

**PRIME MINISTER
MALAYSIA**

7 October 2002

His Excellency
Mr Goh Chok Tong
Prime Minister
Republic of Singapore

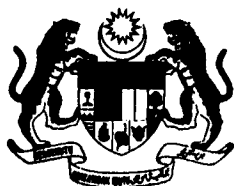
Dear Chok Tong,

I am writing in regard to the decision that we reached on 27 December 1998 in Hanoi for Malaysia and Singapore to resolve, once and for all, the outstanding issues between our two countries in a *package*. These issues include water supply; railway-related issues and Customs, Immigration and Quarantine (CIQ); Central Provident Fund (CPF) and the use of Malaysia's airspace.

As you are aware, since our above decision, several meetings, both at Ministerial and officials levels, had been held on the package of issues. Regrettably, three rounds of talks at the senior officials level in 1999 and two Ministerial-level Meetings in 2002 did not meet with any success.

In addition Senior Minister Mr Lee Kuan Yew also had several sessions with me discussing the same package but no agreement could be reached.

I think we have now come to a point where it would be important for us to prioritise our discussions. The approach that both sides had adopted so far in dealing with the outstanding issues in a package, has not yielded any meaningful results. In view of this, Malaysia has now decided to discontinue the package approach and to give the highest priority to first resolving the long-delayed water issue, particularly the price review of raw water. Once this issue is



satisfactorily and amicably resolved, I am confident that Malaysia and Singapore would be able to move forward much faster in finding solutions to the other outstanding issues that stand in the way of our bilateral relations.

Public expectations in both our countries are very high that our two Governments would quickly find a solution to the water issue. I am therefore hopeful that significant progress would be made on this issue at the forthcoming meeting of our senior officials from 16-17 October 2002 in Johor Bahru and to be followed by the Ministerial Meeting at a later date. Both our countries will then be in a more comfortable position to deal expeditiously with the other issues.

*With best regards,
Sincerely,*

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form the name 'Mahathir bin Mohamad'.

Dr Mahathir bin Mohamad