

A NEW ERA OF SAUDI-TURKISH CO-OPERATION DAWNS

TURKEY seems to have embarked on a new era of co-operation with Saudi Arabia. Prime Minister Turgut Ozal returned from a six-day visit on 22 March claiming substantial gains in trade and diplomatic relations, and an agreement to encourage the joint production of sophisticated weapons and military spares. Riyadh has also pledged a further \$170 million in programme and project credits.

Ozal — whose entourage included senior ministers and business people — was invited by First Deputy Premier Crown Prince Abdullah Ibn Abdel-Aziz, during the latter's Turkish visit in September 1984 (MEED 14:9:84).

The series of missions began early last year, with a Saudi trip by President Evren. During the visit, a military co-operation pact was signed, while a reported \$200 million in project aid and \$250 million in standby export credits were agreed (MEED 13:4:84, page 47; 2:3:84).

The military co-operation then envisaged amounted to little more than an exchange of training personnel; now, according to local officials, Riyadh may contribute towards schemes for the local manufacture of the US-designed F-16 fighter aircraft and the West German Leopard battle tank.

The officials add that the two sides will try to win approval for the Saudi involvement from the US and West German governments; Ozal intends to promote the deals during visits to both countries in April. In addition, they say, Riyadh is expected to buy patrol boats and submarines from Turkey.

Work has already started on a \$4,170 million Turkish programme to build F-16s; preliminary contracts for assembly line equipment were awarded recently to the US' General Dynamics, the aircraft manufacturer (MEED 22:3:85).

At the same time, Ankara is studying proposals from the Leopard tank's manufacturer — Krauss-Maffei — about plans to make the tanks locally. The military wants to replace more than 1,000 tanks, which are mainly US-made M-47s and M-48s; it has also received proposals from France and the UK.

Roughly 400-500 tanks will probably be replaced initially. Although talks with Krauss-Maffei are still at an early stage, the fact that each tank costs an average DM 3 million (\$898,000) means that funding has already emerged as the most vital issue. However, Krauss-Maffei is not yet thought to have approached West Germany's export credit agency Hermes about possible credit.

How likely it is that Riyadh will become involved in either scheme is open to question. It has been trying to buy the Leopard tank direct from West Germany for nearly five years — with no success. And a Krauss-Maffei official describes the report of the kingdom's possible involvement as "wishful thinking." Bonn only allows production licences for weapons of West German origin to be issued on condition that the product is used exclusively by the purchasing country, and not sold elsewhere.

Saudi development aid is a less controversial issue. According to local press reports, the kingdom will provide \$60 million in credits to back construction of the second Bosphorus bridge, and another \$60 million to rebuild shanty towns in Ankara, Istanbul and Izmir. Riyadh will also make \$50 million in programme credits available to the Central Bank of Turkey.

In addition, the Saudi Fund for Development has been asked for \$80 million to back 15 schemes in tourism, energy, health and communications. While Ozal was in the kingdom, an agreement was also signed

setting up an Ankara-based investment company with authorised capital of \$500 million and initial paid-up capital of \$150 million (MEED 1:6:84). Saudis will hold 60 per cent of the shares; the rest will be sold to Turks for \$50,000 each. The venture aims initially to invest in petrochemicals and textile schemes.

Several other joint schemes or investments have also been announced recently. They include the \$2.6 million purchase of shares in Izmir Iron & Steel Industry Company (ISDAS) by a leading Saudi financial family, the start of passenger steamship services to Turkey by Jeddah-based Star Navigation Maritime Transport Company, and investments by Saudi Cable Company in ailing Turkish cable factories, to enable the latter to increase production for export to the kingdom. In addition, Islamic banks have started up locally with Saudi backing.

During his visit, Ozal also sought to better the lot of Turkish contractors working in Saudi Arabia, where the decline in new contract awards has resulted in increasingly fierce competition. At present, roughly 100 Turkish companies are in the kingdom, working on orders valued at a total \$4,500 million; at the same time, about 150,000 Turkish expatriates, including professionals such as teachers and doctors, are employed there.

Turkey had a healthy trade surplus with the kingdom in 1984, with exports totalling about \$400 million and imports roughly \$225 million. Since 1982, total bilateral trade has fallen, from a high of \$864 million. However, Ozal is pinning his hopes on recovery in 1985, and has set a trade total of \$850 million.

JIM BODGENER