

SUBJECT *MASTER*.



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 April 1988

Dear Alison,

THIRD BOSPHORUS BRIDGE

During her visit to Turkey the Prime Minister discussed the Third Bosphorus Bridge contract with both Mr. Ozal and separately with Mr. Dalan, the Mayor of Istanbul.

The Prime Minister told Mr. Ozal that we had been disappointed not to win the contract for the second Bosphorus Bridge. We believed that the British companies were particularly expert in this area and should be able to win the contract for the third Bosphorus Bridge strictly on merit. Mr. Ozal was defensive. British firms had in fact got a lot of work on the second Bosphorus Bridge, even though they had not won the main contract. As regards the third Bridge, he understood that a Turkish company had submitted the lowest bid. Its bid was based on a British design, by the famous Dr. Brown, and was very much cheaper than the British bid. This was because the lightweight design meant that much less steel would be required. He believed that the Turkish group concerned would be looking to British suppliers for steel and cable for the bridge. He urged the Prime Minister to discuss the project with the Mayor of Istanbul. He then steered the conversation towards other projects particularly in the defence field (see separate record). The Prime Minister remarked afterwards that it was clear to her from this conversation that we were not going to win the contract for the third Bridge.

At Mr. Ozal's dinner that night, the Chairman of the Turkish company which submitted the lowest bid for the Bridge was confident that his company would receive the contract. He was a good deal less confident that the Bridge would actually be built in the foreseeable future.

While we were in Istanbul, the Mayor asked to see the Prime Minister alone to discuss the Bridge. Our Ambassador in Ankara will be reporting the Prime Minister's subsequent debriefing. But the essential points were:

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- the contract for the Bridge would not go to the British firm since their price was very much higher than that of the Turkish consortium;
- we were also unlikely to get the contract for the steel since Spanish firms had put in a much lower bid.
- the prospects for British firms winning the contract for the Istanbul Expressway were very much better: "it is yours". (He did not say what we learned from other sources, namely that the Turkish Finance Minister had just vetoed the project).
- however we had been prepared to give a higher proportion of ATP for our bid for the Bridge than for the Expressway. He hoped that we would look again at this aspect.
- moreover, he had just that day proposed to the various Turkish companies involved that the Bridge and Expressway projects should be merged.
- if we could increase the aid/subsidy element in our offer - presumably, although he was not specific, by diverting some of the ATP support for the Bridge to improve our bid for the Expressway - we would be well placed to benefit very substantially from the project as a whole.
- he asked the Prime Minister to let him have an urgent reply.

The Prime Minister has asked Mr. Daunt to let us have advice on how to respond. There is obviously a very large element of bazaar in Mr. Dalan's approach. The Ambassador is sceptical whether either project will now go ahead. And it would presumably be difficult to increase our ATP support substantially, at least unless we were confident that a bigger proportion of the work would actually come to British firms. On the other hand, Mr. Dalan carries great political clout. It is not to be excluded that he will overcome the attempts by the Turkish Finance Ministry and the Ministry of State Planning to block the projects. The Prime Minister is very keen to see British firms get the Expressway contract and/or a substantial part of the new combined project if it proves to be more than a gleam in Mr. Dalan's eye. She certainly does not want British firms to lose out because the Government were either too slow (as in the case of the second Bosphorus Bridge project) or too unimaginative in providing financial support. She therefore wants us to look very rapidly at the options for redistributing or increasing our financial support for the project or projects, so that she is in a position to reply to Mr. Dalan within a matter of days. Any revised offer would of course be conditional on British companies getting a specific share of the work.

I should be grateful for a very early response.

I am copying this letter to Lyn Parker (Foreign and Commonwealth Office), Alex Allan (H M Treasury) and Myles Wickstead (Overseas Development Administration).

*Yours sincerely,
Charles Powell*

C. D. POWELL —

Miss Alison Brimelow,
Department of Trade and Industry.