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Foreign and Commonwealth Office

London SW1A 2AH

14 February 1986

Dear Charles,

Visit of Prime Minister of Turkey : 17-20 February

I enclose briefing for the Prime Minister's meeting at No.10 with Mr Ozal at 5.00 p.m. on Tuesday 18 February. For the sake of clarity we have kept EC matters separate from the others. We expect Ozal to focus principally on the EC points at issue.

Apart from EC considerations Ozal's other major concern is likely to be the availability of ECGD cover both for civil and defence contracts. The level of this cover has recently been reviewed and increased significantly, with Mr Ozal's visit very much in mind. It still however falls well short of the likely total of Turkey's military and civil demands.

The Turks attach great importance to this visit which, as you know, follows Sir Geoffrey Howe's visit to Ankara in February 1985. It is the first official visit by a Turkish Prime Minister to the UK since 1952 and to any European country since the military takeover in September 1980. You will have seen Sir Mark Russell's two scene-setting telegrams (Ankara telegrams Nos. 84 and 89 - copies attached for ease of reference).

In addition to his meeting with the Prime Minister, Mr Ozal will be having talks with Lady Young (in Sir Geoffrey Howe's absence) and the Chancellor, as well as the Secretaries of State for Defence and Trade and Industry. He will be accompanied by a large delegation, including the Defence Minister, Mr Yavuzturk. Although this must inevitably be slightly artificial, we have tried to agree with the Turks specific subjects for the various meetings. The Prime Minister may wish to concentrate on :

/ (a)

C D Powell Esq
No.10 Downing Street

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- (a) Turkey's European aspirations
- (b) Cyprus
- (c) the Aegean
- (d) human rights
- (e) major contracts post Bosphorus bridge, including defence sales
- (f) British Embassy compound, Ankara

The last is an irritating point which would normally not have to be raised at this level. But our present problems seem to stem from an unhelpful decision by the Turkish Foreign Minister which is only likely to be overturned by Ozal himself. We suggest that the Prime Minister might simply touch on it, but in such a way as to leave Ozal in no doubt of our concern.

At our suggestion Mr Ozal will only be accompanied to No.10 by Mr Sanberk, his adviser on foreign affairs, and the Ambassador Mr Rahmi Gumrukcuoglu. We have told the Turks that the Prime Minister will probably be accompanied by yourself and possibly HM Ambassador and/or an FCO official. Perhaps you could please let me know your views on the latter.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
No.10 Downing Street



VISIT OF PRIME MINISTER OF TURKEY: 17-20 FEBRUARY 1986

EC/TURKEY

OUR OBJECTIVES

- To underline UK's leading role in restoration of normal EC/Turkey relations.
- To deter Turks from making an early application for EC membership and convince them that making the most of the Association Agreement is only realistic way forward.

ARGUMENT

1. UK regards Turkey as indispensable member of western democratic group of nations.
 - We have been a tireless advocate of need for Community to improve relations with Turkey and acknowledge progress Turkey has made over last two years in restoring democracy.
 - These efforts beginning to bear fruit: we have been instrumental in getting Danes to unblock first part of outstanding EC aid.
 - No one has worked harder than UK to persuade partners of importance of early meeting of Association Council; optimistic we shall succeed.
 - We shall then continue to work hard to get Association Agreement back in good working order.
 - Convinced this is right way forward for EC/Turkey relations: UK will do all it can to promote progress.
 - Fully agree with your recent press interview in which you argued cautious approach to membership question and pointed out need to normalise relations. Sure this is the right approach.

THEIR OBJECTIVES

- To seek our advice on/support for an early application for EC membership which they will justify on following grounds:
 - political conditions improved by settlement of five nations human rights case;



- new economic policies designed to prepare Turkey for membership;
- negotiation will be long process so need to start now to achieve membership by 1995-2000.

- To press for more liberal UK attitude to imports of Turkish textiles.

OUR RESPONSE

A. Turkish Membership of the EC

2. Turkey's right to apply not in question.

- As good friend of Turkey must say that an early application for membership would court a damaging rebuff and jeopardise possibility of real progress on Association Agreement, with possible damaging consequences in other fields.

- In any case, it will be a number of years before Member States are ready to contemplate negotiations on further enlargement.

- Community must have time to adapt to Spanish and Portuguese entry. Will not be able to assess until after transition period (7-10 years).

3. Our common aim must be to normalise relations and put new life in Association Agreement: this already provides framework for a much closer economic relationship, including customs union which should meet immediate concerns of Turkish industry.

- Would provide time for Turkey to educate European opinion as to economic and political progress.

4. [If Ozal signals that in absence of EC application Turkey would press for implementation of commitment of free movement of labour]

- Turks will understand that with present unemployment in Community (average of 11.1%) this issue will be very difficult. Germans will have explained their concerns.

5. [If Ozal mentions role of European Parliament]

- There is a real danger that European Parliament would



immediately adopt a negative resolution on a Turkish application at this stage. This would be a set-back and would influence attitude of member states.

B. Textiles

6. UK textiles and clothing industry has lost many jobs in recent years (250,000 since 1980). But remains very important: still employs about 500,000.

- Faced with similar pattern in rest of Community, EC has called for further renewal of Multi-Fibre Arrangement; also believes that Voluntary Restraint Arrangements for preferential partners continue to be necessary.

- Even Portugal and Spain will continue to exercise restraint on sensitive products.

7. At same time, UK prepared to see some liberalisation in next MFA, believing it necessary to give right signal to less developed countries in context of new GATT Round.

8. Recognise importance to Turkey of textile exports.

- Very much hope recently signed Voluntary Restraint Agreements on textiles can be extended to cover clothing products sensitive for EC; this would remove need for safeguard action by Community.

- If comprehensive VRA concluded, Turkey can expect significantly better treatment than MFA suppliers.



BACKGROUND

1. 1963 EC/Turkey Association Agreement covers preferential trade access, progress to customs union and consideration of possibility of Turkish membership

"when operation of the agreement has made it possible to envisage the full acceptance by Turkey of the obligations arising out of the Treaty setting up the Community".

2. Turks increasingly frustrated at EC's failure to restore normal relations and unblock outstanding aid despite ending of military rule more than two years ago. UK is concerned at damage EC's continued intransigence might do to wider western interests.

3. We have played leading role in reminding Community of progress Turkey has made towards restoring democracy and in trying to persuade Greeks and Danes to unblock EC aid, which would be most tangible evidence of improved relations. Following settlement of human rights case, our lobbying was instrumental in recent Danish decision to lift reserve on the supplementary protocol on the first enlargement (worth 47 mecu) - the first of three tranches of EC aid still outstanding. (The others are the 1980 Special Aid Programme worth 29 mecu and the (unsigned) fourth financial protocol worth 600 mecu).

4. At January Foreign Affairs Council we also strongly supported Turkish request for early meeting of Association Council and hope to get agreement when discussion is renewed at February Council. Greeks now the main obstacle.

5. Case for normalising relations is strengthened by need to reach a compromise with the Turks later this year on deferring their entitlement (under the terms of a 1970 Additional Protocol) to free access to the EC labour market from 1 December 1986 - of particular concern to Germans with whom Turks have been negotiating privately.



Application for Membership

A 6. Turks are determined to exercise their right to apply to join the EC: they see eventual full membership of the EC as test of their acceptance by Europe, and as essential complement to their membership of NATO and progress back to democracy. The Prime Minister's answer to a Parliamentary Question on Turkish membership last April is attached.

B 7. If the Turks did apply, this would be likely to be blocked by the Greeks. No one in the Community is prepared to contemplate a further enlargement, given time it will take to absorb Spain and Portugal. In a Turkish press interview in January, Ozal recognised problems for Community and need to normalise relations first. But pressure to make early application is strong, especially from industrialists.

8. Ozal is keen to get Prime Minister's views as friend of Turkey. This discussion could have major influence in dissuading Turks from an application which, at this stage, could only end in rejection with serious repercussions for wider Western interests. Our advice will be unpalatable, but our record of support for Turkey makes it easier for us to speak frankly, but without conveying the impression that the UK is opposed to Turkish membership or that no Turkish application will ever be accepted.

9. Turks have begun to introduce trade liberalisation and other economic reforms (including VAT) in order to prepare Turkish economy for membership of EC. But even if these policies were sustained, Turkish membership would still entail intolerable costs to Community, particularly in terms of structural and agricultural spending: Turkey's GDP per capita is only 12% of EC average.

Textiles

10. Textiles provide 20% of Turkey's industrial exports. It is EC's largest supplier by volume of textiles and clothing products combined. The EC has never been able to negotiate a comprehensive



C voluntary restraint agreement (VRA) with Turkey and has been forced in recent years to impose safeguard quotas on various categories of clothing products. This has provoked Turkish complaints, including a letter from Ozal to the Prime Minister last October. In her reply, the Prime Minister rehearsed the background to the EC's action in some detail, called for a resumption of textile negotiations and looked forward to a mutually satisfactory outcome. In December, the Commission concluded VRAs for five categories of textiles.

11. Given their importance to the Turkish economy, Ozal can be expected to press us hard on textiles, arguing that restrictions are contrary to the spirit of the Association Agreement. (But provision does exist for safeguard actions.)

EXTRACT FROM THE HOUSE OF COMMONS OFFICIAL REPORT
FOR ..2 APRIL 1985.....

Volume ..76.....

No ..93.....

Column(s) ..1069.....

Mr. Nicholas Budgen (Wolverhampton, South-West):
Will my right hon. Friend confirm that one of the reasons why she was in favour of the accession of Spain and Portugal was her belief that thereby she would support democratic government in Spain and Portugal? Will she further confirm that, if Turkey adopts a democratic Government and applied to join the EEC, she will be in favour of that application?

The Prime Minister: If that were the case and Turkey applied, we should have to decide what position to adopt. I recognise the force of the point that my hon. Friend is making. The European Community is a community for which democracy is an absolutely vital condition of entry. One of the reasons why we are anxious to have Spain and Portugal in is to enlarge the area of democracy and to consolidate in those countries. I do not believe that we shall be faced with another application shortly, but if we are we shall have to consider it.

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20 JAN 1986

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TURKEY/ EC

1. PRIME MINISTER OZAL SPOKE IN DETAIL ON TURKISH EC ASPIRATIONS IN AN INTERVIEW WITH THE NATIONAL DAILY, CUMHURIYET, WHICH APPEARED ON 16 JANUARY. FOLLOWING IS OUR UNOFFICIAL TRANSLATION:-

"TODAY OUR CLEAR CUT OBJECTIVE IS TO BECOME A FULL MEMBER OF THE EC. THERE ARE NO INTERNAL DISAGREEMENTS ON THIS. HOWEVER, THE TIMING OF THE APPLICATION MUST BE CONSIDERED VERY CAREFULLY. SOME PEOPLE THINK THAT SINCE WE DO NOT APPLY, WE DO NOT WANT TO BECOME FULL MEMBERS. THIS IS NOT TRUE. RECENTLY I TOLD PRIVATE SECTOR REPRESENTATIVES: 'GO LOOK AND FIND OUT, WHAT WILL HAPPEN IF WE APPLY TODAY. IF WE ARE REJECTED, IT WILL BE VERY DIFFICULT FOR US TO RE-APPLY. WE MUST BE ABSOLUTELY CERTAIN THAT OUR APPLICATION WILL NOT BE REJECTED.' THEY WENT AWAY, TALKED AND CAME BACK SAYING THAT THE TIME IS NOT RIGHT.

TODAY THE EC HAS CERTAIN PROBLEMS. PORTUGAL AND SPAIN HAVE JUST BECOME FULL MEMBERS. THEY HAVE TO BE DIGESTED FIRST AND THE COMMUNITY ADAPT TO THIS ENLARGEMENT. I BELIEVE THERE WILL BE MANY PROBLEMS OF HARMONISATION, PARTICULARLY IN CONNECTION WITH THE AGRICULTURAL FUND. ANOTHER PROBLEM IS THAT WITHIN 5 - 10 YEARS TURKEY WILL BE THE LARGEST COUNTRY WITHIN THE EC (SIC). THERE IS THE PROBLEM OF FREE CIRCULATION. SOONER OR LATER THIS WILL BE ACHIEVED. GIVEN THE EXPERIENCE OF RECENT YEARS, THEY ARE VERY MUCH CONCERNED ABOUT THE ANATOLIAN PEASANT HITTING THE EUROPEAN HIGHWAYS.

IN GENERAL TERMS TURKEY SHOULD BECOME AN EC MEMBER. THIS IS NOT A POLICY WHICH CHANGES ACCORDING TO PARTY OR GOVERNMENT. BUT WE SHOULD NOT ENTER IN A SITUATION WHICH MAY NOT BE IN TURKEY'S BEST INTERESTS, HINDER HER DEVELOPMENT OR INVOLVE HER MAKING IMPORTANT CONCESSIONS. WE MUST SIT DOWN AND NEGOTIATE VERY SERIOUSLY. THE TIMING IS VERY IMPORTANT. MAYBE WE SHALL APPLY THIS YEAR. I AM SAYING, MAYBE. BUT WE MUST PREPARE THE FOUNDATIONS BEFORE WE APPLY. WE MUST NORMALISE RELATIONS FIRST. THE OLD FINANCIAL PROTOCOL IS NOT WORKING, NOR IS THE NEW FINANCIAL PROTOCOL - THERE ARE SHORTCOMINGS IN IT. IT SEEMS TO ME THAT THESE ARISE FROM THOSE WHO DESIRE THAT TURKEY SHOULD NOT APPLY.

(IN ANSWER TO A QUESTION)

'OF COURSE ACCEPTANCE OF AN APPLICATION WOULD HAVE POLITICAL EFFECTS. NO-ONE CAN SAY THAT EUROPE DOES NOT AFFECT TURKEY TODAY, AND IN IMPORTANT WAYS. LOOK AT THE ISSUE WITH THE 5 EUROPEAN COUNTRIES, THE SITUATION IN THE COUNCIL OF EUROPE AND THE DEBATES AND DISCUSSIONS IN THE EUROPEAN PARLIAMENT. WE MUST BE REALISTIC. EVEN IF SOME OF THE DECISIONS IN THE EUROPEAN PARLIAMENT ARE NOT IN OUR FAVOUR, FROM THE POINT OF VIEW OF TURKEY'S DEMOCRATIC SYSTEM, THEY HAVE A POSITIVE EFFECT.'

2. FCO PLEASE PASS SAYING ADDRESSEES.

(REPEATED AS REQUESTED)

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Annex C

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TEXTILES: PRIME MINISTER'S MESSAGE TO OZAL
 1. PLEASE ARRANGE FOR THE FOLLOWING MESSAGE FROM THE PRIME
 MINISTER TO BE DELIVERED TO OZAL.
 BEGINS:
 DEAR PRIME MINISTER, THANK YOU FOR YOUR TELEX MESSAGE OF 20
 SEPTEMBER ABOUT THE INTRODUCTION OF SAFEGUARD ACTION BY THE
 EUROPEAN COMMUNITY ON CERTAIN CATEGORIES OF CLOTHING IMPORTS FROM
TURKEY.

I ENTIRELY SHARE YOUR VIEWS ABOUT THE IMPORTANCE TO WESTERN
 EUROPE OF A STRONG TURKEY. AS YOU KNOW THE UK HAS PLAYED A
 LEADING ROLE IN EFFORTS TO IMPROVE RELATIONS BETWEEN THE EUROPEAN
 COMMUNITY AND TURKEY AND TO RE-VITALISE THE ASSOCIATION
 AGREEMENT. WE SHALL CONTINUE TO DO ALL WE CAN TO MAKE PROGRESS.

I VERY MUCH REGRET THAT THE RECENT TALKS BETWEEN THE COMMISSION
 AND TURKISH REPRESENTATIVES ON A BALANCED VOLUNTARY RESTRAINT
 ARRANGEMENT COVERING CLOTHING PRODUCTS PROVED UNSUCCESSFUL. THE
 COMMUNITY HAS BEEN SEEKING FOR A NUMBER OF YEARS AN
 EXTENSION OF THE INFORMAL ARRANGEMENT IT ALREADY HAS WITH TURKEY
 ON COTTON YARN TO COVER A COMPREHENSIVE RANGE OF TEXTILE AND

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CLOTHING PRODUCTS ON A SIMILAR BASIS TO THE ARRANGEMENTS WITH ITS OTHER MEDITERRANEAN PREFERENTIAL PARTNERS. RECENTLY TURKEY HAS BECOME THE COMMUNITY'S LEADING SUPPLIER IN VOLUME TERMS OF TEXTILE AND CLOTHING PRODUCTS. AS A RESULT THE QUESTION OF A VOLUNTARY RESTRAINT ARRANGEMENT WITH TURKEY HAS ASSUMED INCREASED IMPORTANCE. IN JULY THE COMMUNITY DECIDED NOT TO RENEW SAFEGUARD MEASURES ON SEVERAL CATEGORIES OF CLOTHING PRODUCTS IN THE HOPE THAT THIS WOULD CREATE THE RIGHT ATMOSPHERE FOR FRESH NEGOTIATIONS ON A VOLUNTARY RESTRAINT ARRANGEMENT.

I APPRECIATE YOUR WISH TO SEE A RAPIDLY EXPANDING TURKISH TEXTILES INDUSTRY. AS YOU RECOGNISE, THE EUROPEAN INDUSTRY HAS BEEN MAKING PAINFUL ADJUSTMENTS IN THE FACE OF OUTSIDE COMPETITION. THE UK TEXTILES INDUSTRY HAS LOST 250,000 JOBS IN THE LAST FOUR YEARS, EQUIVALENT TO ONE JOB IN THREE IN THE INDUSTRY. IT IS AGAINST THIS BACKGROUND THAT THE COMMUNITY HAS CALLED FOR A RENEWAL OF THE MULTI FIBRE ARRANGEMENT FOR A FURTHER PERIOD AND SOUGHT TO NEGOTIATE VOLUNTARY RESTRAINT ARRANGEMENTS WITH ITS PREFERENTIAL PARTNERS. THE RAPID INCREASE IN TURKISH TEXTILE AND CLOTHING EXPORTS IN RECENT YEARS COMPARED WITH THOSE OF OTHER SUPPLIERS DEMONSTRATES THAT THE COMMUNITY HAS NO WISH TO TREAT TURKEY UNFAIRLY. I THEREFORE HOPE THAT NEGOTIATIONS ON CLOTHING PRODUCTS CAN RESUME AS SOON AS POSSIBLE AND THAT FORTHCOMING NEGOTIATIONS ON TEXTILE PRODUCTS WILL ACHIEVE A MUTUALLY SATISFACTORY OUTCOME.

WITH BEST WISHES, MARGARET THATCHER.
ENDS.

HOWE
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PS/MR RIFKIND
MR JENKINS
MR RENWICK

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VISIT OF PRIME MINISTER OF TURKEY: 17-20 FEBRUARY 1986

GENERAL ISSUES

OUR OBJECTIVES

A: Cyprus

- Encourage Turkish/Turkish Cypriot side to accept new UN documentation after next round of low level talks - on condition Greek Cypriots do same.
- Encourage Turks to consider flexible public statement about troop withdrawals.

B: Aegean disputes

- Attempt to nudge Turks and Greeks into dialogue.

C: Human Rights

- Acknowledge considerable progress since 1983.
- But urge that more be done.

D: Akkuyu Nuclear Power Project

- Press NEI Parsons bid.
- Explore scope for financing with Turkish Government guarantees instead of the "build and operate" proposals Ozal advocates.

E: Defence Sales

- Establish Turkish priorities without encouraging unrealistic expectations of HMG credit support.

F: British Embassy Compound Ankara

- Urge agreement to planning permission to build 16 staff houses.



ARGUMENTS

A: Cyprus

- Essential for UN Secretary General to succeed. Current situation not rosy. Secretary General will shortly present his documentation. This will be crunch point.
- Realise you have made helpful concessions (eg on territory and rotating Presidency). But to achieve settlement more flexibility required on both sides.
- Seems tactically wise for Turkish Cypriots to accept the revised documentation that Secretary General intends to put forward after the next round - on condition Greek Cypriots do same.
- The pressure on them to do so would be greatly increased if you could also make some kind of statement that Turkish troops will be withdrawn.
- Timing obviously for you to decide. But statement would take wind out of Greek and Greek Cypriot sails making it more difficult to resist agreement.

B: Aegean disputes

- Concerned about the continuing tensions in Greek/Turkish relations and about their impact on NATO. The basic solution must be a matter for negotiation between the two parties.
- Urge both sides to exercise restraint and to avoid allowing their disputes to spill over into international fora.
- Aware of the Turkish policy and appreciate Ozal's efforts.
- But is there anything further he can do to engage Papandreou in genuine dialogue? If so, Sir Geoffrey Howe would be happy to convey any indications to the Greek government during his visit to Athens in March.
- Recognise that Turkey may not be in a position to make unilateral gesture on vital issues, but can anything be done to reassure Greece over its apparent concern about the military threat eg over the so called Turkish Army of the Aegean?

C: Human Rights

- Impressive progress since 1983. Tribute to your determination.
- But real parliamentary and public concern in UK and Europe, particularly over Peace Association and Trade Union trials.



- Understand constraints imposed by Constitution.
- Although UK understands circumstances surrounding the military takeover, other countries not so well informed.
- Our ability to help Turkey's case in Europe depends on Turkey's human rights performance. Hope you can maintain rapid progress.

D: Akkuyu Nuclear Power Project

- NEI Parsons considerable commitment to project - ready to put up equity stake.
- Favourable outcome would encourage other UK exporters and investors.
- Additional ECGD cover approved for Turkey: but unfortunately not unlimited choices will have to be made between projects; ECGD prepared in principle to provide cover for Akkuyu.
- But reservations on "build/operate" concept; is it appropriate for major strategic development projects of this kind where Government guarantees of export credits involved?
- Bosphorus Bridge (won by Japanese) financed with Turkish sovereign guarantee. Why not Akkuyu?
- Know Canadian Government share our reservations.

E: Defence Sales

- UK firms offer high technology equipment proven with British Forces.
- Will give careful consideration to credit support within overall limits. Know UK firms wants to cooperate with Turkish industry including transfer of technology, local manufacture and marketing rights in third countries.
- What are your priorities? Again, in so far as UK credit support is concerned, choices will have to be made between civil and military projects.
- Glad to hear some of your delegation staying on to see UK companies involved in defence contracts.

F: British Embassy Compound Ankara

- Bilateral relations excellent. Trivial blemish over Embassy compound. Hope you can agree to building of staff accommodation.



THEIR OBJECTIVES

A: Cyprus

- Confirm that we oppose Soviet proposals for an international conference.
- Express disquiet over EC/Cyprus Customs Union.
- Point out Greek Cypriot/Greek intransigence.

B: Aegean disputes

- Convince us that blame for the current log jam lies with Greece.

C: Human Rights

- Impress on us extent of progress made; request continued support.

D: Akkuyu Nuclear Power Project

- Gain sympathetic response to the "build/operate" concept as acceptable security for ECGD cover.

E: Defence Sales

- Seek backing for indigenous defence industry base.
- Seek confirmation that ECGD credit available for UK firms, particularly those establishing local manufacturing facilities.
- Seek credit support for UK element of sale of 40 Tornados.

F: British Embassy Compound Ankara

- Link our request with theirs for assistance in buying or leasing property for their Embassy in London on favourable terms.



OUR RESPONSE

A: Cyprus

- Soviet proposals not new. Cut across Secretary General's initiative. We see no advantage.
- 1972 Association Agreement committed EC and Cyprus to eventual Customs Union. An economic measure potentially of benefit to whole island, especially Turkish Cypriots. At our firm instigation EC Commission now consulting Turkish Cypriots. Will do our best to see their interests respected. We have done well by Turkish Cypriot community.

B: Aegean disputes

- Not for HMG to take sides between.
- But both Greece and Turkey must show vision and statemanship if current situation to be overcome.
- A signal from Turks could have positive effects in Athens.
- No guarantee that Greeks will respond. But unless one side shows readiness to compromise, progress will be impossible.
- Our interest solely to see progress on these issues which causes both parties, and by extension the Alliance, such difficulties.

C: Human Rights

- Acknowledge progress made.
- Encourage further efforts.

D: Akkuyu Nuclear Power Project

- Not normal for major projects where Government guarantees of export credits are involved. Helpful to have more information about your proposals.

E: Defence Sales

- ECGD credit available, inter alia, for defence projects.
- We give careful consideration to companies requesting credit support for UK exports.
- On Tornado, not for us alone to decide: FRG and Italy involved as partners. Amount of cover requested on Tornados in 1984 simply too large to handle. Believe BAe exploring with German and Italian



partners ways of reducing credit needed. Cover likely to be required is going to be large. This will remain difficult but we will look at any new proposals they may have.

- What are other major requirements? Armoured Personnel Carriers (APCs)?

F: British Embassy Compound Ankara

- Cannot accept that there should be linkage between our compound and your estate problems in London.

- Agree that Turkish authorities were generous in 1924.

- But they were trying hard then to attract Embassies to their new capital. So parallel irrelevant. We have no land in London to give away.

- London a free property market. HMG cannot instruct private landlords to accept less than market rate for property.

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BACKGROUND

1. Prime Minister last met Mr Ozal when she sat next to him at lunch during the UN 40th Anniversary Celebrations in New York in October 1985.

2. Cyprus

Despite Secretary General's success in arranging second round of low level talks (Turkish Cypriots 27 February: Greek Cypriots 3 March), outlook is poor. He badly needs help to keep his initiative on the rails. We have consulted him on how best we can help and the above arguments take account of his advice. HMA Ankara thinks that the Turks may play up if pressed on a statement. But the Secretary General thinks a statement very important: his initiative is at a key stage: if properly presented Ozal should see the logic of the argument.

Soviet proposals for an international conference on Cyprus were circulated last month. They have fallen flat, although Kyprianou is threatening to make mileage (unspecified) for domestic reasons. Turks and Turkish Cypriots are resolutely opposed.

In December the Greek Cypriots attempted to use progress towards EC Customs Union as a political lever against the Turkish Cypriots. The Turks responded angrily. We encouraged the EC Commission to consult the Turkish Cypriots during the negotiations: they are doing so. We have done well by the Turkish Cypriot side.

3. Aegean disputes

Main disputes over i) continental shelf ii) territorial waters iii) control of airspace iv) remilitarisation of Greek Eastern Aegean islands, especially Lemnos, which Turks claim [redacted] contrary to 1923 Treaty. Talks between Greeks/Turks held in late 1970s. Broken off when Papandreou came to power in 1981. Ozal offered to resume dialogue when he became Prime Minister but refused by Papandreou. Disputes, especially Lemnos, spilling over into NATO. Infrastructure projects being blocked by either side. Greece refuses to participate in NATO exercise in Aegean while NATO does



not acknowledge her troops on Lemnos. Force planning hampered because Greece and Turkey regularly block each other's country chapters. Ozal's visit and Sir Geoffrey Howe's visit to Athens next month present opportunity to try to nudge two sides back to conference table.

4. Human Rights

Turkey still has a good way to go. But much done since 1983. Should compare present with state of anarchy that existed in lead up to 1980 military takeover (over 20 politically motivated murders a day). Several progressive measures under consideration but not yet implemented. Delays in concluding trials, particularly Peace Association and Trade Unions, cast blemish. Turkey's sense of alienation and isolation in Europe stems largely from criticism of their human rights record. Ozal appreciative of our understanding and support.

5. Akkuyu Nuclear Power Station

Canadian led (AECL) consortium, including NEI Parsons, bidding. Parsons to supply turbine generators (£45 million). Ozal's "build/operate" proposal unclear. Helpful to have clarification. Lenders apparently have to forego repayments if the project were delayed. When on stream, repayment depends on ability of the project to generate an economic return which in turn depends on Turkish Government policy. ECGD normally expect a sovereign guarantee of repayment for project of this size. Canadian Government still to reach a final decision on support but is also opposed to "build/operate" proposal.

6. Defence Sales

Turkey largest European market in recent years - main sales Rapier and Sea Skua (£300 million). Main suppliers US and FRG with substantial military aid budgets.

Future prospects considerable;

Tornado - Possibly 40 aircraft (£400 million UK content). Panavia proposed to Ozal (4 Feb) plan for 16 aircraft unwanted by the Italians (therefore available early) and remainder for



delivery by 1990. But credit problems. UK Cabinet rejected application for Tornado cover in 1984. Turkish economy since much improved. So Germany may now be willing to take lead on credit. BAe likely to approach Ministers for large amount of ECGD cover.

Armoured Fighting Vehicles - Three UK firms (GKN, Alvis and Royal Ordnance) competing with US and FRG to supply 3000 vehicles valued at £400m. Believe GKN on short list.

7. British Embassy Compound Ankara

The then Sultan gave us land in Istanbul for our Embassy (now our Consulate) and the then government gave us further plot in Ankara. Turks now argue HMG should repay this generosity by helping them buy or lease property for their Embassy in London on favourable terms and secure planning permission for alterations to present offices. HMG unable to help. Turks refusing our request (made in April 1984) to construct 16 staff houses on our Embassy Compound in Ankara until we help in London. Linkage apparently made by Foreign Minister. Will take Ozal to unblock the jam.