



Treasury Chambers, Parliament Street, SW1P 3AG  
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*N. S. P. R.*

11 May 1984

*A. J. C. 14/5*

The Rt. Hon. Norman Tebbit MP  
Secretary of State for Trade and Industry

*p.a.*

*Norman Tebbit*

**TORNADOS FOR TURKEY**

You sent me a copy of your minute of 4 May to the Prime Minister recommending that she should take the opportunity of the Anglo-German Summit on 2 May to raise with Chancellor Kohl the question of the possible sale of Tornado aircraft to Turkey. As you know, the Prime Minister did not in fact raise this issue, although I understand it was briefly mentioned by Michael Heseltine to his opposite number.

I am however seriously concerned about the way this proposal was put forward at the last minute without proper consultation. The UK share of the credit risk on the order, including interest, would be about £500-£600 million. This is out of all proportion with the limited amount of cover (£100 million on Section 2) that we are currently prepared to make available on Turkey. When the Export Guarantees Committee recently considered ECGD's exposure on Turkey a cautious view was taken of its prospects, given the large losses sustained there by the Department in recent years and the continuing difficulties of the economy, including the risk of further rescheduling in 1985-86. Although we have been prepared to sanction the restoration of limited amount of cover, I do not see how an exposure of the amount implied by this deal could be justified on the present prospects for Turkey, particularly against the background of ECGD's current financial problems and the deterioration in the quality of its portfolio.

I also understand that when our officials considered Turkey, no reference was made to this very large potential piece of business - even though it seems clear that the prospect has been around for some time. Consideration of credit for sales, including arms sales, such as this, should always involve interdepartmental consultation before commitments are made to exporters or their customers. This is particularly important in present circumstances when ECGD has little scope for taking on additional risks in poor markets. I would hope that we could all agree on the need to consult at a very much earlier stage in future cases.

I am sending copies of this letter to the Prime Minister, Sir Geoffrey Howe, Michael Heseltine, and Sir Robert Armstrong.

NIGEL LAWSON

*Nigel Lawson*



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Secretary of State for Trade and Industry

25 May 1984

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TORNADOS FOR TURKEY

Thank you for your letter of 11/ May.

2 I certainly agree that in cases of this kind interdepartmental consultation should precede commitments to exporters or their customers. No such commitment was involved in this case. As my minute to the Prime Minister of 1 May made clear, I regard this potential order as sufficiently important industrially to justify continued pressure on the Germans at political level, since it seems virtually certain that the order will not materialise without German military aid.

3 I recognise also, of course, the continuing uncertainty surrounding Turkey's economic prospects, and ECGD's own difficulties. The line to take which I recommended to the Prime Minister made no commitment regarding UK export credit support but I could understand a concern that strong words from the UK might have been taken as implying credit support. But I would also note that, should the German Government experience a change of heart on the question of aid, and the Turkish order became a real possibility, we would then clearly need to consider interdepartmentally our position on export credit support in the light of the circumstances then prevailing.

4 I am sending copies of this letter to the recipients of yours.

NORMAN TEBBIT

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DEFENCE: Sales Prof