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SW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 December 1989

Dear Resident Clerk,

TURKEY

I enclose a copy of a letter which I have received from British Aerospace seeking the Prime Minister's intervention with a message to help them secure the contract for Turkey's domestic satellite system. The letter has been reinforced today by a call from Sir Raymond Lygo (Lygo's Last Throw no doubt, since he retires at the end of the week). I should be grateful for very early advice on whether it would be appropriate for the Prime Minister to send a brief message either to President Ozal or - as might seem more customary - to the Turkish Prime Minister.

I am copying this letter and enclosure to the Resident Clerk in the Foreign Office. I should be most grateful if you and he/she could arrange for the appropriate departments of the MoD and the FCO to be consulted. If we are going to take action, it needs to be by the end of the week.

John Marsh
Charles Powell

(C. D. POWELL)

The Resident Clerk,
Ministry of Defence.

2

**BRITISH AEROSPACE
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Mr Charles Powell
10 Downing Street
London, SW1

27 Dec 1989

Dear Mr Powell,

Thank you for briefing the Prime Minister at such short notice prior to the NATO summit in support of our bid to supply Turkey with a domestic satellite system. Although there was no appropriate opportunity to raise the matter with the Turkish Prime Minister, we very much appreciated the efforts made.

The satellite procurement process has progressed at an unprecedented pace. Revised quotations were submitted on 21 Dec and the report of the evaluation commission will be submitted between the 28 and 30 Dec. We understand British Aerospace remains ahead of the competition (primarily Aerospatiale) in terms of technical performance. Notwithstanding the higher credit insurance rates charged by ECGD, we have again tabled the lowest price.

The message of Government support for British Aerospace contained in Mr Ridley's letter of the 12 December, delivered by hand of the British Ambassador on Christmas Day, was a most useful statement. However, the pace of the procurement process has carried the project beyond the ambit of the Minister for Transport and Communication. It is now anticipated that the report of the evaluation commission will be presented to President Ozal between 28th Dec and 3rd January.

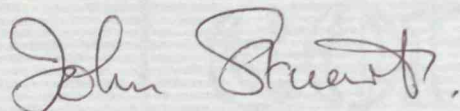
Although British Aerospace appears to be ahead of the competition, the evaluation commission is likely to couch its recommendations in such a way as to leave the final contract award decision to the discretion of the President. The French Government and French industry are now engaged lobbying the President's office. We understand the French Prime Minister has offered to visit Ankara at short notice, and Mme Mitterand has just invited Mrs Ozal to Paris. These initiatives serve to continue a high level of posturing which has characterised the French approach to this venture. Part of the play may well be concerned with damage control following Mme Mitterand's remarks supporting Armenian refugees, however there are now signs that persistence is having an effect, particularly in the Ministry of Foreign Trade.

Our sources in Ankara insist that none of the contacts made by the French Government to date matches the personal accord reached between Mrs Thatcher and Turgat Ozal. cemented during the visit of 1988. We are convinced that the French salient could be neutralised and the position of UK industry reinforced by a short message of support from the Prime Minister to President Ozal sometime between 28 Dec and 3 Jan.

I again apologise for this rather unorthodox direct approach which is due to the collapsing timescale of the procurement cycle compounded by the limited availability of officials over the holiday period. I emphasise that British Aerospace representing the UK industry is on the brink of a US\$280M contract, the largest Anglo - Turkish business venture for many years, and is also close to fulfilling Kenneth Clarke's teatise of 1986 that the UK space industry should make its own way in the commercial market place.

I should be deeply grateful if consideration could be given to sending a telegram of support by the Prime Minister at this stage.

Yours sincerely,



John Stuart
Head of Satellite Sales and Marketing

Copies to Christian Adams (DTI), Geoffrey Cowling (FCO), Chairman and CEO British Aerospace and by fax to H.E. Sir Timothy Daunt in Ankara.