

PRIME MINISTER

VISIT TO TURKEY

You are to visit Turkey from 6-8 April. The programme for your visit is attached immediately behind this note.

The purpose of the visit is to make an impact. Since 1979 we have been Turkey's best friend in Western Europe. But this has not been reflected in our standing in Turkey or our share of its market (particularly when it comes to major projects). We have a cheque to cash.

The impact will come from very extensive local television and press coverage of your visit, and from your two speeches. The programme is therefore heavily tilted towards public engagements. Official talks play only a fairly minor part: you have a two hour meeting with Ozal on the first morning, and short meetings with President Evren and the Opposition Leader (Mr. Inonue).

The two issues which will require the most careful public handling are Turkey's application for membership of the European Community and the third Bosphorus Bridge.

If Turkey were to join the EC in the foreseeable future, there would be massive costs for us, and it would considerably change the nature of the Community. The Turks are collecting helpful statements by individual member states, in the hope that they can later be shamed into active support for Turkey's application. So we have to be careful not to build up false expectations. Equally we don't want to be seen as the main obstacle to Turkey joining. We can recognise the extent to which Turkey is already involved in major European/Western institutions, and hope to see that involvement strengthened. But we need to stop short of promising support or talking as though Turkish membership of the EC is inevitable. You are likely to come under heavy pressure from the Turkish media on this point. You should make clear that you would like to see

more attention paid to the tremendous support which we have given Turkey over the past ten years, not just to our future attitude.

The problem with Bosphorus III is rather different. We want it very much, but must not be too obvious about it, otherwise the media will judge the success or failure of the visit solely by whether we get the bridge, and the Turkish Government will try to squeeze us on the terms. (Anyway it is quite likely that there won't be any decision on Bosphorus III this year.) You will want to play it down, making it clear that we are interested in several major projects - the Istanbul Expressway, the Omerli III Water Supply Project, some defence sales - not just Bosphorus III. We have offered substantial aid and credit in support of our bids: now it is a matter for commercial negotiations. There is absolutely no linkage between our interest in the bridge and our attitude to Turkey's EC application.

Your meeting with Mr. Ozal will cover three main areas: bilateral relations, general international issues and regional problems. Briefs on all three are attached.

Bilateral

You will want to start by saying how pleased you are to be paying this visit. Taken with his successful visit to the United Kingdom, and your meeting in Berlin last year, as well as President Evren's State Visit in July, it reflects a new impetus in relations between Britain and Turkey which you very much welcome and want to see develop further. Over the past few years, you have ensured that Britain has taken a lead in supporting Turkey within NATO and the EC, the Council of Europe and other institutions. You admire Mr. Ozal's policies and their success. You want to see this drawing together in political terms will also be reflected in other aspects of our relations, including trade.

I would go straight on from this - even though it is out of order - to deal with Turkey's EC application. You might say that you recognise the great importance which Turkey attaches to membership of the EC. In your public statements you will be expressing understanding for this aspiration and stressing the great importance we attach to our relations with Turkey. Equally he will know that the matter is now in the hands of the Commission who have to produce an opinion, which may take some time. He will also know that there are very real difficulties, particularly the present disparity between the Turkish economy and the economies of EC member states. You want to be perfectly straight about this, and not raise false hopes and expectations. You are not in a position to give a firm declaration of intent. We must wait for the Commission's opinion. And it is well to remember that these matters can take a very long time, as we found out ourselves and as did the Spaniards and Portuguese. In the meantime, the best thing is to get on with the task of improving the links between Turkey and the Community. This will have our full support.

You might then go on to ask him to tell you about the performance of the Turkish economy. There is some concern in financial circles in the UK about the short-term prospects. Are further corrective measures likely to be necessary? How does he assess the wider prospects for the world economy?

Turning to our bilateral trade relations, you can welcome the increase in trade and the number of British companies involved in joint ventures in Turkey. You will want to touch on problems over textiles. There are two ways of dealing with this: voluntary restraint by Turkish exporters in areas of particular sensitivity (acrylic yarn) or improved access for our producers to the Turkish market. Both may be necessary, but the latter is preferable. The only other bilateral problem is the failure of PEKTIM (the State-owned petrochemical company) to pay its debts. This affects the view of our credit agencies on Turkey's credit worthiness.

You might go on to say that there are many fields in which British firms are interested and well-qualified to help. On the civil side there is the Istanbul Expressway, the Omerli III Water Supply Project, and of course the third Bosphorus Bridge. We are backing our bids for these projects with ATP grants and ECGD credit cover. On the defence side, we were very disappointed about Warrior, but hope to see Racal's bid for anti-aircraft fire control radars, BAe's bid for Rapier, and Marconi or Plessey's bid for radios succeed. (You should be very cautious about Tornado if he raises it: the credit implications are horrendous.) You will want to say that the announcement of the award of a major contract to a British firm would enormously increase the positive impact of your visit on opinion in Britain.

Multilateral and Regional Issues

Apart from the main EC point, there are a number of other multilateral and regional issues which you ought to discuss. The main ones are:

- Turkey/Greece. You admire his boldness in deciding to meet Papandreou. You would be interested to hear what progress he expects when they meet again in Athens in June.

- Cyprus. There will be a lot of press and media interest in your discussions on Cyprus. There is a rare opportunity to make progress towards a settlement, in the light of Ozal's own meetings with Papandreou and the election of Vassiliou. You will want to give your assessment of Vassiliou and an account of your meeting with him, and convey any particular points which Vassiliou has asked you to make. The first priority must be for Vassiliou to meet Denktash: it is the two communities in Cyprus who have to get on. You hope he will encourage Denktash to be constructive about such a meeting and not insist on being treated as a head of government. Perhaps later and after a Vassiliou/Denktash meeting, Ozal might himself consider meeting Vassiliou. You hope he will also consider whether there are gestures which

Turkey can make to stimulate progress - for example by a unilateral reduction in the number of Turkish troops in Cyprus or measures to restrict the numbers of Turkish settlers. It would be a considerable coup if you could announce some positive step forward on Cyprus as a result of your visit.

- Arab/Israel. You will want to discuss the prospects for the Shultz initiative. Ozal is flattered by reference to his own role in the Middle East.

- Iran/Iraq. Ozal will have been in Iraq just before your visit.

- East/West relations. He will look to you to lead on this.

You may like to have the briefs with you over the Easter weekend.

CDP

30 March, 1988.