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FM ANKARA

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INFO SAVING EC AND NATO POSTS, UKDEL STRASBOURG, NICOSIA

TURKISH PRIME MINISTER'S VISIT: THE SCENE

SUMMARY

1. OZAL WILL COME IN CONFIDENT MOOD WITH CLEAR PROGRESS BEHIND HIM ON THE DOMESTIC AND EXTERNAL FRONTS. HE FACES BIG PROBLEMS BUT HIS POLITICAL POSITION IS STRONG. THE RISKS ARE THAT CONFIDENCE WILL LEAD HIM TO UNDER-ESTIMATE DOMESTIC DANGER SIGNALS AND TO OVERREACH HIMSELF IN HIS APPROACH TO EUROPE. BUT HIS RECORD IS THAT OF A REALIST. THE UK'S SHOW OF CONFIDENCE IN HIM IS JUSTIFIED.

DETAIL

THE VISIT AND ANGLO/TURKISH RELATIONS

2. OZAL WILL BE COMING TO THE UK IN CONFIDENT MOOD, VERY PLEASED TO HAVE RECEIVED THIS INVITATION FROM THE PRIME MINISTER, BOTH AS A SIGN OF CONFIDENCE IN TURKEY AND AS UNDERLING THE EXCELLENT STATE OF ANGLO/TURKISH RELATIONS.

3. THESE HAVE DEVELOPED STEADILY OVER THE PAST THREE YEARS. TURKEY IS APPRECIATIVE OF THE CONSTANT SUPPORT HMG HAVE GIVEN IN EUROPEAN FORA. TRADE HAS DOUBLE IN TWO YEARS WITH UK VISIBLE EXPORTS TO TURKEY IN 1985 AT OVER £450 MILLION AND DEFENCE SALES RISING OVER THREE YEARS FROM ZERO TO £350 MILLION. TURKEY WOULD LIKE TO SEE THE RELATIONSHIP DEVELOP FURTHER, PARTICULARLY ON THE ECONOMIC AND DEFENCE COOPERATION SIDES. SHE WILL LOOK FOR CONTINUING UK HELP IN EUROPE IN GENERAL AND IN PARTICULAR FOR SUPPORT FOR THE PRINCIPLE OF EVENTUAL FULL TURKISH MEMBERSHIP OF THE EC. SHE WILL ALSO SEEK GREATER ACCESS TO UK MARKETS FOR HER TEXTILES AND CERTAIN AGRICULTURAL PRODUCTS. SHE WILL LISTEN TO ADVICE TO THE NEED TO SUSTAIN PROGRESS ON HUMAN RIGHTS IN A WAY WHICH WOULD NOT BE POSSIBLE HAD WE BEEN LESS GENERALLY SUPPORTIVE.

DOMESTIC: POLITICAL

4. 1985 WAS A GOOD YEAR FOR THE GOVERNMENT. THE RULING MOTHERLAND PARTY (VERY MUCH OZAL'S CREATION) SETTLED DOWN, ITS INTERNAL DIVISIONS WERE KEPT FIRMLY UNDER CONTROL AND ITS COUNTRYWIDE ORGANISATION STRENGTHENED. THIS DID NOT PREVENT THE PARTY'S POPULARITY SLIPPING IN THE POLLS FROM OVER 40 PER CENT TO JUST OVER 30 PER CENT, OR PROTECT OZAL FROM GROWING CRITICISM IN PRESS AND PARLIAMENT ON INFLATION, HUMAN RIGHTS AND POLICY

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TOWARDS EUROPE. OZAL ALSO FACES STRONGER POLITICAL OPPOSITION FROM THE MERGER OF TWO OF THE MAIN PARTIES OF THE LEFT. BUT HE AND HIS PARTY SHOW UNDIMINISHED CONFIDENCE IN THEIR ABILITY TO BUILD UP THEIR SUPPORT OVER THE NEXT 2-1/2 YEARS TO THE GENERAL ELECTION. MARTIAL LAW HAS BEEN PROGRESSIVELY LIFTED. THEY BELIEVE THAT THE GOVERNMENT'S MOST DIFFICULT DECISIONS HAVE BEEN TAKEN AND THAT BY 1988 THEY WILL BE ABLE TO SHOW CLEAR PROGRESS. THEY MAY BE OVER CONFIDENT. BUT THE SOLID BASIS OF THEIR SUPPORT IS A FACT AND THEY HOLD THE POLITICAL INITIATIVE.

DOMESTIC: ECONOMIC

5. THE PROBLEMS REMAIN FORMIDABLE. DOMESTIC INFLATION WAS STILL 40-45 PER CENT AT THE END OF 1985. THE JANUARY 1986 FIGURES SUGGEST A CONTINUING DOWNWARD TREND AND WITH A GOOD HARVEST THIS YEAR (WINTER RAINS HAVE BEEN FAVOURABLE) 30-35 PER CENT MAY BE ATTAINABLE. BUT THAT IS STILL A FAR CRY FROM THE 25 PER CENT AT THE END OF 1985 AND THE UNDER 10 PER CENT BY 1988 WHICH WERE AND ARE THE GOVERNMENT'S AIMS.

6. SIGNS OF REAL DISTRESS AMONG THE POPULATION ARE NOT READILY APPARENT TO THE OUTSIDE OBSERVER. BUT THE RUMBLINGS ARE THERE, PARTICULARLY FROM THE LOWER MIDDLE CLASS AND THE FARMERS, WHOSE SUPPORT OZAL NEEDS. THE TURKISH TRADES UNION CONFEDERATION ARE TO MOUNT A MASS RALLY IN IZMIR ON 22 FEBRUARY.

7. THE MOOD IN BIG BUSINESS IS SURPRISINGLY BUOYANT. THE SCEPTICISM HAS GIVEN WAY TO A READINESS TO ADMIT THAT OZAL HAS PROVIDED A MORE BRACING CLIMATE AND SIZEABLE OPPORTUNITIES FOR THOSE ABLE TO SEIZE THEM. MEDIUM AND SMALL FIRMS ARE LESS HAPPY. UNABLE LIKE THE LARGE FIRMS TO CONDUCT MUCH OF THEIR BUSINESS IN FOREIGN CURRENCY, THEY ARE FACED WITH EXHORBITANT INTEREST RATES AND SHORTAGE OF CAPITAL. AGRICULTURE TOO MUST PERFORM BETTER IF IT IS TO FEED TURKEY'S 51.4 MILLION WITH A MILLION ADDITION MOUTHS EACH YEAR AND TO CONTINUE TO PROVIDE AN EXPORT SURPLUS.

EXTERNAL: ECONOMICS

8. HERE THE RECORD IS GOOD. TURKEY'S EXPORTS HAVE CONTINUED TO EXPAND AT BROADLY THE PLANNED RATE (ABOUT DOLLARS 7.9 BILLION AT END 1985), THE PARALLEL RISE IN IMPORTS IS NOT EXCESSIVE AND WITH THE HELP OF INCREASED INVISIBLE EARNINGS THE BALANCE OF PAYMENTS DEFICIT WAS UNDER DOLLARS 1 BILLION IN 1985 AND THE CHANCES OF BRINGING IT DOWN FURTHER THIS YEAR LOOK FAIR. TURKEY MET HER DEBT SERVICING OBLIGATIONS IN FULL IN 1985 AND THE GOVERNMENT ARE CONFIDENT OF BEING ABLE TO DO SO IN 1986 AND BEYOND. THE EFFECT ON TURKEY'S BALANCE OF PAYMENTS OF THE DROP IN OIL PRICES IS NOT YET CLEAR. SHE STANDS TO GAIN ON HER IMPORT BILL BUT HER MIDDLE EAST EXPORT MARKETS MAY SUFFER. THE EFFECT SHOULD BE AT LEAST NEUTRAL. THE FUTURE HINGES ON SUSTAINING THE EXPORT DRIVE AT A RATE OF 12 PER CENT INCREASE PER YEAR. BIG BUSINESS AND GOVERNMENT OPINION IS THAT THIS CAN BE DONE.

EXTERNAL: POLITICAL

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9. RECENT WEEKS HAVE SEEN AN EASING IN TURKEY'S RELATIONS WITH EUROPE: THE SETTLEMENT OF THE FIVE NATIONS HUMAN RIGHTS CASE AND SIGNS OF PROGRESS ON (I) AN ASSOCIATION COUNCIL MEETING, (II) THE LIFTING OF THE BLOCKAGE ON COMMUNITY PAYMENTS AND (III) TURKISH PRESIDENCY OF THE COE MINISTERIAL COUNCIL ARE POINTERS TO FURTHER PROGRESS. THE ROLE OF HMG IN ALL THIS IS RECOGNISED HERE. THE TURKS HOPE (AND PROBABLY EXPECT) THAT BY THE END OF THE UK PRESIDENCY SOLUTIONS SATISFACTORY TO THEM WILL HAVE BEEN FOUND ON ALL THESE ISSUES.

10. AS REGARDS AN APPLICATION FOR EC MEMBERSHIP, THE SIGNALS ARE CONFLICTING. OZAL IS UNDER PRESSURE FROM SOME OF HIS CLOSE ADVISERS TO MOVE SOONER RATHER THAN LATER. BUT HE APPEARS TO BE KEEPING HIS OPTIONS OPEN AND MAKING NO COMMITMENT EITHER WAY.

11. ON WIDER ISSUES:

(A) TURKISH/US RELATIONS ARE CURRENTLY CENTRED AROUND THE RE-NEGOTIATION OF THE DEFENCE AND ECONOMIC COOPERATION AGREEMENT, WHERE PROGRESS IS PROVING SLOW AND DIFFICULT SEMI COLON

(B) IN THE MIDDLE EAST TURKEY CONTINUES TO PURSUE HER ECONOMIC INTERESTS AND TO AVOID BEING DRAWN INTO POSITIONS WHICH MIGHT JEOPARDISE THOSE INTERESTS (EG OVER LIBYA) SEMI COLON

(C) IN NATO TURKEY CONTINUES TO TAKE A TOUGH LINE ON ANY ISSUES WHERE SHE FEELS THAT SHE IS BEING PRESSED TO COMPROMISE IN ORDER TO ACCOMMODATE GREEK INTRANSIGENCE. ON THIS TURKISH FEELINGS RUN STRONG SEMI COLON

(D) RELATIONS WITH GREECE CONTINUE BAD. THE PAPANDEOU/OZAL ENCOUNTER AT DAVOS NOTWITHSTANDING, DISTRUST OF PAPANDEOU REMAINS VERY STRONG. PRESS AND PUBLIC OPINION ARE QUICK TO JUMP ON ANY SIGN THAT OZAL MAY BE GIVING SOMETHING AWAY FOR NOTHING IN HIS APPROACH TO GREECE SEMI COLON

(E) ON CYPRUS, ANKARA, WHILE EXPRESSING CONTINUED SUPPORT FOR THE SECRETARY GENERAL, IS CONTENT TO STAND PAT AND WAIT.

CONCLUSION

12. THE PICTURE ABOVE IS GENERALLY UPBEAT. BUT THE FUTURE WILL NOT BE PLAIN SAILING AT HOME OR ABROAD AND A GREAT DEAL DEPENDS ON OZAL HIMSELF. THERE IS NO OBVIOUS ALTERNATIVE IN SIGHT. I SEE THREE MAIN DANGERS:-

(A) AT HOME CONFIDENCE IN HIS POLICIES MAY CAUSE HIM TO UNDERESTIMATE THE LEVEL OF OPPOSITION WHICH MAY BE BUILDING UP SEMI COLON

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(B) ABROAD.

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(B) ABROAD HE MAY FAIL TO UNDERSTAND THE FULL COMPLEXITIES OF TURKEY'S RELATIONSHIP WITH EUROPE AND OVERREACH HIMSELF WITH DISILLUSION ALL ROUND SEMI COLON

(C) ON THE PARTICULAR LEVEL OF ANGLO/TURKISH RELATIONS, HE MAY OVER-ESTIMATE WHAT WE CAN OR ARE WILLING TO DO FOR TURKEY WITH AGAIN THE DANGER OF DISILLUSION.

13. BUT ON THE EVIDENCE, OZAL IS A REALIST. HE HAS TO DATE CONFOUNDED MOST OF THE SCEPTICS. WE ARE RIGHT TO GIVE HIM THE SHOW OF CONFIDENCE REPRESENTED BY THIS VISIT. ITS SUCCESS WILL POSITION US STRONGLY TO DEVELOP OUR COMMERCIAL, DEFENCE AND POLITICAL RELATIONS IN THE FUTURE.

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