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Treasury Chambers, Parliament Street, SW1P 3AG  
 The Rt Hon Paul Channon MP  
 Minister for Trade  
 Department of Trade and Industry  
 1 - 19 Victoria Street  
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msm  
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21 December 1984

Dear Minister

ATP TURKEY: SECOND BOSPHORUS BRIDGE

attached

Thank you for your letter of 17 December.

Although there is no justification for any increase in ECGD's total exposure in Turkey I would not stand out against the relatively small increase (£6 million) you propose on the limit if this were necessary to secure important business on commercial terms.

I cannot accept, however, that the small amount of cover remaining should be used for an ATP case. I understand that UK firms are competing for orders in Turkey worth a total of £360 million. The prime purpose of the ATP is to increase UK exports, not to replace commercial orders by subsidised ones. I made it clear in my letter of 11 December that increasing the cover for the Airbus deal involved a judgement about priorities. I would not, incidentally, take quite such a pessimistic view as you on the effect of losing the Bosphorus contract on Cleveland Bridge's prospects of future business, in view of their established position in the construction of long-span bridges.

I am copying this letter to the Prime Minister and the Foreign Secretary.

Yours sincerely

*[Handwritten signature]*  
 PETER REES

[Approved by the Chief Secretary]

21 DEC 1984

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From the Minister for Trade

The Rt Hon Peter Rees QC MP  
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*Peter Rees*

17 December 1984

## ECGD COVER FOR TURKEY

Thank you for your letter of 11 December agreeing to the provision of full ECGD cover for the sale of 7 Airbus Aircraft. I was grateful for this; but disappointed in the position you took in relation to the overall market limit, particularly as this affects the potential Bosphorus Bridge project. Whilst I believe that a further review of Section 2 cover for Turkey can be deferred until later in 1985, I would like to pursue the question of possible support for the bridge project, which I regard as an important export opportunity and am under pressure to discuss with Cleveland Bridge before Christmas.

2 Once we take account of ECGD's existing commitments on the market (both cash and credit business) including the new Airbus figure (£92m), the amount of ECGD cover left available is approximately £20m. There is a wide range of potential business available to us on the market. In recognition of ECGD's claims position on Turkey and the doubts about the future prospects for the Turkish economy, I would not want to press for any significant uplift in the Turkey market limit immediately (although I would hope that the further review next year will justify some continuing availability of cover). However, I would not want to jeopardize the chance of Cleveland Bridge winning the second Bosphorus Bridge project. I would, therefore, ask you to agree that the current market limits on Turkey might be overrun by a very modest amount (of some £6m or so) in order to enable ECGD to offer a first come first served indication on this project; and that you should agree we might offer ATP cover at the same time.

3 The Bosphorus Bridge project is a high profile, politically significant one, to which the Turks attach considerable priority. The Turkish Prime Minister has taken a close personal interest and has asked to see Cleveland Bridge to discuss their proposals. The Turks want Cleveland Bridge to build the second bridge because of their pre-eminence in the long-span bridging field and because they built the first one, which has proved a great success. The order is of particular importance to Cleveland Bridge since it would provide them with an important reference project which could lead to valuable orders in more commercial markets such as West Europe and North America. By

CGNO

BF // *Avail Chief Secy's  
 reply.*

*will report if agreed.*



token, loss of the project would let the Japanese into a sector where Cleveland currently have a technological lead. It is also worth noting that the UK would lose good business in terms of steel section and cable supply and sophisticated fabrications. There is no doubt that the Japanese have for some time been trying to break into the long-span bridge sector and have, in the particular instance we are considering, offered attractive financing terms (a 25bn yen loan at 4% interest over 25 years with a 7 year grace period) which the Turks will find hard to turn down. The Japanese loan is specifically tied to the bridge offer, since it is outside their current £130m OECD pledge to Turkey. Given this degree of competition and the severe loss which failure to secure the contract would represent for Cleveland, I consider that the level of ATP proposed is fully justified. We have been presented with a proposal whereby the UK element in the construction of this bridge would total £40m. On the basis of a 25% ATP input (£10m) the commercial parties would be prepared to offer 50/50 risk sharing with ECGD on the remaining £30m. In our discussions we will see if the uninsured share might be increased further. Once ATP had been deducted, the ECGD share would thus be a maximum of £26m. Hence, a small flexibility on the top of the existing limit, would allow them to indicate support for this project.

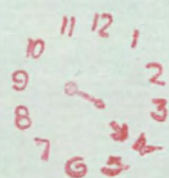
4 I hope you will feel able to accept this compromise proposal on my part. It will not be without pain for us and British industry. We will need to withdraw indications above the £26m level for some people, notably NEI, who already have indications for larger amounts on a first come first served risk sharing basis. And, assuming that the bridge contract is won, a great deal of business will be lost for us. But I am prepared to accept this possibility, subject to a full review of the market in the New Year.

5 I am copying this letter to the Prime Minister and the Foreign Secretary.

*ms,*

*Paul*

17 DEC 1984



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