

# British Aerospace

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From the Managing Director,  
SIR RAYMOND LYGO, KCB

PROJ/556.2

25th June, 1984

The Rt. Hon. Norman Tebbit, MP,  
Secretary of State for Trade and Industry,  
1, Victoria Street,  
London.  
SW1H OET

*Mr Powell (o/r)*  
*To be aware.*

*Emms*  
*26/6*

*Dear Secretary of State,*

## TORNADOS FOR TURKEY

You will be pleased to learn that as a result of my visit to Turkey, where I had discussions with the Head of Procurement for the Turkish Armed Forces as well as the Deputy Chief of the General Staff, they have indicated an intention to proceed with the procurement of 40 Tornado IDS aircraft from the UK, through British Aerospace, subject to confirmation of the terms offered in my letter of the 24th May, 1984 (not to all or needed). I would like to outline the importance of this decision so that all the factors concerned may be taken into account.

The importance of Turkey to the southern flank of NATO has increased as a result of the disturbed situation on Turkey's eastern borders. Turkey has no modern long range strike forces. The decision to procure the F16s, which has been supported by large US foreign military aid, has meant that the modernisation of its air force will leave it without long range interdiction strike aircraft. Thus the acquisition of Tornados will prove an immense strengthening of NATO's southern flank. In addition, the provision of facilities for the operation of Tornados from properly equipped bases in Turkey will provide NATO with a flexibility of deployment of its existing Tornado force in a way which must be of equal importance in strengthening NATO's ability to defend the southern flank. It is certain to have a stabilising effect in the region.

You will be aware that the Turkish Armed Forces have long maintained a separate identity in terms of procurement and that their record in this respect is unblemished. They have honoured their agreements; they have met their

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obligations. As an indication of this you will recall that for the first order of Rapier, which amounted to £150M, we offered limited ECDG cover and soft loan facilities to them which they declined as unsatisfactory, preferring to procure on the basis of cash payments. Deliveries have commenced and the payments have been received promptly and, in fact, some have been received early. We have since that time concluded a small contract (£18M) for Sea Skua missiles and the payment for these, also in cash, has been received in accordance with the payment plan.

In the present troubled times in the Middle East the political importance of Turkey goes without saying. As I have reported on previous occasions, the Turks view with some suspicion the stated determination of the United States to maintain support for the Turkish Armed Forces, especially in moments when the Greek Lobby in Washington becomes active; they have painful memories of the termination of spares support during the Cyprus crisis. The French are not popular in Turkey at the present time because of the left wing nature of the present French Government. Relations with Germany are strained because of the German Turkish worker problem and until this is resolved they are likely to prove difficult in their dealings with the Germans. Thus, they see the British as their true friends in NATO, in the Western Alliance and in the European Economic Community and expect recognition of what they have done to restore a large degree of democracy in Turkey after the disturbances which preceded the military take over. They have a great admiration for our Prime Minister and all that she has done in the UK. Turkey's position in relation to its ties with the Middle East have strengthened considerably in recent years and the top level meeting between King Fahad and President Evren has further improved relations.

Whilst the subject of supply of military equipment often provokes very different attitudes and opinions; one thing is certain; countries will obtain the military equipment they deem necessary for their defence from one source or another and the country which supplies equipment has more authority than one which does not simply because the supply of spares which is vital to the operational conduct of the equipment is in the hands of the supplier. Thus a country which supplies defence equipment can exert more political influence than one which does not.

You will be aware that the industrial arguments for further orders for the Tornado are powerful. Without them the production line at Warton and all the associated production lines from the many equipment suppliers in the UK will begin to run out in 1986. It is thus of extreme importance that we gain export orders. As you are aware, there are other opportunities which we are pursuing with vigour. It is significant that a recent survey by the Head of Defence Sales indicates that the only area in which we are lagging behind the French in the export of defence equipment is in relation to the larger contracts over \$250M where the French ability and willingness to provide military aircraft has proved decisive to their export drive.

In financial terms, assuming that the 40 aircraft order is worth about one billion dollars, or about £700M, the UK share will be something in the order of £350M. The terms proposed include a cash element from Turkey of 13½% which would reduce the size of the UK loan package required to something in the order of £300M. This must be set in the context of the existing Rapier and Sea Skua

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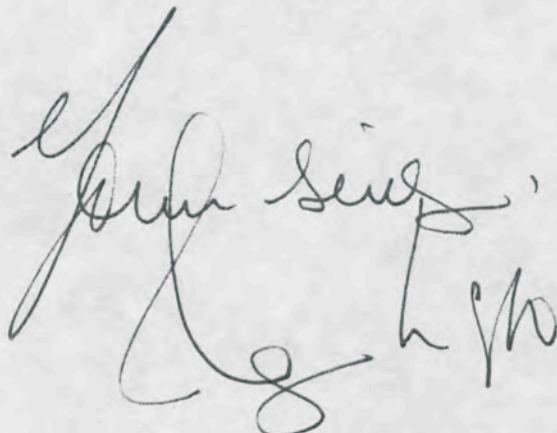
contracts which are being procured for cash at a value of £165M. In negotiating ECGD cover for a possible order of a similar quantity of aircraft for Greece we have achieved a level of cover of some 95%. I believe it is true to say that in world terms the Greek economy is weakening, whilst the Turkish economy is strengthening. In these circumstances, the political implications of being seen to be prepared to support a Greek purchase yet not a Turkish purchase would seem, in my opinion, to be difficult to defend. It must be recognised that Turkish intelligence is good enough to know what has been offered in Greece.

Whilst I well recognise the financial difficulties which this proposition might pose, I believe that the companies involved in this contract have sufficient need for the work for it to be possible that they might be prepared to provide some of the cover themselves.

An important element in any contract nowadays is offset and you will be aware that as far as direct manufacture in Turkey is concerned, we are presently negotiating for a licence agreement for the manufacture of Rapier missiles in Turkey to cover the requirements of the Turkish Armed Forces. In addition we have, with HMG support, recently succeeded in obtaining United States agreement to the purchase of Rapier missile systems for the defence of United States Air Force bases in Turkey. It is possible that the missiles for these systems could also be produced in Turkey. Turkey has a large industrial base and would expect as a condition of the Tornado contract to provide some 35% of the total value in offsets. We believe that this will provide us with far less difficulty than the 100% and more offset demanded by Greece and in this respect makes the Turkish proposition more attractive.

In conclusion, you will of course realise that this may be the first export order for Tornado. When taken with other possibilities which exist for further exports one would see the total value to this country rising to something of the order of £1B within the next 12 months. Of course, an equivalent value will flow to our German and Italian partners who will benefit from our marketing activities in a highly competitive world situation. In parallel with the discussions which must now take place in the United Kingdom, I have the task of consulting with our German and Italian partners in order to bring a complete package into being. I believe we now have an opportunity to achieve an export order for Tornado to Turkey which is unlikely to re-occur in the near future. In addition they have indicated privately that should they be successful in acquiring the 40 Tornados there would almost certainly be a follow on requirement later for an additional 32 aircraft. This may well be achieved by a rebalancing of their total air force budgets.

I would be grateful for an early opportunity to discuss the matter with you observing that the Turks have placed a 60 day timescale on me to achieve a final proposal.

A handwritten signature in cursive script, appearing to read 'Raymond Lygo', is written in dark ink at the bottom of the page.



REPORT ON THE VISIT OF A BRITISH AEROSPACE TEAM, LED BY  
SIR RAYMOND LYGO, TO TURKEY - JUNE 1984

I paid a visit to Turkey between the 12th and 15th June at the invitation of General Celenkler, the Under Secretary of State for Defence Procurement of the Turkish Armed Forces. On Wednesday 13th June, I called on the British Ambassador to explain the purpose of my visit and to exchange intelligence. At 1100 on the 13th, I met with General Torumtay, Deputy Chief of the Turkish General Staff, who was accompanied by General Celenkler, General Cicek, Vice Admiral Ozkan and Colonel Batur, Turkish Air Force. I was accompanied by Mr. R. H. Evans from British Aerospace Warton, Mr. L. A. Sanson, British Aerospace Marketing Director, Mr. John Benda, from the British Aerospace local agent Panturk and General Naipoglu.

General Celenkler opened the meeting by stating that they were interested in the proposals contained in my letter of the 24th May but that they had decided that they wanted 40 aircraft and that this was the minimum force they regarded as viable. They would have two squadrons of 18 aircraft each, with four held in reserve. General Celenkler went on to enquire whether it would be possible to make a proposal similar to that for 20 aircraft but covering 40. I replied that this would be a matter for discussion with our German and Italian colleagues in Panavia, but subject to their being able to match the kind of terms that were being offered in my letter and subject also to my being able to confirm those terms within the United Kingdom, we would be in a position to offer the supply of 40 aircraft. He next asked me to confirm that I was not considering German foreign military aid as part of the German contribution. I said that my understanding was that the Turkish Armed Forces had now presented an additional requirement for German aid, of which I had been unaware when I made my original proposition. I now knew that there was little or no possibility of receiving further German foreign military aid and therefore my proposition would be based on a commercial package similar to the one that I had offered in my letter of the 24th May. Celenkler explained that the Army's needs for German foreign military aid were of top priority and that they could not be replaced by an airforce requirement. He did say however that the Turkish General Staff wished to acquire Tornado aircraft if financial circumstances made this possible. There then followed a series of questions relating to some of the details in my letter covering training, simulators, publications where the training and conversion of pilots would take place, etc.

It is clear that the support package that is being proposed to them for the F16 exceeds what they were led to believe. I made clear that the original proposal for 72 and 40 aircraft had contained an element of 27% of the purchase price for support over two years and that in my subsequent letter I had reduced this to 20% because they had thought that 27% was too high. I went on to explain that in my view, 27% was a sensible allowance, but that they did not have

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to take up the whole value of this part of the package if they did not wish to do so. It was for them to decide how much of this they would require. However, if they elected for 20% and subsequently found they needed more, it would be difficult to put the right financial package into place. Therefore, it was better to start with 27% and work down. I also pointed out that we had evidence to suggest that the support package for the Tornado was less than that required for F18s, F16s and F15s. I offered the services of a Royal Air Force team to advise them on the support package they required. I said I was sure the Royal Air Force would confirm our own opinions but we were quite happy to rest on whatever discussions they had with the Royal Air Force in this respect. General Torumtay intervened at this point in Turkish to say that he did not think there was any point in pursuing details of this kind at the meeting we were having. I had offered the Royal Air Force team and that was sufficient!

General Celenkler then turned to delivery saying that I had originally offered half a squadron within 12 months. I said that discussions would have to relate to how many could be made available from any contract date. We would still do our best to honour our offer of early delivery but they should realise that time was passing and other customers were in the offing. I was left with the impression that they could be flexible on this. He then touched on the question of offset saying that they understood that other countries were getting up to 100% offset. I acknowledged this but said that our offer of 35% was one which I knew we could honour in the circumstances prevailing in Turkey. I pointed out that it was better to go for a positive low contribution which we knew we could meet rather than to make extravagant promises that we subsequently failed to achieve. I said that our record in this respect was excellent whereas the record of some of our competitors was less than satisfactory. I accepted that offset would be an important part of the package.

General Celenkler concluded the meeting by saying that he would now have to seek the permission of the General Staff to continue negotiations with us and he would let me know. General Torumtay intervened to say he was seeing General Urug, the Chief of General Staff, immediately afterwards and that he would then let me have the answer. I said I was grateful for this but that I would like to have a letter confirming their continuing interest in pursuing the negotiating package I had outlined because I was having difficulty in certain quarters in the United Kingdom, and elsewhere, in getting people to believe that they were really serious. General Torumtay acknowledged this and said that a letter would be provided. The letter at the Appendix was the one that was produced. In subsequent discussions, Celenkler explained that the F16 deal had been approved by the Chief of Air Staff three days before the new Civilian Government came into power and they were somewhat embarrassed to find that this commitment had been entered into so soon before they assumed office. They, the Turkish General Staff, were anxious to make sure that their new Civilian Government was fully aware of what they were doing and they had informed the Minister of Defence and the Finance Minister of what they were discussing with us so that when any decision was sought, it would not come as a complete surprise. This was the sole reason for the letter being couched

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in the terms it was. The Turkish General Staff had decided that they wanted the Tornado for strategic reasons in order to give them a strike capability on the Southern flank, which at the moment they did not possess, and they were quite certain that it would provide a stabilising effect in the region. This viewpoint was expressed to me privately by several other officers of the General Staff and I am in no doubt as to their seriousness now in looking at the Tornado for this role.

At a subsequent meeting on the 15th, we discussed the second tranche of the Rapier buy, as well as the indigenous manufacture of Rapier. I explained to them the decisions of the United States Department of Defence in relation to the purchase of Rapier for the Defence of USAF bases in Turkey. The significance of being able to obtain the missiles from a Turkish indigenous source was stressed. General Celenkler took the opportunity, once again, to stress to me that they were serious about Tornado as long as we could put a reasonable commercial package together. I debriefed the British Ambassador, showed him the letter I had received, and departed to the United Kingdom on the 15th.



Copies to:-

The Rt. Hon. Sir Geoffrey Howe, QC, MP  
Secretary of State for Foreign Affairs

The Rt. Hon. Michael Heseltine, MP  
Secretary of State for Defence

The Rt. Hon. Tom King, MP  
Secretary of State for Employment

Mr. Geoffrey Pattie, MP  
Minister of State for Defence Procurement

The Rt. Hon. Paul Channon, MP  
Minister for Trade,  
Department of Trade and Industry

Mr. Norman Lamont, MP  
Minister of State for Industry  
Department of Trade and Industry

Mr. F. E. R. Butler ✓  
PPS to the Prime Minister  
Cabinet Office





M. S. B.  
MÜSTEŞARLIĞI

14 June 1984

Hüsnü ÇELENKLER  
General

*Dear Mr. Lygo :*

*As a result of the discussions held with you on 13 June 1984 in relation to the procurement of TORNADO aircraft, we wish to inform you that we are interested in acquiring 40 IDS Tornado aircraft conditional upon the following :*

- 1. The financial terms for the supply of the 20 aircraft as per BAe proposals will be evaluated by MOD Turkey in detail.*
- 2. For the rest 20 aircraft you can proceed to achieve favorable financial terms from your German and Italian partners within a period of sixty days. Please, keep us informed on developments.*
- 3. We have to make a final evaluation for 40 aircraft after having the proposals from your German and Italian partners.  
The final decision for both packages is subject to the approval of the Government of Turkey, taking into consideration the terms you propose.*
- 4. In pursuing your negotiations with your partners in order to achieve a satisfactory financial package you should be mindful of the importance to provide the maximum amount of direct and indirect offset.*

*Sincerely yours.*

*Admiral Sir Raymond LYGO, KCB  
President, SBAC  
Ministry of Defence  
Main Building  
Whitehall London SW1A 2HB*