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*Noty read*  
From the Private Secretary

24 May 1989

*See Beh.*

#### PRIME MINISTER'S MEETING WITH DR MAHATHIR

The Prime Minister had a meeting this afternoon with Dr Mahathir, who was accompanied by the Malaysian High Commissioner and a Private Secretary. No one seemed to have told him about the formidable list of points that he was supposed to raise, as detailed in your letter of 23 May.

#### United Kingdom/Malaysian Relations

Dr Mahathir announced that everything was going swimmingly and there was no need to discuss our relations or the defence contracts.

He briefly mentioned the Hill Road Project, saying that a survey was being undertaken and pointed to the project being much more expensive than originally estimated. None the less, he intended to proceed with such parts of it as Malaysia could afford and hoped that we could provide ATP funds for this. The Prime Minister said, in some perplexity, that we had offered to finance a feasibility study but our offer had not been taken up. Dr Mahathir seemed certain that the Malaysian Government was already financing a survey by a British firm. The Prime Minister promised to look into this further and get a message to Dr Mahathir before he left the UK on Sunday explaining our understanding of the position.

#### Vietnamese Boat People

The Prime Minister described the difficulties being experienced in Hong Kong. Dr Mahathir took the view that the upsurge of boat people was probably an attempt to beat the gun of the forthcoming conference on refugees.

#### Regional Problems

Dr Mahathir expressed concern that events in China would follow the pattern of Burma, with the army mounting a bloody suppression against the students.

Dr Mahathir seemed fairly optimistic about Cambodia, without being specific.

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Dr Mahathir showed detailed interest in developments in the Middle East. The Prime Minister gave him an account of her meeting with Mr Shamir. She did not believe that Shamir was psychologically capable of taking the steps necessary to achieve a lasting solution to the Arab/Israel problem. But he might be able to get a preparatory process going. Dr Mahathir said that it was very important to take advantage of the new moderation shown by the PLO. The United States was not doing enough to put pressure on Israel. He hoped that the United Kingdom would encourage the Americans to be more active. He would like to see the United Nations Security Council more actively involved.

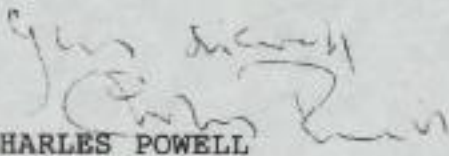
Dr Mahathir also showed interest in Namibia, on which the Prime Minister once again gave him an account of the situation. Dr Mahathir was emphatic about the need to increase the size of UNTAG. He referred to the low quality of SWAPO's leaders. One could not expect them to be very efficient or democratic. He very much doubted that SWAPO would win as much as two-thirds of the votes in the elections. There were bound to be several hitches and setbacks between now and November. But he agreed with the Prime Minister on the importance of a successful outcome.

Dr Mahathir urged that Britain and Malaysia should work more closely together on these international issues, particularly while Malaysia was a member of the Security Council. In general he would like to see the Permanent Members of the UN Security Council play a more active role, keeping the other members closely informed.

#### CHOGM

The Prime Minister referred to the dangers of a damaging split in the Commonwealth over the succession to Sonny Ramphal as Secretary General. Dr Mahathir said that, while Malaysia had no very strong view, there was something to be said for a new Secretary General: Ramphal had served for a considerable time. He thought Anyaoku probably had a small edge in terms of support. But there were attractions in keeping Ramphal on to avoid having to take sides. He believed that Rajiv Gandhi supported this, and probably one or two others. The Prime Minister commented that Mahathir would have a crucial role as Chairman of this year's CHOGM.

I am copying this letter to Brian Hawtin (Ministry of Defence), Neil Thornton (Department of Trade and Industry), Alex Allan (HM Treasury) and Myles Wickstead (Overseas Development Administration).

  
CHARLES POWELL

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Foreign and Commonwealth Office