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MIPT: TURKEY: PRIME MINISTER'S VISIT

SUMMARY

1. OZAL UNDER DOMESTIC CRITICISM. ECONOMY FALTERING.
HE HAS YET TO REASSERT HIS AUTHORITY AND REPUTATION FOR SOUND
MANAGEMENT. BUT THE LIBERALISATION OF THE TURKISH ECONOMY HAS
LARGELY TRANSFORMED PROSPECTS: THEY REMAIN GOOD OVER THE
MEDIUM TERM. ACTIVE FOREIGN POLICY: DAVOS RAPPROCHEMENT WITH
GREECE. EC ISSUE THE MOST IMPORTANT FOR THE VISIT.

DETAIL

2. AFTER HIS BIG ELECTION WIN IN NOVEMBER, OZAL IS NOW GOING
THROUGH A DIFFICULT PATCH DOMESTICALLY. THE MAIN CRITICISMS ARE
INFLATION ABOVE 50 PER CENT, REAL INCOMES SQUEEZED, NASCENT LABOUR

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UNREST, FOREIGN DEBT OVER DOLLARS 40 BILLION, ARROGANT GOVERNMENT BY THE OZAL FAMILY CLIQUE, CORRUPTION, CONTINUED DISREGARD FOR HUMAN RIGHTS, FAILURE TO DEAL WITH KURDISH PROBLEMS IN THE SOUTH-EAST, FAILURE TO CURB ISLAMIC FUNDAMENTALISM. BUT OZAL STILL HAS EVERY CHANCE OF CONFOUNDING THOSE CRITICS WHO SEE TURKEY AT YEAR 7 OF YET ANOTHER TEN YEAR CYCLE WHICH ENDS IN ECONOMIC FAILURE, PUBLIC DISORDER AND MILITARY INTERVENTION. ALTHOUGH HE IS A POLITICIAN IN THE TURKISH TRADITIONAL MAINSTREAM, IN 1983-86 HE STARTED A LIBERALISATION OF THE ECONOMY WHICH HAS BROKEN MANY OF THE OLD PATTERNS. DEMOCRACY HAS BEEN RESTORED. AND PRE-ELECTION NEGLECT OF SOUND ECONOMIC POLICIES HAS ALREADY BEEN PARTIALLY CORRECTED: MONETARY SQUEEZE, AND PRICE AND TAX RISES. MANY INDICATORS ARE MOVING IN THE RIGHT DIRECTION AND THE BALANCE OF PAYMENTS CONTINUES TO IMPROVE. OZAL HIMSELF HAS, HOWEVER, YET TO REASSERT HIS PERSONAL AUTHORITY OVER DOMESTIC ECONOMIC POLICY AND CURB PUBLIC SECTOR SPENDING. IF HE SUCCEEDS, MEDIUM TERM PROSPECTS WILL REMAIN VERY GOOD.

3. EXTERNALLY OZAL HAS BEEN ACTIVE. MEDIATION EFFORTS OVER THE WAR OF THE CITIES CAME TO NOTHING. BUT TURKEY'S BALANCING ACT BETWEEN TWO WARRING NEIGHBOURS CONTINUES DESPITE IRANIAN PROVOCATION: OZAL GOES TO BAGHDAD THIS WEEKEND. THE BEGINNINGS OF A RAPPROCHEMENT WITH GREECE ARE GENERALLY POPULAR - AND OZAL'S OWN ACHIEVEMENT. HARD THINKING OVER CYPRUS, WHICH WILL AFFECT EC AMBITIONS, MAY NOW BE STARTING. FENCES HAVE BEEN MENDED WITH THE US (DEFENCE COOPERATION AGREEMENT RATIFIED). ALTHOUGH PUBLIC SENSITIVITY OVER NUCLEAR WEAPONS IS REAL, OZAL IS SOUND ON THE MAJOR SECURITY ISSUES.

4. TURKEY'S EC APPLICATION REMAINS A PARTICULARLY TRICKY ISSUE, ON WHICH ATTENTION WILL FOCUS DURING THE PRIME MINISTER'S VISIT. SUPPORT FOR IT IS BROADLY BASED. OPPONENTS (LEFT WING, ISLAMIC, SOME BUSINESSMEN AND ECONOMISTS) REMAIN MUTED. KNOWLEDGE OF THE EC AND OF THE IMPLICATIONS OF MEMBERSHIP ARE MINIMAL. THE CONTRADICTIONS ARE MANIFOLD: THE MOTIVATION IS LARGELY MATERIAL BUT, FOR ALL THAT, THE ENTHUSIASM ARISES FROM A GENUINE POLITICAL COMMITMENT - AND A CONTINUING SEARCH FOR IDENTITY. THE EUROPEAN RESPONSE, DURING THE PRIME MINISTER'S VISIT AND OVER THE COMING TWO YEARS, COULD AFFECT TURKEY'S WHOLE ORIENTATION.

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TURKEY: PRIME MINISTER'S VISIT

SUMMARY

1. ALL SEEMS SET FOR A SUCCESSFUL VISIT ON 6-8 APRIL. BRITISH
COMMERCIAL INTERESTS WILL BE HELPED. THE EC MEMBERSHIP ISSUE WILL
BE THE TRICKIEST. IT IS IMPORTANT TO BRITISH INTERESTS THAT OZAL
SHOULD WEATHER CURRENT DIFFICULTIES AND RESTABILISE TURKEY'S
ECONOMY. THE VISIT SHOULD HELP HIM.

DETAIL

2. THE VISIT IS EAGERLY AWAITED. OUTSIDE THE RURAL AREAS,
THE PRIME MINISTER IS A HOUSEHOLD NAME IN TURKEY, MUCH ADMIRER
FOR TOUGHNESS AND CONSISTENCY. TURKISH SOCIETY REMAINS MIDDLE
EASTERN ENOUGH TO BE DOUBLY FASCINATED BY A WOMAN PRIME MINISTER
EXHIBITING THESE QUALITIES. THIS, ALLIED TO APPRECIATION OF
BRITISH UNDERSTANDING FOR TURKEY PARTICULARLY FOLLOWING THE 1980
COUP, IS A RECIPE FOR A SUCCESSFUL VISIT.

3. I HOPE THAT THE PRIME MINISTER WILL CONSOLIDATE OUR GOOD

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RELATIONSHIP WITH TURKEY (AS WELL AS OZAL PERSONALLY), REINFORCE THE IMAGE OF A REINVIGORATED BRITAIN WHICH IS INTERNATIONALLY COMPETITIVE AND AGAIN WORTH DOING BUSINESS WITH, GIVE A FILLIP TO BRITISH EXPORTERS AND TO ONE OR TWO KEY BIDS IN PARTICULAR, AND BE ABLE TO HANDLE THE EC ISSUE IN A WAY WHICH NEITHER DISAPPOINTS LAUDABLE TURKISH AMBITIONS NOR ENCOURAGES UNREALISTIC TURKISH EXPECTATIONS OF THE OUTCOME IN BRUSSELS NEXT YEAR AND BEYOND. THIS WILL BE CHIEFLY IMPORTANT IN THE SECURITY/NATO CONTEXT.

4. BEFORE LAST YEAR'S ELECTION, OZAL NEGLECTED SOUND ECONOMIC POLICIES. CORRECTIVE MEASURES ARE SO FAR BOTH INSUFFICIENT AND UNPOPULAR (SEE MIFT). IF THERE WAS ANY COHERENT PARLIAMENTARY OPPOSITION, HE WOULD BE IN TROUBLE.

5. CRITICISMS OF OZAL ARE NOT ENTIRELY UNJUSTIFIED. BUT IT IS VERY MUCH IN OUR INTEREST THAT HE SHOULD PULL THROUGH THE CURRENT DIFFICULT PATCH AND COMPLETE THE REFORMS HE STARTED 1983-86. ECONOMIC POLICY IS THE KEY. IN FOREIGN POLICY, BOTH IN RELATION TO EUROPE, WHERE HE IS PROBABLY MORE REALISTIC THAN MOST TURKS, AND OVER GREECE AND CYPRUS, THE PRAGMATIC OZAL REMAINS WELL QUALIFIED (IF HIS HEALTH HOLDS) TO CONSOLIDATE THE ACHIEVEMENTS OF 1986-88.

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