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Chancellor of the Duchy of Lancaster

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Yours Robert,

VISIT OF PRIME MINISTER ÖZAL OF TURKEY

On Thursday 20 February, the Chancellor of the Duchy, accompanied by Mr Jim Spicer MP, met Prime Minister Özal, accompanied by several members of the Turkish Parliament. HM Ambassador to Turkey was also present.

The Chancellor welcomed the increasingly close Parliamentary relations between the UK and Turkey. He looked forward to continuing friendly discussions between the Motherland Party and the Conservative Party. Prime Minister Özal also expressed his hope that there would be growth in relations at the Parliamentary level. They had seen the usefulness of this through their acceptance into the Council of Europe. But he saw problems still in relations with the European Assembly; he did not regard the right-wing parties there as sufficiently active. The Greeks were exploiting a left-wing antipathy towards Turkey. By contrast, the Council of Europe was a much more disciplined body, and the Motherland party welcomed its recent membership of the European Democratic Union. The Chancellor said that he looked forward to a long and steady process of improvement in relations.

Prime Minister Özal mentioned the presence of the Turkish Communist Party in London. It is illegal in Turkey. It is continuing to make propaganda, and making common cause with Turkish elements and Greek Cypriots in London.

Speaking of the domestic political situation in Turkey, Mr Özal said that the Motherland Party was entirely distinct from the former Justice Party of Mr Demirel. It had support in urban as well as rural areas. He looked forward to a continuing majority

er the 1988 elections. The total support of the social democrats was less than 35%.

The Chancellor of the Duchy said that much attention was given in the UK to any occasions when the Turkish Government restricted freedoms. He cited the recent case when Mr Tony Benn had apparently not been permitted to address a meeting. Mr Özal said that he had not been banned; it was simply that it was not permitted for commercial companies to undertake political activities and the ban had been on the company.

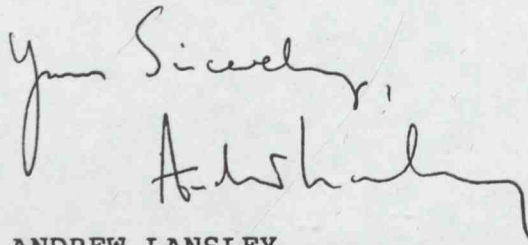
Turning to Turkish economic questions, Mr Özal said that inflation was coming down and growth was good. The Chancellor welcomed this. It should ease credit problems. The Bosphorus Bridge had given us problems but he had been careful to present it as a question of Japanese credit financing. Prime Minister Özal said that the finance had been very cheap, but he believed that an order for cable would be coming to Britain.

On the Akkuyu project, Mr Özal said that they would not propose to provide a sovereign guarantee, but would provide a guarantee of power take-off. Also the equity stake of Turkey Electric and Power may be increased, and Mr Özal spoke in terms of a guarantee of credit on a basket of currencies.

Generally, he expressed his intention that projects should be feasible, and credit be used generally on better projects showing a realistic rate of return. There would then be less need for sovereign guarantees.

The meeting closed with further expressions of mutual goodwill.

I am copying this letter to Charles Powell (No 10), Dennis Brennen (MOD), and to Mike Gilbertson (DTI).

Yours Sincerely,


ANDREW LANSLEY
Private Secretary

