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OD(80) 29

COPY NO 42

17 March 1980

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

AID TO TURKEY

Note by the Secretaries

Attached is a copy of a minute dated 17 March 1980 from the Foreign and Commonwealth Secretary to the Prime Minister. OD(80) 28 is also relevant.

Signed ROBERT ARMSTRONG  
R L WADE-GERY  
R M HASTIE-SMITH

Cabinet Office

17 March 1980

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PM/80/19

PRIME MINISTER

Aid to Turkey

1. You will have seen OD(80)28 enclosing a note by Sir Kenneth Berrill, Chairman of the official committee on aid to Turkey. The paper sets out the familiar problem of trying to meet a major political need with inadequate resources in the aid programme.
2. The political case for giving aid to Turkey scarcely needs rehearsing, but I might single out three aspects:
  - (a) Since the Afghan crisis, the strategic importance of Turkey has clearly been enhanced; a Turkish collapse arising from inadequate western support would be a major blow to the West as a whole.
  - (b) Internally the security position is very fragile. The Demirel Government are also attempting for the first time in recent Turkish history a radical restructuring of the economy aimed at basing it on viable free enterprise rather than perpetual subsidy. To this extent, his economic policy is not wholly unlike our own. But it will certainly fail without significant aid.
  - (c) The German Government at the highest level have committed themselves to raising funds for Turkey, as have to a lesser extent the Americans. I need not go into the interests we have at stake in preserving mutual respect with the Germans, but I believe our relationship would take a serious blow if they perceived us as not pulling our weight over Turkey.
3. The real problem is not the need but finding the money. Any new pledges of aid to Turkey will have to be met from the Contingencies Provision in the Aid Framework in 1980/81 (and later years). This stands at £58.5 million for 1980/81. All or almost all of the £10-13 million at present set aside in it for Turkey will be required for the carry-over into 1980/81 of the whole cost

/of the pledges



of the pledges made in 1979. Any new pledges for Turkey which result in expenditure in 1980/81 - which might range between some £10 million and £28 million (see Annex I) - can only be met by not entering into other new commitments or, if we subsequently wish to make such commitments, by the Chancellor agreeing to make funds available from the Central Contingencies Provision; or by breaking existing aid commitments.

4. We could defer part of the expenditure against a 1980 pledge until after 1980/81 by specifying that only £X million could be spent in that year. Any new Community aid is unlikely to be spent in 1980/81. But this would not solve the problem: it would compound it. This is because the reductions in the Aid Programme start to bite much more deeply in 1981/82; and because our actual and potential commitments for aid to Turkey (particularly through the EC) seem certain to involve continuing and cumulative demands on a declining aid programme.

5. I think that the options are well set out in Sir K Berrill's paper. In the circumstances described above the only prudent course financially would be to limit our co-operation in the 1980 Turkey aid operation to a further round of aid debt re-financing and to participation in as small an EC 1980 urgent aid pledge as we can secure without making ourselves thoroughly unpopular with the Turks and Europe.

6. I do not believe, however, that this course is politically feasible for the reasons given in paragraph 2 above.

7. Therefore, while recognising the problems described in paragraphs 3 and 4 above, I recommend that we should -

- i) Participate in a 1980 round of aid debt re-financing at a cost of about £3.5 - 4.0 million;
- ii) Offer new bilateral programme aid of £15 million, which should continue to be tied to UK goods and services;
- iii) Participate in further EC emergency aid, but stipulate that to the extent to which it involves a UK share in excess of £9.5 million, the excess will be deducted from the £15 million programme aid.

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This is likely to involve finding from Contingencies in the 1980/81 Aid Programme a total of some £23 million for Turkey, leaving only £35 million for all other possible needs (eg Zimbabwe and Pakistan).

8. I hope agreement on this can be reached by correspondence quickly. I am copying this minute to colleagues in OD.

C  
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(CARRINGTON)

Foreign and Commonwealth Office

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Turkey: Possible Claims Against Contingencies Provisions in  
1980/81 and 1981/82 Aid Frameworks

I <u>1980/81</u>	£' 000		
	<u>Likely Minimum</u>	<u>Maximum</u>	<u>Best Estimate</u>
A. Net carry-over from 1979 pledge	8,700	11,700	10,000
B. 1980 Aid Debt re-financing	3,000	3,500	3,000
C. 1980 Programme Aid pledge of £15 million	7,500	15,000	10,000
* D. 1980 EC "urgent aid" of 75 mma (£9.5 million)	—	9,500	
E. TOTAL	<u>19,200</u>	<u>39,700</u>	<u>23,000</u>
Less already ear-marked in Contingencies (see Annex I)			10 - 13,000
Net additional provision to be met from Contingencies			10 - 13,000
II <u>1981/82</u>			
A. Carry-over from 1979 and 1980 Programme Aid pledges	—	10,500	
B. 1980 and new 1981 Aid Debt re-financing	4,500	5,000	
C. 1981 Programme Aid pledge of ? £15 million	7,500	15,000	
* D. EC "urgent aid", 1979 and 1980 pledges	4,000	10,000	
E. TOTAL	<u>16,000</u>	<u>40,000</u>	

\* Excludes possibility of Turkish ratification of supplement to Second Financial Protocol (potential cost to UK £27 million) for which no provision has been made in forward Aid Framework.