



PRIME MINISTER

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TORNADO FOR TURKEY

When you meet Chancellor Kohl on Wednesday I think it would be useful if you could raise with him the subject of a possible sale of 40 Tornado aircraft to Turkey.

2 Michael Heseltine has been pursuing this with his opposite number in Bonn but I think it to be a sufficiently important order for BAe\*, both in terms of its size (£600 million) and as a successor to the present Tornado procurement before the European fighter aircraft emerges, to justify you maintaining the pressure on the Germans.

3 I am attaching a short note which briefly sets out the background. I am sending a copy of this minute, with the note, to Geoffrey Howe, Michael Heseltine, Peter Rees and Sir Robert Armstrong.

*\* And of great importance to Rolls Royce.*

*NT*

NT

1 May 1984





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## POSSIBLE SALE OF TORNADO AIRCRAFT TO TURKEY

### Background

1 Tornado is the Anglo-German-Italian advanced fighter aircraft currently in full production and being delivered to the partner airforces. The UK industrial participant is British Aerospace at whose Warton site near Preston most of the UK workshare of 48% is carried out.

2 Deliveries of Tornado to partner air forces (some 809 aircraft) will be completed by late 1980s. BAe Warton then faces a long gap until the European Fighter Aircraft enters service, currently projected for 1995. This critical gap can only be filled by Tornado export orders. None have so far been achieved. Turkey has been a persistent prospect and remains so, despite a major Turkish order for 160 American F16 fighters announced last September. Proposals for the sale of 40 Tornados were put to the Turks when Sir Raymond Lygo and Geoffrey Pattie visited in February.

3 A sale of 40 Tornados would be worth around £600m in total. The crucial element in converting the undoubted Turkish interest and respect for the capabilities of the aircraft into a contract will be financial terms offered. The recent US order was won with over \$2bn of military aid and generous offset provisions. It will be essential that the terms contain a substantial element of additional German foreign military aid although possibly not as much as the 46% mooted with the Turks by BAe. Michael Heseltine has not been able to get a positive response from his German opposite number, Herr Woerner, who has expressed doubt about the strength of the Turkish interest. However, if the Germans were to offer aid this would require reciprocal effort from us in the form of ECGD credit support probably no less generous than that we are offering to Greece, another long standing prospect for Tornado: 95% credit over 10 years in Deutsch marks at 8.95%.

4 This is a crucial order, which would have benefits for NATO in reinforcing the South Eastern flank, as well as for the participant manufacturers. We should therefore continue to press the Germans at political level on the need for flexibility and ingenuity on financing terms. At industrial level, BAe are pressing the same message on the German participants MBB and MTU.

### LINE TO TAKE

- 1 Tornado is a vital programme for both the UK and the Federal Republic. Export orders are essential for our companies.
- 2 Financing terms will be crucial if the Turks are to be persuaded to purchase Tornado and thereby reinforce NATO's South Eastern flank.



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- 3 HMG trusts that the Federal Government will support industry's efforts to win this sale if necessary with military aid or by other means. HMG is prepared to play its full part.



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10 DOWNING STREET

*From the Private Secretary*

3 May 1984

TORNADO FOR TURKEY

In his minute of 1 May, your Secretary of State recommended that the Prime Minister should raise with the Chancellor of the Federal Republic of Germany on 2 May the question of the possible sale of 40 Tornado aircraft to Turkey.

I write to say that a suitable opportunity for the Prime Minister to raise this subject did not arise.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office), Richard Mottram (Ministry of Defence), John Gieve (Chief Secretary's Office, H.M. Treasury) and Richard Hatfield (Cabinet Office).

*A. J. COLES*

Callum McCarthy, Esq.,  
Department of Trade and Industry.

*DMH*

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