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Foreign and Commonwealth Office

London SW1A 2AH

23 April 1990

Prime Minister
CD
23/4.

Jean Charles,

Prime Minister's visit to Turkey: Bilateral Talks

You should be aware of developments on two fronts relevant to the Prime Minister's talks with President Ozal and Prime Minister Akbulut.

Iraq: Long-range Gun

The Turks have detained a lorry which almost certainly contains parts for an Iraqi gun. A Customs and Excise expert is in Istanbul examining the consignment. If suspicions prove correct, the Turks have agreed to return the parts to the UK, provided we make an official request; this is being done.

The Prime Minister may wish to thank President Ozal, and emphasise the importance of the immediate return of any gun parts to Britain. Mr Akbulut is due to visit Iraq on 5 May.

Midland Bank

The Chancellor agrees to send Mr Taner a message expressing concern at his refusal to sign the decree permitting Midland Bank to open a branch in Istanbul. The Ambassador delivered this on 23 April, but Mr Taner remained obdurate. It is evident that the Midland will not get authorisation unless President Ozal intervenes.

Sir Kit McMahon, the Chairman of Midland Bank, had previously decided to withdraw from leading a British Invisibles Export Council Mission to Turkey on 2 May; but has reconsidered and agreed to wait and see how the Turks respond to the Chancellor's and Prime Minister's approaches.

I am copying this letter to John Gieve (HMT).

James
Stephen Wall

(J S Wall)
Private Secretary

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10 Downing Street

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FM ANKARA
TO IMMEDIATE FCO
TELNO 202
OF 231250Z APRIL 90
INFO PRIORITY ISTANBUL

YOUR TELNO 136: MIDLAND BANK - BIEC SEMINAR

SUMMARY

1. MINISTER TANER CONTINUES TO INSIST ON 'RECIPROCITY': HARPS ON IKTISAT APPLICATION IN LONDON. MENTIONS VISAS.
2. EVIDENT THAT MIDLAND WILL NOT GET AUTHORISATION UNLESS OZAL INTERVENES.

DETAIL

3. ON RECEIPT OF THE CHANCELLOR'S MESSAGE TANER TELEPHONED - IN AGGRESSIVE MOOD. TURKISH LAW REQUIRED RECIPROCITY AND HE HAD LITTLE DISCRETION. NUMEROUS TURKISH BANKS HAD APPLIED FOR BANK STATUS: A FEW HAD LICENCED DEPOSIT TAKER AUTHORITY. THE BANK OF ENGLAND OPERATED A QUEUE, SIMULTANEOUSLY USING CRITERIA OVER WHICH IT WAS SECRETIVE. TANER COULD PROBABLY AUTHORISE BANK STATUS FOR MIDLAND IF THE BANK OF ENGLAND PROVIDED HIM WITH A STATEMENT THAT TURKISH BANKS WHICH MET SPECIFIED CRITERIA WOULD BE SIMILARLY AUTHORISED.
4. TANER SAID THAT HE OBJECTED TO IKTISAT HAVING BEEN TURNED DOWN WITHOUT DETAILED EXPLORATION: OFFERED AN AGENCY PERMIT AND TOLD BY THE BANK OF ENGLAND THAT THINGS WOULD BE REVEIUED AS TIME PASSED. IT WAS CLEAR THAT THERE WAS NO GENUINE RECIPORCITY.
5. TANER WENT ON TO SAY THAT HE WANTED BANKS LIKE MIDLAND IN TURKEY. HE HAD NO PREJUDICE AGAINST BRITAIN DESPITE VISAS, BRITISH SPRAYING OF AIRCRAFT FROM TURKEY ETC.
6. I MADE NO (NO) PROGRESS IN ARGUING THE TOSS WITH TANER. I ASKED IF ALL THIS STEMMED FROM THE FACT THAT IKTISAT HAD NOT IMMEDIATELY BEEN GRANTED WHAT IT ASKED FOR: IT ALL TURNED ON THAT? HE SAID 'YES'.

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7. THE EXCHANGE REINFORCED MY CONVICTION THAT ONLY ACTION WITH PRESIDENT OZAL HAS ANY HOPE OF SHIFTING THINGS SO LONG AS TANER REMAINS A MINISTER. THE PRIME MINISTER MAY WISH TO TACKLE OZAL ON 25 APRIL. MEANWHILE A SATISFACTORY OUTCOME AHEAD OF THE BIEC SEMINAR DATE (2 MAY) SEEMS MOST UNLIKELY.

DAUNT

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