



10 DOWNING STREET

THE PRIME MINISTER

29 August, 1984

Dear Sir Raymond.

Thank you for your letter of 15 August about your hope to sell Tornado aircraft to Turkey.

I am well aware of the political and industrial benefits that such an order would bring, but on the other hand the proposition poses difficult financial problems in terms of our risk exposure on Turkey, which I believe you understand. It will need careful consideration to determine where the balance of national advantage lies; I am arranging for this to be studied by all Departments concerned and for you to be given a decision as quickly as possible.

I am sorry to hear that all the effort put into trying to win the Greek order has failed to bear fruit.

Yours sincerely

Roger M. Thatcher

Admiral Sir Raymond Lygo, K.C.B.

FILE

871

cc: FCO
AMT
MOD
DTI

SK



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5144
GTN 215
(Switchboard) 215 7877

From the Minister for Trade

CF pp 15?

David Barclay Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1

24 August 1984

Dear David

*GR
pse Lygo*

You wrote to PS/Secretary of State for Trade and Industry on 16 August enclosing a letter dated 15 August to the Prime Minister from Sir Raymond Lygo about the possible sale of Tornado aircraft to Turkey.

This proposition was the subject of a minute to the Prime Minister dated 10 August from the Secretary of State. This pointed out that, even at the reduced figures British Aerospace had now agreed to consider, the level of Government support required through ECGD would be far in excess of the capacity hitherto agreed by Ministers as appropriate for Turkish risk. Nevertheless, the Secretary of State considered that the political and industrial benefits from securing such an initial export order for Tornados were so great that an ECGD commitment of about £200m should, if necessary, be authorised. This would need to be announced to Parliament and taken outside the ECGD Trading Accounts.

We are at present awaiting comments on this proposal from other Ministers concerned, in particular the Chancellor of the Exchequer whose consent is needed under the terms of the ECGD enabling legislation. It appears likely that a meeting, presumably of OD, will be necessary to decide the matter, and that it will not be possible to hold this until early next month. I therefore suggest an interim reply for the Prime Minister to send in terms of the attached draft.

I am copying this to the recipients of your letter.

*Yours sincerely
Simon Carter*

PAUL HASTON
Assistant Private Secretary to
the Minister for Trade
(PAUL CHANNON)

Enc.

DRAFT

Sir Raymond Lygo
The Society of British Aerospace Companies plc
29 King Street
St James's
LONDON SW1

August 1984

Thank you for your letter of 15 August about your hope to sell Tornado aircraft to Turkey.

I am well aware of the political and industrial benefits that such an order would bring, but on the other hand the proposition poses difficult financial problems in terms of our risk exposure on Turkey, which I believe you understand. It will need careful consideration to determine where the balance of national advantage lies; I am arranging for this to be studied by all Departments concerned and for you to be given a decision as quickly as possible.

I am sorry to hear that all the effort put into trying to win the Greek order has failed to bear fruit.

PRIME MINISTER



10 DOWNING STREET

From the Private Secretary

16 August 1984

I enclose a copy of a letter which has been sent to the Prime Minister from Admiral Sir Raymond Lygo.

BF | I should be grateful for a draft reply for the Prime Minister's signature on her return from holiday at the end of August, so that it can be despatched before the Prime Minister visits the Farnborough Air Show on 5 September.

I am sending a copy of this letter and enclosure to Richard Mottram (Ministry of Defence), Peter Ricketts (Foreign and Commonwealth Office) and David Peretz (HM Treasury).

David Barclay

Callum McCarthy, Esq.,
Department of Trade and Industry.

SS

THE SOCIETY OF BRITISH AEROSPACE COMPANIES, LTD.

29, KING STREET, ST. JAMES'S,
LONDON SW1Y 6RD

TELEPHONE: 01-839 3231 (10 LINES)
TELEGRAMS: THESBAC, LONDON, S.W.1
TELEX: 262274

THE PRESIDENT

Our ref: PROJ/556.2

15 August 1984

Rt. Hon. Margaret Thatcher M.P.,
10 Downing Street,
London SW1.

Dear Prime Minister,

You will be aware that despite our best endeavours to persuade the Greeks to buy the Tornado for their re-equipment programme they have rejected it in favour of French and U.S. Aircraft. This despite the very favourable financial terms that were made available to them, which included very substantial ECDG cover.

In parallel, for the past twelve months, I have been pursuing a possible sale of Tornados to Turkey and in the middle of June received a letter of interest from the General in Charge of Procurement in the Turkish Air Force, for forty Tornados. This requirement was subsequently confirmed by the Defence Minister, whom you will be meeting at Farnborough, in a statement to our Ambassador in Ankara. All this, subject to my being able to provide an acceptable financial package. This hinges on ECDG support and I know that you have received a letter from the Secretary of State for Trade and Industry on this subject.

In a previous letter to you I stressed the high regard the present Turkish administration has for our Country and stressed Turkey's solid membership of NATO. You should be aware also, that in the whole history of Turkish Military Procurement, the armed forces have never defaulted on a payment.

/Cont'd

Rt. Hon Margaret Thatcher M.P.

15 August 1984

Cont/d

This order is of very great importance to the Aerospace Industry and we very much hope that you will be able to support us in the way that is being suggested in order that I can attempt to put together a financial package for the U.K. part which I am confident will be matched by our German and Italian partners.

Sir Raymond Lygo

Yours sincerely,
Ray Lygo

*P.S. I hope you have a good hit.
You deserve it.*

Tunkey 11/79 Relations