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Foreign &
Commonwealth
Office

20 November 1992

London SW1A 2AH

Dear Stephen,

**PRIME MINISTER'S LUNCH WITH PRIME MINISTER DEMIREL OF TURKEY
ON 23 NOVEMBER, 1992**

The Prime Minister's meeting with Mr Demirel offers a good chance to follow up the EC-Turkey Association Council meeting on 9 November.

The Prime Minister met Mr Demirel for the first time in Rio de Janeiro on 11 June. He will be accompanied on this occasion by:

Hikmet <u>Cetin</u>	Minister of Foreign Affairs
Tahir <u>Köse</u>	Minister of Industry and Trade
Cavit <u>Caqlar</u>	Minister of State
Özdem <u>Sanberk</u>	Ambassador, Under Secretary of the Ministry of Foreign Affairs
Candemir <u>Önhon</u>	Turkish Ambassador in London

On our side the Prime Minister will, if you agree, be supported by:

Foreign Secretary	
Defence Secretary	<i>Another UK minister as yet unnamed</i>
HMA Ankara, John Goulden	
Sir Roderic Braithwaite	<i>M. Neillham</i>
Yourself	

Turkey's Geo-Political Position

As a regional power next to three areas of instability, the former Soviet Union, the Balkans and the Middle East, Turkey has a role in the issues of Iraq, Cyprus, the former Yugoslavia, Transcaucasia and central Asia. Turkey is in NATO, wants to be in the EC, and is shortly to become an associate member of the WEU.

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Turkey's Domestic Situation

Prime Minister Demirel's government, which dates from October 1991, is a coalition between his own centre-right True Path Party and the Social Democratic Party, of which the Foreign Minister Cetin and Mr Köse (Industry and Trade) are members. Defections to opposition parties have reduced the Government's majority to three. Demirel is committed to development of a market economy and increased respect for human rights and the rule of law. But the problems of the South East (Kurds and terrorism) remain intractable.

EC/Turkey

EC/Turkey relations are founded on an Association Agreement from 1964, which covered commercial/economic relations and included a commitment to consider eventual Turkish membership of the Community. In 1990, after the FAC had endorsed the Commission's 1989 Opinion declaring Turkey's membership application premature, the Commission proposed a four part package ("the Matutes package") providing for

- Customs Union by 1996;
- a Fourth Financial Protocol worth 600 mecu/£462m;
- increased political dialogue;
- and further economic and technical cooperation.

Turkey's main priority is the Fourth Financial Protocol, which remains blocked by Greece, for Cyprus reasons. On Customs Union Turkey has made limited progress but remains behind schedule for 1996.

The UK's push to develop relations during our Presidency, culminated in the EC/Turkey Association Council on 9 November. The Greeks blocked a proposed Joint Statement on political dialogue, but eventually accepted practical arrangements for an enhanced dialogue to include meetings at Summit level.

The Turks are pleased with the outcome, and appreciate our Presidency efforts. But they increasingly doubt the EC's commitment to consider eventual Turkish membership. They tend, therefore, to view a strengthened EC/Turkey relationship as a consolation prize.

Demirel wrote to the Prime Minister on 30 October about Turkey's objectives for the Council. In my letter of 18 November I recommended that the Prime Minister reply on the basis of the EC's position for the Association Council.



The Prime Minister might say:

- Greatly value Turkey's links with Community. Have made particular effort to developing them during our Presidency.
- Glad that EC and Turkish Foreign Ministers in the recent Association Council were able to agreement on enhanced political dialogue (including meetings at Summit level as necessary and six monthly meetings of Foreign Ministers).
- (if necessary) Next task to make progress on Matutes package. Recognise importance you attach to Fourth Financial Protocol. But EC proceeds by consensus. You know where problems lie. Greece has made clear that its agreement to release will depend on progress over Cyprus. Further reason for really active Turkish effort with Denktash.

(If pressed on Turkey's eligibility for eventual membership)

- Immediate priority is to develop relationship by building further on Association Agreement, and unblocking Matutes package, to develop relationship with EC in short term, and to make progress towards criteria for membership in longer term.

(If raised) EC/Turkey: Textiles

Demirel wrote to the Prime Minister on 7 November (advice and draft reply in my letter of 20 November). The EC is now renegotiating informal limits on imports of clothing from Turkey. Turkish manufacturers want these informal restraints to be abolished in 1996, to coincide with the proposed (but unrealistic) date for completion of Turkey's Customs Union. But more protectionist Member States (eg Portugal - for whom Textiles are an important interest) oppose this. The first round of bilateral consultations (on 16/17 November) ended in deadlock. Talks will re-start in December, but no agreement is likely before year-end, in which case the present restrictions will be rolled over on a pro-rata basis, pending a full agreement in 1993.

The Prime Minister might say:

- UK supports linking increased access to EC market to Turkish progress towards Customs Union. We will try to persuade Partners to accept this. But Turkey also knows that textiles sensitive sector for EC too. Some Member States nervous about further market access. Turkey also needs to make its points to the Commission.

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Cyprus

The latest round of talks in New York chaired by the UN Secretary-General adjourned on 11 November and is set to reconvene in March. It focussed on the UN "Set of Ideas" for helping to solve the dispute, on the basis of a united, federal, bi-zonal, bi-communal republic. The Set of Ideas offers a good deal to the Turkish Cypriots:

- Substantive autonomy within their own zone
- Renewed Security Guarantees
- Genuine power-sharing at the Federal level
- Agreed title to 28% of land despite only 18% of population
- Assistance with Economic Development.

In return the Turkish Cypriots must give up

- Some of the unequal proportion (38%) of the territory now held
- Pretence of "TRNC" independence
- Demand for ethnically pure zone.

/ (See Annex for details)

Although this round completed a full reading of the UN "Set of Ideas" in direct talks, and a table setting out the different positions, there was no progress of substance.

EC Foreign Ministers covered this with Cetin at the Association Council but there is still a danger that Turkey will misinterpret our willingness to be constructive over political dialogue as evidence that we are not really concerned about Cyprus. To counter this, the Prime Minister might wish to speak firmly to Demirel along the following lines:

- Deeply disappointed by lack of progress in New York talks on Cyprus.
- No sign of Denktash willingness to look for a settlement. Made no attempt to bring his overall policy in line with "Set of Ideas" endorsed in SCR 774 as basis for a framework agreement.

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- Turkey has a responsibility. So-called "Turkish Republic of North Cyprus" recognised by no country except Turkey. Denktash dependent on Turkish army and Turkish money. Turkish interests are involved.
- Set of Ideas a good deal for Turkish Cypriots and an opportunity for Turkey to despatch the problem. Brings power-sharing, security guarantees and a chance for substantial economic improvement. Expect Denktash position to have changed substantively when talks reconvene in March.
- Expect Turkish Government to endorse Set of Ideas, including the map, as basis for settlement.

WEU

The WEU Ministerial on Friday 20 November is set to conclude the WEU enlargement process, begun at Maastricht, through which Turkey becomes an Associate Member, like Norway and Iceland. (Greece becomes a full member: Denmark and Ireland become observers.) Demirel may tell the Prime Minister of parliamentary difficulties he expects in presenting the document on associate membership for approval. His majority is small. The opposition are exploiting the fact that Turkey has second class status vis-a-vis Greece. The imbalance is a product of the insistence of some partners at Maastricht that full WEU membership could only be open to members of the EC.

WEU enlargement has, however, been arranged in such a way that Greece does not gain a new defence guarantee against Turkey.

The Prime Minister might say:

- Glad that process started at Maastricht has reached an acceptable conclusion.
- Associate Membership of a defence organisation a new concept. Believe the arrangements agreed since Maastricht can make it work.
- Gives you a voice at heart of European defence dialogue.

Iraq

On 22 October the Iraqis signed a new Memorandum Of Understanding allowing the UN to resume humanitarian operations in Iraq until 31 March and to deploy 300 UN guards. Wary of Iraqi unpredictability, especially in the supply of fuel, the UN plans to supplement supplies from Baghdad with cross-border deliveries from Turkey. The Turks have authorised this and seem aware of the need for urgency to avoid a humanitarian crisis.



We liaise closely with the Turks on Northern Iraq policy. The Iraqi Opposition have a fair working relationship with the Turks but were criticised at a recent meeting in Ankara of the Foreign Ministers of Turkey, Syria and Iran who agreed on the need to preserve Iraq's territorial integrity. The outcome of the meeting will help the Turks overcome domestic public and parliamentary criticism of Turkey's policy on Iraq, in particular in the context of extension of Operation Provide Comfort (in Northern Iraq).

Successful cooperation against Turkish Kurd terrorists between the Iraqi Kurds and the Turks in northern Iraq since October has also helped. Demirel is likely therefore to be more confident in recommending the National Assembly to renew Operation Provide Comfort from 1 January.

The Prime Minister might say:

- Saddam Hussein is wrong if he thinks that Clinton will be softer on Iraq. Vital to maintain a united front while Iraq continues to defy Security Council and refuse its obligations under SCR 687.
- Fully understand Turkish concerns about the long term risk to the territorial integrity of Iraq. Have repeatedly made clear, especially to the Iraqi Opposition, that our aim is a unified and democratic, not dismembered Iraq.
- Grateful for Turkey's full cooperation with Operation Provide Comfort and its coordination of cross border humanitarian relief operations.
- Coalition aircraft have been effective in deterring Iraqi attacks on northern Iraq. Continuation of Operation Provide Comfort essential to avoid refugee exodus to Turkey this winter. Hope that Turkey will agree to extension for 6 more months.

Human Rights

Most alleged human rights violations in Turkey occur in the troubled South East. Demirel has made human rights a priority for action. The Turkish Government are well aware of Western concern at its human rights record. A new Amnesty International report says Government pledges to improve human rights are not translated into action. Torture, assassination and death in custody remain prevalent. Proposed judicial reforms get watered down and delayed.



The Prime Minister may like to make the following points:

- Welcome priority which Prime Minister Demirel has given to human rights. But remain seriously concerned at evidence of continuing violations in the South East.
- Welcome Demirel's undertaking to investigate thoroughly all allegations of human rights abuses and to bring to justice those responsible.
- Regret delays in introducing human rights legislation.
What news of progress?
- Understand Turkish Government may shortly permit Amnesty International to open an office in Ankara. We encourage this. Important to continue policy of openness contained in 1991 election pledge.

Former Yugoslavia

Demirel shares the general Islamic perception that the West is not doing enough to relieve the plight of the Muslims in Bosnia. He fears that if the conflict spreads to Macedonia, Sandzak and Kosovo, where there are sizable Turkish minorities, the religious aspect will increase. Muslim volunteers from Iran and elsewhere are already fighting in Bosnia on the Bosnian Government side. Internationalisation of the conflict, in for example Kosovo, could lead to Turkish involvement. Previously Turkey has suggested that foreign military action should not be ruled out, and that protected zones for refugees should be established. There will be pressure at the Islamic Conference meeting in early December for an initiative on Bosnia, but Turkey is also arranging a meeting of foreign ministers from the Balkans (except Serbia) and surrounding countries to discuss the whole situation.

The Prime Minister may wish to draw on the following:

- Sanctions having impact on Serbian economy: new UN resolution will ensure they are made more effective. Must maintain pressure, while encouraging Panic/Cosic to persevere against Milosevic.
- Do not believe lifting of arms embargo would be correct response. Would only increase number of arms in Bosnia on all sides, and make serious situation worse.
- Do not support foreign military action. Only a political solution which commands the respect of Bosnian Muslims, Croats and Serbs will bring peace.



- Increasingly concerned about humanitarian crisis. EC and member states giving generous humanitarian help (£70m) with UK troops (2,300 plus) helping prominently.
- Concerned about Muslim volunteers from other countries coming to Bosnia. Conflict is not about religion but preservation of internationally recognised state and human rights. Vance/Owen have put forward sensible Constitutional proposals for Bosnia. Best route to political settlement.
- Understand Turkish frustrations on the FRY problem and decision to hold meeting of Balkan area foreign ministers. Hope outcome will contribute to international efforts.
- Kosovo remains a serious concern, but encouraging that Kosovar/Serb dialogue has been started by Geneva Conference team. Will continue to press Serbs for concessions on autonomy and to encourage Kosovars to settle for less than independence.

Former Soviet Union

The Prime Minister could brief Demirel on his talks with President Yeltsin on 9 November. Turkey and Russia recently signed a Security and Cooperation Agreement. However the Russians remain suspicious of Turkey's role in the Central Asian republics and fear that Ankara may shift from a Western to a Muslim orientation. Russian fears have been heightened by the civil war in Tajikistan between the ex-Communist leadership and a democratic/Islamic alliance.

The Secretary of State recently urged Turkey to use its influence with the Azeris to agree a ceasefire in Nagorno Karabakh, the region of Azerbaijan inhabited by ethnic Armenians. The Azeris have agreed in principle and the Armenians seem ready to compromise after sackings of hard-line ministers.

The Turks see themselves as a model for the transformation of the Central Asian republics to secular, free-market societies. Turkish businessmen are heavily involved in the whole area.

The Prime Minister might say:

- Good talks with Yeltsin. Successful visit. Your relations, recent agreement?
- Results of Summit President Ozal hosted at the end of October with Central Asian Heads of State? Progress of reform there? Our impression: commitment to free-market but no understanding of it or legal framework for it.



- If raised: Need for ceasefire in Nagorno-Karabakh to allow CSCE talks to continue. Military victory would cost and leave guerilla conflict. Look for Turkey to influence Azeris. UK view: Nagorno-Karabakh should remain under Azeri sovereignty. But Armenians autonomy necessary for stability.

Bilateral Relations

In a recent meeting with HMA Ankara, Mr Demirel agreed that the next task of our two countries is to bring the economic relationship up to the same high level as the political relationship.

UK/Turkey trade has doubled since 1986 to over £1.1 bn in 1991. UK consistently supplies about 6% of Turkey's imports. In 1990 UK companies invested more in Turkey than anyone else (\$279.9m), fell to 7th place in 1991 due to the Gulf War and so far in 1992 has recovered to 5th position.

UK companies are seeking joint ventures with Turkish partners to penetrate the Central Asian Republics. John Laing have just announced an Anglo-Turkish venture for completing the Ashkabad Airport in Turkmenistan.

Lady Thatcher met both Mr Demirel and the President on her recent visit to Turkey (18-19 November). Ankara feel the visit went well with good discussions on commercial matters.

There is strong UK interest in the following projects:

1. Izmit Water - Thames Water are bidding for this project worth \$700 m.
2. Istanbul Gas - British Gas is pursuing an equity stake of up to \$120m. in Istanbul Gas Co whose privatisation was recently agreed in principle by Demirel.
3. Black Sea oil exploration agreement has been signed by BP and its local partner, Turkish Petroleum Corporation. If exploration is successful the eventual project could be worth \$10 bn.
4. Ankara Metro: UK sub contractors are hoping to supply goods to the value of £60-£65 m.
5. BAe is negotiating to upgrade Turkish Air Force missile system to RAF/USAF standards. Worth £40m.

The Prime Minister might like to point out:

- Although bilateral trade is now over £1 bn pa, British exports to Turkey have actually fallen by 11% so far this



year, whereas Turkish exports to the UK have increased by 13% over the same period.

- Concerned that Britain has not won any major contracts in Turkey in recent years. Three projects are of particular interest to us at present, (they have been recently raised with the Turks and the Prime Minister's authority could help them progress). They are:

1. Izmit Water - Thames Water and Turkish side aiming for initialisation of Implementation Agreement by 30 November.

2. Istanbul Gas Co - British Gas seeking equity stake of up to \$120m.

3. Black Sea oil exploration - BP has signed an exploration agreement but needs amendments to Turkey's tax regime and incentives to make project is viable.

(If Kozlu mine is raised)

Background

NEI Mining Equipment Ltd are negotiating to rehabilitate Kozlu mine. An explosion at the mine (262 dead) delayed talks and increased the job to be done. The Turkish coal board and NEI wanted ATP funding for this work but the ODA has rejected this application as being outside the normal requirements for development aid. The Turks may not yet have heard about the ODA decision. Mr Demirel is concerned about the mine and may raise the issue.

The Prime Minister might say:

- Aware that the mine is important economically to the region. But as mine is not projected to become economically viable, ODA is not able to approve funding. Feel sure will be more fully discussed at meeting between the two trade delegations following the lunch.

// I enclose biographical notes on Mr Demirel and Mr Cetin. I am copying this letter to John Pitt-Brooke (MOD), Peter Smith (DTI) and Melanie Leech (Cabinet Office).

*Yours ever,
Christopher Prentice.*

(C N R Prentice)
Private Secretary

J S Wall Esq CMG LVO
10 Downing Street



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ON 23 NOVEMBER, 1992

POINTS TO MAKE

EC/Turkey

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