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FROM IMMEDIATE B H C SINGAPORE

TO COMMONWEALTH OFFICE

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I M M E D I A T E

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STERLING AND SINGAPORE

ON 20 APRIL LEE TOLD ME THAT HIS REPLY TO THE PRIME MINISTER WAS READY IN DRAFT, BUT THAT HE WOULD WITHHOLD ITS DESPATCH FOR THE TIME BEING, SO THAT ^GSOH COULD DISCUSS IT WITH FOGARTY WHEN THE LATTER VISITED SINGAPORE ON THE 29 APRIL.

2. LEE TOLD ME THIS AT THE AIRPORT AS WE WERE BEING MARSHALLED TO OUR RESPECTIVE PLACES TO GREET NE WIN, WHO WAS ARRIVING HERE ON A THREE-DAY STATE VISIT. THERE WAS NO OPPORTUNITY THEN FOR ME TO MAKE ANY COMMENT BEYOND CONFIRMING, IN REPLY TO LEES QUERY, THAT THE FEW DAYS DELAY WHICH THIS WOULD INVOLVE WOULD CAUSE US NO INSUPERABLE DIFFICULTY. I HAD OF COURSE NO FURTHER OPPORTUNITY TO TALK TO LEE AFTER NE WIN HAD LANDED.

3. I AM NOT ALTOGETHER HAPPY AT THIS TURN OF EVENTS.

THE ADVANTAGE IS THAT IF, CONTRARY TO OUR EXPECTATIONS HITHERTO, THE REPLY WERE NOT SATISFACTORY, IT IS BETTER THAT WE SHOULD SEE IT IN DRAFT AND HAVE AN OPPORTUNITY TO COMMENT BEFORE SET POSITIONS ARE TAKEN. TO THE EXTENT THAT I WAS ABLE TO FORM ANY IMPRESSION FROM OUR VERY BRIEF SNATCH OF CONVERSATION IT SEEMED TO ME THAT THIS WAS WHAT LEE ALSO HAD IN MIND.

4. AS AGAINST THIS WE SHALL HAVE TO BE VERY CAREFUL THAT, EVEN IF THE DRAFT APPEARS PERFECTLY SATISFACTORY, FOGARTY DOES NOT GIVE THE IMPRESSION OF HAVING ACCEPTED IT ON BEHALF OF H M G OR OF THE PRIME MINISTER. IT IS ONLY IN LONDON THAT

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THE DECISION CAN BE TAKEN WHETHER IT IS ACCEPTABLE OR NOT, AND WE MUST IF WE CAN AVOID RECRIMINATIONS LATER ON THE LINES THAT FOGARTY HAD SAID THIS OR THAT. AT THE MEETING WITH GOH, AT WHICH I PROPOSE TO ACCOMPANY FOGARTY, I RECOMMEND THAT WE MAKE IT QUITE CLEAR THAT THE MESSAGE IS FOR THE PRIME MINISTER AND THAT IT IS ONLY HE WHO CAN SAY WHETHER IT IS ACCEPTABLE OR NOT. BUT YOU MAY THINK THAT IF THERE ARE ASPECTS OF THE DRAFT WHICH WE THINK MIGHT NOT BE ACCEPTABLE, AND IF OUR DISCUSSION SHOWS THAT THESE REFLECT SERIOUS DIFFERENCES OF VIEW OR OF INTERPRETATION, I MIGHT SUGGEST, ENTIRELY ON A PERSONAL BASIS, THAT IF GOH WOULD LIKE TO LET ME HAVE A COPY OF THE DRAFT, WITHOUT COMMITMENT ON EITHER SIDE, I COULD LET HIM OR LEE KNOW WITHIN A DAY OR TWO HOW IT WOULD BE RECEIVED IN LONDON.

5. IN MAKING THIS SUGGESTION I HAVE IT IN MIND THAT GIVEN THE INFORMAL AND PERSONAL BASIS ON WHICH LEE LIKES TO DO BUSINESS WITH US HIS OWN INCLINATION WOULD BE TO TRY TO IRON OUT ANY DIFFERENCES THERE MIGHT BE BETWEEN US BEFORE TAKING UP AN OFFICIAL POSITION WHICH IT WOULD BE DIFFICULT LATER TO MODIFY. BUT GOH IS NOW VERY MUCH A FACTOR, AND IN SPITE OF WHAT LEE HAD TOLD ME EARLIER ABOUT THE EFFECT OF HIS CABINET RE-SHUFFLE I DOUBT WHETHER HIS FLANK IS YET SO PROTECTED THAT HE CAN AFFORD TO IGNORE TAUNTS BY GOH THAT HE IS STILL SUBSERVIENT TO LONDON.

6. THIS LATTER CONSIDERATION NOTWITHSTANDING I BELIEVE THAT DEPENDING ON HOW THE CONVERSATION WITH GOH DEVELOPS IT WOULD BE USEFUL IF I HAD DISCRETION TO TRY OUT THE SUGGESTION MADE IN PARA 4 ABOVE. I WOULD WELCOME YOUR INSTRUCTIONS.

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7. MY CONCERN ABOUT THIS NEW DEVELOPMENT MAY BE QUITE UNFOUNDED. BUT ALTHOUGH IT IS A DELICATE MATTER FOR ME TO RAISE I AM BOUND TO REPORT THAT I DETECT SIGNS THAT LEE HIMSELF IS BEGINNING TO ENTERTAIN DOUBTS ABOUT OUR ECONOMIC FUTURE AND IN PARTICULAR THE FUTURE OF STERLING. YOU WILL RECALL THAT IN HIS CONVERSATION WITH YOU ON 4 APRIL (MY TEL NO 379) HE SAID THAT WHILE HIS REPLY TO THE PRIME MINISTER WOULD CONTAIN ALL THE ASSURANCES WE NEEDED IT WOULD ALSO CONTAIN ONE PROVISIO --- THAT WE PUT OUR OWN HOUSE IN ORDER. I REGRET TO SAY THAT HE DOES NOT REPEAT NOT LOOK UPON THE LATEST RE-ALLOCATION OF CABINET RESPONSIBILITIES IN THE U K AS A STEP IN THAT DIRECTION. HE HAS NOT LOST HIS ROBUST CONVICTION THAT WE SHALL PULL THROUGH IN THE END. AT THE 50TH ANNIVERSARY DINNER FOR THE R A F ON 19 APRIL HE ROUNDLY AFFIRMED, IN THE PRESENCE OF LIM (DEFENCE MINISTER). MY MALAYSIAN COLLEAGUE AND MANY OTHERS THAT A PEOPLE WITH OUR RECORD OF PURPOSE AND ENDEAVOUR WOULD NOT ALLOW THEMSELVES TO BE OVERCOME BY THE PROBLEMS WHICH NOW FACE US. BUT FOR THE IMMEDIATE AND SHORT-TERM PROSPECTS HIS CONFIDENCE IS WEAKENED. AS WELL AS THE HINTS TO THIS EFFECT WHICH HE HAS GIVEN ME I HAVE IT ON AUTHORITY I BELIEVE TO BE ACCURATE THAT WHEN HE UNBURDENS HIMSELF TO HIS CLOSEST CRONIES THE THEME THAT IS CROPPING UP WITH INCREASING FREQUENCY IS THAT IF THE CABINET CHANGES AT HOME ARE THE MARK OF OUR RESOLVE TO DEAL WITH THE LABOUR UNIONS THEN ANOTHER EARLY DEVALUATION IS INEVITABLE. HE HAS ALREADY TOLD US PRETTY PLAINLY THAT HE DOES NOT INTEND TO BE CAUGHT A SECOND TIME.

8. BECAUSE OF THE PRECEDING PARAGRAPH, WHICH I REGRET TO HAVE TO PUT TO YOU IN SO STARK A FORM, I AM NOT REPEATING THIS TELEGRAM ELSEWEHERE. YOU WILL NO DOUBT WISH TO ARRANGE FOR FOGARTY TO

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BE VERY CLOSELY BRIEFED. THE ENCOUNTER WITH GOH MAY BE VERY DIFFICULT, AND CRUCIAL. IF WE WERE DISCUSSING THIS WITH LEE WE COULD DRAW SOME COMFORT FROM THE BREADTH OF HIS VISION AND FROM HIS KNOWLEDGE THAT THERE ARE MORE THINGS IN HEAVEN AND EARTH THAN COME WITHIN THE PURVIEW OF THE ECONOMISTS. BUT GOH IS EASILY LED AWAY BY THE ALMOST SENSUOUS PLEASURE HE GETS OUT OF AN INTELLECTUAL DISPUTATION ON ECONOMIC ABSTRACTIONS. MUCH WILL DEPEND ON WHETHER HE APPROACHES THE MEETING IN A PRACTICAL MANNER, AS HE IS CERTAINLY MOST CAPABLE OF DOING, OR WHETHER HE IS CARRIED AWAY BY HIS IMPISH DELIGHT IN TRYING TO SCORE INTELLECTUAL POINTS OFF HIS OPPONENT. WHAT WE NEED IS A PRACTICAL, NON-DISPUTATIOUS REPLY, SATISFACTORY TO US, TO THE PRIME MINISTER'S MESSAGE. I SUSPECT, I HOPE WRONGLY, THAT GOH'S PARTICIPATION AS A PRINCIPAL MAY MAKE OUR TASK HARDER. WE SHALL HAVE TO BE VERY WELL PREPARED

MR. DE LA MARE

PRISEC (C.O.)

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