

CONFIDENTIAL

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MDHOAN 9200

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FM FCO

TO DESKBY 280100Z KUALA LUMPUR

TELNO 279

OF 271900Z JUNE 88

MIPT: MALAYSIA DEFENCE PACKAGE

1. FOLLOWING ARE TEXTS OF TWO LETTERS FOR DAIM:

I) FROM SECRETARY OF STATE FOR DEFENCE TO MALAYSIAN FINANCE MINISTER:

1. I MUCH ENJOYED OUR DISCUSSIONS IN KUALA LUMPUR IN MARCH, TO WHICH YOU REFERRED IN YOUR LETTER OF 23 MARCH. YOU RAISED THE QUESTION OF AID FOR CIVIL PROJECTS. WE HAVE, OF COURSE, CONSIDERED THIS SERIOUSLY, NOT LEAST BECAUSE WE ARE VERY KEEN TO CONTINUE AND DEVELOP THE COMMERCIAL RELATIONSHIP BETWEEN OUR TWO COUNTRIES. I THINK YOU WILL KNOW THAT THE LINKING OF AID TO PROJECTS IS GOVERNED BY INTERNATIONAL RULES WHICH WOULD PRECLUDE THE SORT OF ARRANGEMENT WHICH YOU SEEMED TO ENVISAGE AT OUR MEETING. HOWEVER, I ASSURE YOU, ON BEHALF OF MY GOVERNMENT, THAT WE WILL CONTINUE TO EXPLORE NEW AVENUES OF COOPERATION BETWEEN OUR TWO COUNTRIES.

2. I WILL CONTINUE TO GIVE MY PERSONAL SUPPORT AND BACKING TO THIS.

II) FROM YOURSELF TO MALAYSIAN FINANCE MINISTER:

1. AS YOU WILL KNOW, THE BRITISH GOVERNMENT HAVE PROVIDED FINANCIAL SUPPORT THROUGH OUR AID AND TRADE PROVISION (ATP) FOR SEVERAL PROJECTS IN MALAYSIA OVER THE LAST FEW YEARS. WE HAVE FURTHER CONSIDERED THE QUESTION OF ATP ON THE BASIS OF OUR ENHANCED COOPERATION IN SEVERAL AREAS RELATING TO THE DEVELOPMENT OF MALAYSIA IN GENERAL, AND TAKING INTO ACCOUNT WHAT WE KNOW OF MALAYSIA'S REQUIREMENTS FOR FURTHER ELIGIBLE PROJECTS. I HAVE BEEN INSTRUCTED TO CONFIRM THAT WE ARE WILLING TO OFFER FURTHER SUPPORT FOR CONTRACTS (THROUGH ATP GRANTS PLUS NORMAL ECGD EXPORT CREDIT COVER) OF UP TO A TOTAL OF PDS 200 MILLION, FOR DEVELOPMENT PROJECTS TO BE AGREED MUTUALLY BETWEEN OUR TWO GOVERNMENTS.

2. WE LOOK FORWARD TO ENTERING INTO EARLY DISCUSSION WITH A VIEW TO IDENTIFYING ELIGIBLE PROJECTS.

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3. IN ANSWERING ANY PRESS ENQUIRIES YOU SHOULD STICK TO THE LINE GIVEN IN OUR TELNO 244. IF PRESSED ON A POSSIBLE LINK WITH AID, YOU SHOULD ADD THE FOLLOWING:
BEGINS.

AID IS NOT USED FOR MILITARY PURPOSES OR TO HELP WIN CONTRACTS FOR MILITARY GOODS.
ENDS.

HOWE

YYYY

DISTRIBUTION

57

MAIN 54

LIMITED
SEAD
DEFENCE D
NEWS D
ERD
MAED
MR GILLMORE

MR MCLAREN
PS
PS/LORD GLENARTHUR
PS/MR EGGAR
PS/MR PATTEN
PS/MRS CHALKER

ADDITIONAL 3

MR CAINES, ODA
MR IRETON, ODA

MR GRAHAM-HARRISON, EADD, ODA

NNNN

SECRET

PROTOCOL

MALAYSIAN DEFENCE PROCUREMENT PROGRAMME

The Government of Malaysia and the Government of the United Kingdom of Great Britain and Northern Ireland, having regard to:

the friendly relations between the two countries and the desire of the Government of Malaysia to purchase defence equipment for the Malaysian Armed Forces from United Kingdom sources

have reached the following understanding.

The Government of Malaysia will purchase from sources in the United Kingdom a range of equipment, services and facilities for the use of the Malaysian Armed Forces, the key elements of which are listed in the Annex to this document. The priority to be attached to the items of equipment, will be determined by the Malaysian Government.

The two Governments will mutually agree on :

- a. items of equipment to be added to the list at Annex
- b. alterations in the quantities of agreed items
- c. prices of items of equipment.

The Government of the United Kingdom will bring to bear the resources of its Ministry of Defence on the overall

C.Y.



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Programme in order to grant facilities including, but not necessarily limited to:


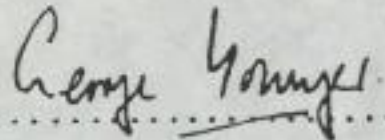
- a. Aid in support of non-military aspects under this Programme, the type, terms and conditions of which shall be mutually determined by both Governments. Her Majesty's Government has taken note of the Malaysian Government's desire that this grant should amount to no less than 20% of the value of defence equipment and this will be discussed in the context of the Memorandum of Understanding.
- b. training of Malaysian personnel in theoretical and operational concepts and in operation, maintenance, overhaul and repair of the equipment specified herein.
- c. the purchase by the British Ministry of Defence, either directly or through its suppliers, of items produced in whole or in part, by the Malaysian Defence Industry subject to the agreement of terms and conditions;
- d. direct assistance to Syarikat Malaysia Explosives to upgrade its defence production capacity with a view to penetrating the export market.
- e. through the British companies involved in the specified equipment, including major sub-contractors as well as prime contractors, and


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through other infrastructure projects as may be mutually agreed, the transfer of sophisticated and advanced technology with the objective of further developing the defence industrial base of Malaysia.

The two Governments hereby undertake to commence the Programme forthwith and draft and agree an overall Memorandum of Understanding encompassing and elaborating this Protocol for signature as soon as possible. Separate arrangements to cover discrete aspects of the overall project may also be required in the form of a separate Memorandum of Understanding or by supplements to the overall Memorandum of Understanding.

SIGNED IN KUALA LUMPUR THIS 23rd DAY OF MARCH 1988

| | | | |
|-------------|---|-------------|--|
| SIGNED..... |  | SIGNED..... |  |
| NAME | Y.M. TENGKU DATUK AHMAD RITHAUDDEN | NAME | RT HON GEORGE YOUNGER TD MP |
| TITLE | MINISTER OF DEFENCE | TITLE | SECRETARY OF STATE FOR DEFENCE |
| | FOR THE GOVERNMENT OF MALAYSIA | | FOR THE GOVERNMENT OF GREAT BRITAIN AND NORTHERN IRELAND |



ANNEX TO PROTOCOL

KEY PROJECTS

- An Integrated Air Defence Project comprising :
 - 12 Tornado aircraft
 - 6 Batteries of Rapier Blindfire missile systems
 - 2 Martello 3D radars

- An integrated Command, Control, Communications and Intelligence System (C³I) with application to naval, land and internal security forces as well as Air Defence

Q.Y.
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