

CONFIDENTIAL

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MDHIAN 5209

CONFIDENTIAL
FM ANKARA
TO DESKBY 111615Z DTI
TELNO OTTER 0076
OF 111545Z APRIL 88
INFO IMMEDIATE FCO, ECGD, ODA, ISTANBUL
INFO ROUTINE TOKYO

MY TEL NO OTTER 0075: PRIME MINISTER'S VISIT:

THIRD BOSPHORUS BRIDGE AND ISTANBUL EXPRESSWAY

SUMMARY

1. DALAN'S PROPOSALS TO THE PRIME MINISTER NOT ATTRACTIVE AT FIRST SIGHT AND LEAVE MANY UNANSWERED QUESTIONS. IMPORTANT TO BE SURE WHERE TURKISH GOVERNMENT STANDS. WE SHOULD PRESS YUSUF OZAL ON THIS WHEN HE SEES LORD YOUNG ON 19 APRIL.

DETAIL

2. THE DEVELOPMENT ON BOSPHORUS 3 AND BESA (MY TUR) ARE DISAPPOINTING. NOT ONLY IS THERE NO PROGRESS ON BOSPHORUS 3 BUT THE TURKS HAVE TAKEN A STEP BACKWARD ON BESA FOLLOWING THE TREASURY'S 6 APRIL DECISION TO POSTPONE THE PROJECT FOR AT LEAST 12 MONTHS.

3. DALAN'S PRIVATE PROPOSALS TO THE PRIME MINISTER FURTHER COMPLICATE THE POSITION. THEY ARE NOT AT FIRST SIGHT PARTICULARLY ATTRACTIVE FOR SEVERAL REASONS:

(A) IT IS NOT AT ALL CLEAR WHY, IF THE TURKISH TREASURY IS RELUCTANT FOR UNDERSTANDABLE (IF UNFORTUNATE) MACRO ECONOMIC REASONS TO AGREE TO BESA, THEY SHOULD BE MORE WILLING TO AGREE

TO AN EVEN LARGER COMPOSITE PROJECT INVOLVING BOTH BESA AND THE BRIDGE. MOREOVER I SHOULD EXPECT TARMAC AND WIMPEY TO WISH TO AVOID, IF AT ALL POSSIBLE, HAVING THE FATE OF THEIR NON-BOT PROJECT LINKED TO THE BOT BRIDGE PROJECT. SO FAR WE HAVE BEEN LED TO BELIEVE THAT BESA CAN STAND ON ITS OWN MERITS AS A PROJECT.

(B) ONCE WE MOVE TO THE IDEA OF A NEW COMPOSITE PROJECT WE RISK A REPEAT OF WHAT HAPPENED ON BOSPHORUS 2 WHEN THE ROADS WERE ADDED TO THE ORIGINAL BRIDGE PROJECT AND THE JAPANESE EVENTUALLY PUSHED US OUT BY OFFERING A FINANCE PACKAGE WE COULD NOT MATCH.

(C) ATP FOR THE BRITISH MATERIALS GOING INTO AN STFA BUILT BRIDGE OFFERS US A LESS GOOD DEAL THAN WE EVENTUALLY GOT FOR BOSPHORUS 2 WHEN SIZEABLE QUANTITIES OF BRITISH STEEL AND ROPES WERE BOUGHT WITHOUT AN AID ELEMENT.

(D) DALAN'S APPROACH ASSUMES THAT DR BROWN'S CONTROVERSIAL DESIGN FOR THE STFA BRIDGE IS TECHNICALLY SOUND. CLEVELAND BRIDGE WILL CONTEST THIS VIGOROUSLY. THE TURKS HAVE CARRIED OUT NO EXPERT ASSESSMENT.

(E) WE HAVE NO IDEA WHETHER AND IN WHAT DETAIL DALAN'S PRIVATE PROPOSAL HAS BEEN DISCUSSED WITH THE GOVERNMENT IN ANKARA, NOR WHAT IF ANY INDICATION OF SUPPORT IT HAS RECEIVED FROM OZAL.

(F) A POSITIVE BRITISH RESPONSE WOULD INEVITABLY CUT THE GROUND FROM UNDER CLEVELAND BRIDGE WHEN THEIR PROSPECTS MAY NOT BE HOPELESS (D) ABOVE.

4. IT SEEMS TO ME THAT OUR FIRST STEP MUST BE TO GET AN AUTHORITATIVE AND DETAILED VIEW OF THE TURKISH GOVERNMENT'S (AS OPPOSED TO DALAN'S) CURRENT POSITION ON BOSPHORUS 3 AND BESA. OZAL, IN REFERRING THE PRIME MINISTER TO DALAN, GAVE NO INDICATION THAT HE SUPPORTED DALAN'S IDEAS.

5. THERE WILL BE AN EXCELLENT OPPORTUNITY TO TAKE THE NECESSARY SOUNDING WHEN YUSUF OZAL AND CANEVI VISIT LONDON NEXT WEEK AND CALL ON LORD YOUNG ON 19 APRIL. YUSUF OZAL IS THE KEY ECONOMIC MINISTER AND BOTH ARE INFLUENTIAL OVER THE HIGHER PLANNING COUNCIL RESPONSIBLE FOR AUTHORISING ALL NEW LARGE

PUBLIC SECTOR PROJECTS, AS WELL AS CLOSE TO OZAL HIMSELF.

6. I RECOMMEND THAT LORD YOUNG SHOULD SOUND OUT YUSUF OZAL IN DETAIL, WHILST BEING CAREFUL TO PRESERVE THE CONFIDENTIALITY OF DALAN'S "PRIVATE" APPROACH TO THE PRIME MINISTER. HE MIGHT SAY THAT HE HAD HOPED FOR SOMETHING MORE CONCRETE DURING THE PRIME MINISTER'S VISIT OVER THE BRITISH BIDS FOR THE TWO PROJECTS. THE REPORTED POSTPONEMENT OF BESA JUST BEFORE THE PRIME MINISTER'S VISIT WAS A PARTICULAR BLOW. HE MIGHT ASK YUSUF OZAL TO SAY FRANKLY WHAT TIMESCALE THE TURKISH GOVERNMENT HAD NOW SET FOR THE TWO PROJECTS, STRESSING THAT WE DID NOT WANT OUR FIRMS TO BE KEPT HANGING ROUND FOR PROJECTS THAT WERE UNLIKELY TO MATERIALISE FOR SEVERAL YEARS IF THEN HE COULD POINT TO THE DRAWBACKS FOR THE TURKS OF TYING UP POTENTIAL CREDIT COVER AND ATP ASSISTANCE IN THIS WAY, AND TO THE POSSIBLE SOURING OF OUR OVERALL TRADING RELATIONSHIP.
7. SECONDLY, LORD YOUNG MIGHT EXPRESS SURPRISE FOLLOWING THE PRIME MINISTER'S TALKS IN TURKEY THAT THE AUTHORITIES SHOULD APPEAR TO HAVE COME OUT IN FAVOUR OF THE STFA BID WITHOUT, AS FAR AS WE CAN DETERMINE, AN EXPERT TECHNICAL AND FINANCIAL ANALYSIS OF IT AND THE CLEVELAND BRIDGE COMPETING OFFER. THIRDLY, HE SHOULD ALLUDE TO HINTS DURING THE PRIME MINISTER'S VISIT AND ASK WHETHER THE TURKISH GOVERNMENT ARE AGAIN SERIOUSLY CONTEMPLATING THE BESA AND BRIDGE PROJECTS BEING LINKED TOGETHER IN SOME WAY.
8. THE RESPONSES TO THESE QUESTIONS SHOULD HELP US TO MAKE SENSIBLE RECOMMENDATIONS TO THE PRIME MINISTER ON HER RESPONSE TO DALAN'S PRIVATE PROPOSAL. THAT RESPONSE SHOULD FOLLOW AS QUICKLY AS POSSIBLE I DO NOT CONSIDER, HOWEVER, THAT THERE IS URGENCY IN GETTING BACK TO DALAN SINCE THERE ARE NO IMMEDIATE DECISIONS FOR HIM TO TAKE.
9. IF YOU AGREE WITH THIS APPROACH, I SHALL SPEAK IMMEDIATELY TO CANEVI TO ENSURE THAT HE AND YUSUF OZAL ARE PROPERLY BRIEFED BEFORE THEY SEE LORD YOUNG.

DAUNT

TULKOST: Pu's Uvaz Feb 88

