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CAP

29th March 1988

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1

Dear Prime Minister

As you may know, I had the pleasure of leading a CBI group to Turkey at the beginning of the month for discussions with both representatives of the Turkish Government and leading industrialists in Ankara, Istanbul and Izmir.

The team which represented a wide spectrum of British industry and services was well received and returned with a very positive view of long term developments, considering Turkey as a country with good business and investment potential.

Turkey sees herself as a trading centre for exporting to her geographical and cultural partners - Europe, the USSR, Middle East and North Africa.

Although at present Turkey faces difficult economic problems - the high rate of inflation, high interest rates and the debt servicing requirements - we were all impressed by the absolute determination of government ministers and civil servants as well as business leaders to make the economy work. The measures that the Government has begun to take will lead to a reduction in growth and a reduction in the growth rate in major infrastructure projects, particularly if foreign exchange is involved.

It was felt that the incentives for foreign investors are generous and extensive but unless the project earns hard currency through its exports from Turkey, it is liable to be disadvantaged from the high interest rates and exchange rates.

Turkey has not got a large capital market, currency reserves or currency earnings to finance her major economic

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programme and must therefore continue to rely on multilateral or bilateral funds. Of the \$10 billion undispersed funds for projects, over 50% are in the form of export credits from the industrialised nations. A very small proportion of these funds come from the UK and if British industry is to fully participate then the financial support offered by ECGD needs to be reviewed.

The overburdening bureaucracy remains a barrier to getting investment approval for projects in any way complex or politically sensitive and it may not be as easy to reduce it as many Ministers hoped.

Export opportunities for British companies exist particularly in the priority sectors, electronic, automotive, textiles, industrial goods, chemicals iron and steel goods, manufacture and energy. The Great Anatolian project offers opportunities in the longer term not only in irrigation, fruit and vegetable farming but also given the gap existing between production and distribution, in transport and establishing a marketing network.

The importance of tourism was stressed with the number of beds expected to treble within 5 years producing an income of \$3 billion a year. No doubt the recent DTI survey on the opportunities in tourism will provide further details in due course.

There was great emphasis on privatisation but the central problem is to bring the various state enterprises into profit as many public owned bodies are very large and badly managed. The size of the capital market in Turkey will not accommodate a programme as seen within the UK but a beginning has already been made with the decision to privatise Sumerbank and Petkim.

On the subject of Turkey's application to join the EC we found very realistic attitudes amongst politicians, civil servants and businessmen, all of whom appreciated the immense challenge membership would impose.

We followed up our visit with a debriefing session with CBI members last week when we found that many of our conclusions were supported by the representatives present.

On 20th April I shall have the pleasure of chairing a joint seminar to be held in connection with the Turkish Industrial

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Exhibition at the Barbican at which Dr Yusef Ozal has agreed to speak. We would very much welcome a contribution on your visit and were you able to join us personally this would be greatly appreciated by both British industry and Turkish visitors.

All the members of the CBI team found their visit informative and of great interest. We were encouraged by what we saw and heard and at all times were given loyal support by Timothy Daunt and his colleagues.

I hope that your visit is as interesting and enjoyable.

Your sincerely

Mervin

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From the Private Secretary *ah* / 29 March 1988

I enclose a copy of a letter the Prime Minister has received from Mr. J. M. K. Laing of John Laing plc.

I should be grateful for a very early draft reply, in conjunction with the Foreign and Commonwealth Office to whom I am copying this letter, for the Prime Minister to send Mr. Laing. The Prime Minister will not in fact be able to attend the seminar on 20 April.

Please would you include Mr. Laing's letter in the Prime Minister's briefing for Turkey.

(C. D. POWELL)

Miss Alison Brimelow,
Department of Trade and Industry.