peter,

Prime Minister's Visit to South East Asia: Speeches

We shall need to look to the FCO for a lot more help on the speeches for the Prime Minister's visit. This letter deals with two important tasks.

I enclose a synopsis for a speech to the Sri Lanka Parliament. It tries to introduce a few facts on the basis of my scanty knowledge of Sri Lanka. One additional section which it needs is on regional issues. I should be grateful if the synopsis could be worked up into a draft of some 2,500 words by 1.00 pm next Friday. We need some substantial material in it not platitudes.

The various speeches submitted for banquets in Malaysia, Singapore and Indonesia need far more in the way of useful historical points, allusions and quotations, as well as facts about the countries concerned, particular bilateral problems, our trade with them and regional questions. I should be grateful if someone could do some work on producing these and again let me have them not later than lunchtime on Friday.

Yours ever,

(Charles Powell)

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER *CP*

Visit to S.E. Asia: Speeches

You saw my note setting out the speeches you will have to deliver during this visit (copy attached).

Some drafts have come across from the FCO. They are uniformly awful.

I attach for discussion on Sunday some preliminary work on the three main speeches:

A. Institute of Public Administration in Malaysia

You agreed that this should be on international economic questions. Andrew has prepared a synopsis. Subject to your comments, I propose to send this to John Vereker for a first draft.

B. British Business Association in Singapore

It was agreed that this should be a 'boost Britain' speech. Tim has done a first draft.

C. Sri Lanka Parliament

I have done an expanded synopsis as a starting point.

C.D.P.

C. D. POWELL

8 March, 1985

PROF

SIR HERMANN BONDI, K.C.B., F.R.S.
MASTER

TELEPHONE 0223 61200

R1313
CHURCHILL COLLEGE
CAMBRIDGE
CB3 0DS

HB/SC

8 March 1985

The Rt Hon Mrs Margaret Thatcher FRS MP
House of Commons
London
SW1

Dear Prime Minister

As you know, this College, in its function as the national memorial to Sir Winston Churchill, has an Archives Centre devoted particularly to the history of Sir Winston's era and subsequent periods. Our ability to use the substantial documentation already there to best advantage and to add to it especially from the memories of people still alive who were much involved at the time, is severely constrained by the availability of funds.

The father of the present Sultan of Brunei who you will shortly be visiting, had a deep affection for Sir Winston Churchill and it was on his inspiration that the Churchill Museum in Brunei was established in 1971 as part of the Brunei Historical and Culture Centre. I would be most grateful if, should you find a suitable opportunity, you could mention to the Sultan the desirability and utility of an appreciable donation to our Archives Centre. On our part, we would be interested in forging closer links between the Archives Centre and the Churchill Museum.

It goes without saying that if he were to express an interest, we would of course be happy to provide him with all the information he might desire about what the Centre is already doing and what it could achieve with additional funding. We would also be very glad to invite officers of the Museum and the Brunei High Commission to visit the College and in particular the Archives, to discuss whether there are any ways in which we could be of help.

Yours sincerely

Hermann Bondi

Hermann Bondi



10 DOWNING STREET

Charles,

Agree the following should have a set of briefs for PM's trip to Asia?

- 1) PM ✓
- 2) CDP ✓
- 3) FEELB ✓
- 4) Sir P.C. ✓
- 5) BI ✓
- 6) Press ✓
- 7) Duty Clerks (Trip) ✓
- 8) Duty Clerk (Desk) ✓

Is it necessary for Iain Murray or the Policy Unit to have copies? NO NO

SUG
7/3/85.

COY 4/3.

PRIME MINISTER

SOUTH EAST ASIA: SPEECHES

You will have some ten speeches of varying length to make on this visit as follows (in the order in which they will arise):

(ii) The Institute of Public Administration in Malaysia. You agreed last autumn that this should be on international economic issues, including a new GATT round and commodities, and the need for NICs to accept the obligations of membership of the world trade system. The speech is to be followed by questions and answers. There is a not very good first draft from the Department, which I have asked Andrew to have a look at. About 20 minutes.

(i) Official Banquet in Malaysia. This will need to be about Anglo-Malaysian relations, the Commonwealth and Asean. It may need to deal quite specifically with one or two bilateral issues. About 8-10 minutes.

(iii) Malaysia - British Society Banquet. This will need to deal with the role of the society and with Anglo-Malaysian relations. It should also have a boosting Britain section. It will be difficult to avoid some overlap with (i) above. About 8-10 minutes.

(iv) Chief Minister's Lunch in Kedah. This will follow your visit to a big hydro-electric project and will be a chance to say something about the performance of British companies in Malaysia's development. About 6-7 minutes.

(v) Official Banquet in Singapore. A tribute to Mr. Lee, with sections also on Anglo-Singapore relations, Asean and international economic matters. About 8-10 minutes.

/(vi)

(vi) British Business Association in Singapore. You agreed last autumn that this should be a Boost Britain speech. Quite a reasonable draft has come from the Department which I have asked Tim to work up. About 15 minutes.

(vii) Indonesian State Banquet. An international survey - the Indonesians want to feel drawn into world events - ^{and} on Asean and on Indonesia's economic development, concluding with Britain's contribution to it. About 10-12 minutes.

(viii) Lunch with Indonesian Minister of Technology. A speech about what British firms can contribute to Indonesia's economic development. About 8-10 minutes.

(ix) Inauguration of the Victoria Dam in Sri Lanka. A short speech about the project and Britain's contribution to it. About 6-8 minutes.

(x) Speech to the Sri Lankan Parliament. A speech about democracy, which will need to be cast carefully to deal with the need for reconciliation to overcome Sri Lanka's internal problems. About 15-18 minutes. I have a first draft of this.

CHARLES POWELL

6 March 1985

cc: Mr. Butler

CONFIDENTIAL

cepc
SH/MS
Vet.



Foreign and Commonwealth Office

London SW1A 2AH

1 March 1985

Dear Charles,

Prime Minister's Visit to Asia

Thank you for your letter of 15 February authorising us to discuss the Prime Minister's programme with host governments. Our posts have now done so, with the exception of New Delhi where Sir Robert Wade-Gery will not be able to consult the Indian Prime Minister until after the State Assembly elections on 2 and 5 March. I enclose a revised programme which reflects these discussions and, in the case of the visit to India, the suggestions made by our High Commission. There are a number of points on which I would welcome further guidance or on which we should comment.

Malaysia

We have advanced the departure time from London to 1100, on the assumption that the Prime Minister would leave directly after oral questions that morning (1015-1030). It would however be possible to delay the departure until 1230 if necessary without affecting the first item on the programme in Malaysia (the official welcoming ceremony at 1045). It would not be possible to slip this further back, as the guard have to leave for their Friday religious devotions. The programme now allows a period for the Prime Minister to rest before the official talks in the afternoon.

Dr Mahathir has said that he would prefer to give his official banquet (serial M7) in Friday, 5 April, not 6 April as originally scheduled. In the light of this, we have proposed that the Malaysian/British Society banquet (serial M13) should be brought forward to Saturday 6 April from 7 April, leaving the latter evening free after what will be a tiring day in Kedah. Mr Gillmore is consulting the Malaysian/British Society about this.

Singapore

The Singaporeans have proposed a substantial reorganisation of the programme with the prime objective of ensuring that Mrs Thatcher and Mr Lee have adequate time for discussion.

/They

CONFIDENTIAL

[to leave
time for a
Cabinet
desired]



They accordingly propose to dispense with the formal welcoming ceremonies and the visit to Jurong.

The British Business Association Reception (serial S7) would be in two parts, with drinks from 1700-1730, followed by the Prime Minister's address in an adjoining conference room to a seated audience. The High Commission is confident that this arrangement should work well and attach importance to retaining the speech.

Brunei

The programme is basically unchanged, but now more detailed following discussion between Mr Cornish and the Sultan. The Prime Minister would have an opportunity for a private discussion with the Sultan (serial B3), followed by a working lunch (serial B4) with the Sultan and members of the Royal Family, possibly including the Sultan's father, Sir Omar.

Indonesia

The programme is unchanged though the Ambassador has warned that it has not yet been formally agreed by the Indonesian Government and there could be minor alterations. There is a potential difficulty over attendance at the talks with President Soeharto (serial J9). The President's practice is to have tete-a-tete meetings with visiting heads of government with advisers in attendance in a nearby room. Mr Donald has insisted that the Prime Minister should, at the least, be accompanied by a Private Secretary. He has also said that the Prime Minister might want Sir A Acland and himself to be present. I should be grateful to know the Prime Minister's wishes in due course on this point.

Sri Lanka

The revised programme has been discussed with President Jayewardene. It is somewhat less crowded as a result of his wish that the Prime Minister should address the Sri Lankan Parliament on the morning of 13 April instead of on the previous day: the programme on 12 April requires an early start, but it is not now particularly crowded. However, the President has put forward some additional ideas to which I would welcome your reaction:

- (a) The President has asked whether the Prime Minister would be willing to open the new hydrological museum in Colombo on the morning of 13 April. This would entail a stop of 10-15 minutes to cut a ribbon. No speech would be required. The museum, to be known as the Mahaweli Centre, is linked with the Mahaweli scheme of which the Victoria Dam is the centrepiece. The

/Mahaweli



Mahaweli Centre will also house the Sri Lankan branch of the Royal Asiatic Society. We recommend that the Prime Minister agrees to President Jayewardene's request.

- (b) The President wishes the Prime Minister to visit the Temple of Tooth, Sri Lanka's premier Buddhist shrine, on the afternoon of 12 April. This will require a stop of about 15 minutes en route from the President's Pavilion to Peradeniya Gardens. The Temple has been visited by other distinguished visitors, including The Queen, and it would be difficult to decline.
- (c) President Jayewardene has asked that the visit to the Sri Lankan Parliament should be slightly longer than originally proposed to accommodate speeches by the acting leader of the House and the leader of the Opposition, Mr Anura Bandaranaike. It would be difficult to object to this, and we see advantage in the Prime Minister's having an opportunity to meet senior opposition leaders, in particular Mr Bandaranaike who called on her in London in 1984.
- (d) President Jayewardene has also said that the Prime Minister will meet Tamil ministers and government notables such as the Chief Justice. However, we think there is a strong case for arranging for the Prime Minister to meet Tamil opposition representatives, in particular from the Tamil United Liberation Front. This will enable the Prime Minister to urge the need for reconciliation, and would be useful presentationally both with the Indian government, who support TULF, and in the UK, where the concerns of the Tamil community have attracted considerable sympathy. There are no Tamil opposition MPs, but our High Commission thinks it would be possible to arrange for the Prime Minister to meet a small group of appropriate TULF representatives and sees no objection to doing so, if the Prime Minister agrees to such a meeting.

The Prime Minister will wish to be aware that President Jayewardene has invited Mr Neil Marten and Dame Judith Hart, both of which as Ministers for Overseas Development were previously involved with the Victoria Dam project, to attend the commissioning ceremony.

India

The outline programme reflects Sir Robert Wade-Gery's advice. He recommends that we seek Mr Gandhi's agreement to talks in the evening, continuing over a working supper. Sir Robert suggests that, if Mr Gandhi accepts this, numbers should be kept small. We would recommend that the team on our side should consist of the Prime Minister, Sir Rober Wade-Gery,

/Sir Antony

CONFIDENTIAL



Sir Antony Acland and you. It would be helpful to know whether the Prime Minister would favour this. It cannot be excluded, however, that Mr Gandhi will suggest talks followed by a "family" dinner including spouses.

I shall write to you separately about Mr Thatcher's programme.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



10 DOWNING STREET

27 February, 1985

From the Private Secretary

PRIME MINISTER'S VISIT TO SOUTH EAST ASIA: BRIEFING

Thank you for your letter of 22 February enclosing a list of proposed briefs for the Prime Minister's visit to South East Asia.

The briefs for Washington were not as successful as we hoped, first because there was no guide to them and second because the new format was not followed consistently; instead a number of single subject briefs crept in to supplement, and sometimes duplicate, the general brief. The result was that the reader had to dodge from one document to another.

Applying the lessons to the briefs for this visit, I suggest first that the General Brief in Annex 2 to your letter be drastically slimmed. Items B(i) - (iii) are clearly necessary, but I do not think the Prime Minister needs to be briefed on B(iv) - (vii) or B(viii) a,b,c, or B(ix) for the sort of discussions which are likely to take place on this visit. Further, I doubt whether B(viii) d-h are really appropriate subjects for discussion at Prime Ministerial level. So I think we can dispense with a good deal of the General Brief.

The single country briefs write themselves. The key is to ensure that the layout is clear, with the individual subjects easily distinguishable within the general layout of the brief. I am inclined to think that a press line is impossible to lay down usefully in advance on a series of visits of this sort and can be omitted. On a point of detail, the fact sheet and personality notes should be at the back.

(C D Powell)

P.F. Ricketts, Esq,
Foreign and Commonwealth Office.

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

22 February, 1985

Dear Charles,

Prime Minister's Visit to Asia: Briefing

We discussed on the telephone the format for the briefing for the Prime Minister's visit to Asia. I enclose a list of proposed briefs, on which we have consulted Posts. Any comments in the light of your experience with the new format in Washington would obviously be useful in helping to achieve the most useful organisation of the material, which will inevitably be voluminous.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

RESTRICTED

CONFIDENTIAL

ANNEX 2

PRIME MINISTER'S VISIT TO ASIA, 4-13 APRIL 1985

<u>General Brief for Prime Minister</u>		<u>Lead Dept</u>	<u>Other Depts</u>	<u>Comment</u>
A	<u>Programme</u>	FCO (SEAD and SAD)		
B	<u>Subjects</u>			
i)	ASEAN (and EC/ASEAN relations)	FCO (SEAD)	FCO (ECD(E))	To include Philip-pines
ii)	Indo-China	FCO (SEAD)	FCO (HKD)	
iii)	Communist Policy : South and South East Asia	FCO (Soviet Dept/FED)		To include Sino-Soviet relations
iv)	Hong Kong	FCO (HKD)		
v)	East/West Relations	FCO (Soviet Dept)		
vi)	Arms Control Discussions	FCO (ACDD)		
vii)	Terrorism	FCO (SCU)		
viii)	International Political Issues (general)			
	a) Afghanistan	FCO (SAD)		
	b) Middle East	FCO (MED/NENAD)		
	c) Falkland Islands	FCO (FID)		
	d) Antarctica at UNGA	FCO (SAMD)		
	e) Law of the Sea	FCO (UND)		
	f) Security of Small States	FCO (Planning Staff)		
	g) Namibia	FCO (SAfD)		
	h) CHOGM	FCO (CCD)		
ix)	International Economic Issues	FCO (ERD)	Treasury	To include oil, protectionism, IDA

CONFIDENTIAL

ANNEX 3

PRIME MINISTER'S VISIT TO ASIA, 4-13 APRIL 1985
Country Briefs for Prime Minister

A - MALAYSIA (Single brief)

<u>Covering:</u>	<u>Lead Dept</u>	<u>Other Depts</u>	<u>Comment</u>
a) Personality Notes, Fact Sheet	FCO (SEAD)		
b) i) UK-Malaysia Political Relations	FCO (SEAD)		To include min- isterial, State visits
ii) UK-Malaysian Trade and Economic Relations	DTI (OT2, PEP)	FCO (TRED ERD) Treasury	To include invest- ment relations, commodity issues
iii) UK-Malaysia Air Services	FCO (MAED)	DTP, DTI	MAED to consult SEAD
iv) Malaysia: Aid/ Studentships	ODA	DTI, FCO (CRD)	Focus on students and ATP
v) UK-Malaysia: Defence	FCO (Defence Department)	MOD Sec(O)(C) and Defence Sales	

B - SINGAPORE (Single brief)

<u>Covering:</u>	<u>Lead Dept</u>	<u>Other Depts</u>	<u>Comment</u>
a) Personality Notes, Fact Sheet	FCO (SEAD)		
b) i) UK-Singapore Political Relations	FCO (SEAD)		
ii) UK-Singapore Trade and Economic Relations	DTI (OT2) (PEP)	FCO (TRED, ERD, Treasury)	
iii) UK-Singapore Air Services	FCO (MAED)	DTP, DTI	MAED to consult SEAD
iv) UK-Singapore: Defence	FCO (Defence Department)	MOD Sec (O)(C) and Defence Sales)	
v) Brunei	FCO (SEAD)		

C - BRUNEI (Single brief)

<u>Covering:</u>	<u>Lead Dept</u>	<u>Other Depts</u>	<u>Comment</u>
a) Personality Notes, Fact Sheet	FCO (SEAD)		
b) i) UK-Brunei General and Economic Relations	FCO (SEAD)	DTI (OT2)	SEAD to consult Bank of England
ii) UK-Brunei Defence Relations	FCO (Defence Department)	MOD Sec (O)(C) and Defence Sales	Defence Dept to consult SEAD

D - INDONESIA (Single Brief)

<u>Covering:</u>	<u>Lead Dept</u>	<u>Other Depts</u>	<u>Comment</u>
a) Personality Notes, Fact Sheet	FCO (SEAD)		
b) i) UK-Indonesia Political Relations	FCO (SEAD)		
ii) UK-Indonesia Trade and Economic Relations	DTI (OT2) (PEP)	FCO (TRED ERD) Treasury	To include UK invest- ment policy
iii) UK-Indonesia : Defence	FCO (Defence Dept)	MOD (Defence Sales, Sec (O)(C))	
iv) UK-Indonesia : Aid	ODA	DTI (OT2) (PEP)	To include oppor- tunities in UK for training

E - SRI LANKA (Single brief)

<u>Covering:</u>	<u>Lead Dept</u>	<u>Other Depts</u>	<u>Comments</u>
a) Personality Notes, Fact Sheet	FCO (SAD)		
b) i) Sri Lankan Inter- communal problem	FCO (SAD)		
ii) Aid Programme/ Victoria Dam	ODA	FCO (SAD)	
iii) Bilateral Issues (including defence related issues)	FCO (SAD)	ODA/DTI/MOD	

F - INDIA (Single brief)

<u>Covering:</u>	<u>Lead Depts</u>	<u>Other Depts</u>	<u>Comments</u>
a) Personality Notes, Fact Sheet	FCO (SAD)		
b) i) Bilateral Issues (including Sikh extremism)	FCO (SAD)		
ii) Trade/Projects	DTI	ODA/FCO (SAD)	
iii) Defence Sales	MOD (RMD3)	FCO (SAD)	
iv) Regional Political issues (Sri Lanka, Indo-Pakistan relations)	FCO (SAD)		

ANNEX 4

BACKGROUND BRIEFS (for use by Officials)

<u>Brief No</u>	<u>List of Briefs</u>	<u>Lead Dept</u>	<u>Other Depts</u>	<u>Comment</u>
<u>General</u>				
01.	ASEAN	FCO (SEAD)		To include Philip-pines; Pacific Rim
02.	Indo-China	FCO (SEAD)		
03.	China	FCO (FED)		
04.	Non Aligned Involvement	FCO (UND)	Research Department	
05.	US and Japanese Policy in South and South East Asia	FCO (NAMD/FED)		
06.	British Council: Asia	FCO (CRD)	British Council	
<u>Malaysia</u>				
07.	History, Internal Political, foreign policy, economy	FCO (SEAD)	FCO (Economic Advisers, Research Dept)	
08.	Diplomatic Estate	FCO (OED)		
<u>Singapore</u>				
09.	(History, Internal Political, Foreign Policy, Economy)	FCO (SEAD)	FCO (Economic Advisers, Research Dept)	
<u>Brunei</u>				
010.	History, Internal Poltical, Foreign Policy, Economy	FCO (SEAD)	FCO (Economic Advisers, Research Dept)	

Indonesia

011.	History, Internal Political, Foreign Policy, Economy relations with OPEC	FCO (SEAD)	FCO (Economic Advisers, ESSD, Research Dept)
------	---	------------	---

Sri Lanka

012.	History, Internal Political, Foreign Policy, Economy)	FCO (SAD)	
013.	Defence related issues	FCO (SAD)	MOD

India

014.	Sikh extremism	FCO (SAD)	
015.	Other Issues	FCO (SAD)	



ate SS

10 DOWNING STREET

From the Private Secretary

6 February 1985

Prime Minister's Visit to Indonesia

I enclose copies of correspondence between Dr Michael Clark MP and Michael Alison about the Prime Minister's visit to Indonesia. I should be grateful if the point mentioned in Dr Clark's letter could be covered in the briefing for the Prime Minister's visit.

C D Powell

Peter Ricketts Esq
Foreign and Commonwealth Office

ea

cc. Charles Powell

o/k

17th December 1984

Thank you for your letter of 13th December.

At present the Prime Minister has no plans to visit South East Asia, although she does, I know, hope that it may be possible to reinstate the visit which had to be cancelled in September. It is, however, most helpful of you to have written as you do about Professor Habibie, and we shall keep your letter on file here for when such a tour materialises.

MICHAEL ALISON

Dr Michael Clark MP

FROM: DR. MICHAEL CLARK, M.P.



ku
—

HOUSE OF COMMONS
LONDON SW1A 0AA

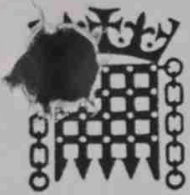
13th December, 1984.

Dear Michael

I believe that the Prime Minister's delayed visit to South East Asia may be taking place shortly and I understand from contacts in Indonesia that it is possible that she will be visiting that country during the tour. If that is so, it may be useful if she is aware of an item that may be raised by Prof. Dr. B. J. Habibie, State Minister for Research and Technology, whom I believe she has previously met.

At the outset may I say that prior to becoming a Member of Parliament I worked for PA Management Consultants and still have a connection with them. PA's Technology Division is in the forefront of technological research and is particularly strong in three areas that are of interest to Indonesia as they seek to develop and establish their technological capability, namely, micro-electronics, material science and biotechnology.

It is the latter about which I write. A five-man Committee has been formed by Dr. Habibie to plan and co-ordinate biotechnology development and it is chaired by Prof. Dr. A. A. Loedin, a Director General in the Ministry of Health responsible for Research and Development. As you may be aware, £30 millions is allocated by the U.K. for technical support, most of it specified for certain projects. However, there is a Presidential Decree stating that all grants for technical help should not be tied to specific projects. Indonesia has indicated that it would like the U.K. to undertake the biotechnology strategy study and PA Technology would like to have the opportunity of quoting (along with other British companies) for this contract. However, before tenders can be invited it is necessary to undertake a short programme of project definition which would cost between £20-50,000. If that piece of work can be undertaken by a British company it is likely that following work will be undertaken in Britain either by individual companies or partnerships established specifically for this purpose. I am sure



you will be aware of the advantages of Britain having this contract as far as sales of laboratory research equipment and technical know-how are concerned.

I feel sure that if the Prime Minister would like to discuss this point I can arrange through my PA contacts for the matter to be raised by Prof. Habibie.

Yours sincerely

Michael

Rt. Hon. Michael Alison, M.P.,
Parliamentary Private Secretary to
the Prime Minister,
10 Downing Street,
LONDON, S.W.1.

