



Foreign and Commonwealth Office

London SW1A 2AH

30 August 1988

Dr Arumugam

requested

I understand that Datuk Arumugam, Chairman of GEC Malaysia and confidant of Dr Mahathir, is calling on you this morning. He is likely to be positive about Dr Mahathir's visit and signature of the MOU on 27 September provided Dr Mahathir's hope that some of the ATP funds we have offered can be found for the Hill Resort Road (Sir C Chandler's letter to David Gillmore of 15 August, copied to you). There is also a suggestion that a contribution to a sail training ship project would go down particularly well. DTI and ODA officials were in Kuala Lumpur last week to discuss project business and established that the Malaysians attach priority to the Hill Resort Road project. A paper outlining the proposal, in which Trafalgar House are known to be interested, will reach the DTI today. You may wish to tell Arumugam that we will be considering project business in general in the light of the visit of officials.

Arumugam may raise air services. You might tell him that we are in continuing touch with British Airways who have taken a constructive attitude towards the possibility of further, wider-ranging talks with Malaysian Airline Systems.

Yours ever

R N Peirce

(R N Peirce)
Private Secretary

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