

PART 2

CONFIDENTIAL FILING

Visits of the Greek Prime Minister,
Mr Tsaknetakis, and his successor,
Mr Mitsotakis.

GREECE

PT1: October 1980

PT2: September 1989

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
see Relations							
PREM 19 / 3374							
12.9.89							
3.5.90							
16.5.90							
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22.11.90							
11.12.90							
27.2.91							
5.3.91							
10.9.91							
16.9.91							

CLOSED

cc/c

The Ambassador

Greek Embassy
London

27 September, 1991

No.F.1003.1

Dear Prime Minister,

στ ΝΑ
I have the honour to enclose a letter addressed to you by The Prime Minister of Greece, Mr. Constantin Mitsotakis.

Yours sincerely,

George D. Papoulias

George D. Papoulias

The Rt.Hon. John Major, M.P.,
Prime Minister,
10 Downing Street,
London S.W.1.

The Ambassador

Greek Embassy
London



19 September, 1991

No.F.2013.8/EP

i) cc PS/fo

✓
✓) Brice Moustakis (2)

Dear Prime Minister,

I have the honour to enclose the text of a letter addressed to you by the Prime Minister of Greece, Mr. Constantin Mitsotakis, the original of which will be sent to you in due course.

[Handwritten signature]
10/9

May I also take this opportunity to express to you my sincere appreciation and warm thanks for so kindly including me in your breakfast meeting with the Prime Minister of Greece on Monday, 16th September, 1991.

Yours sincerely,

George D. Papoulias

George D. Papoulias

The Rt.Hon. John Major, M.P.,
Prime Minister,
10 Downing Street,
London S.W.I.

PRIME MINISTER
PERSONAL MESSAGE
DIPLOMAT T 235 E / 91

SUBJECT
MASTER
OPS
FILED ON:

Athens, September 17, 1991

Dear John,

Thank you so much for your gracious welcome and warm hospitality at 10 Downing Street.

I enjoyed our extensive and most interesting exchange of views and I intend to keep you informed on the four-member Conference (Greece-Serbia-Bulgaria and Romania) due to take place in Athens on September 21st.

On the other hand, I wish to thank you for your continuous and precious support to the U.N. initiative towards a Cyprus settlement.

I did receive your letter dated September 16th, with regard to some commercial issues to which I will give my personal attention.

Confident in a fruitful, continuous and mutually beneficial cooperation between our countries please accept, dear colleague, my warmest regards.

Cordially yours

Const. Mitsotakis
Constantin Mitsotakis

The Right Hon. John Major, M.P.
Prime Minister of the United Kingdom
L O N D O N

File

SUBJECT
~~MASTER~~
~~OPS~~
FILED ON:



10 DOWNING STREET
LONDON SW1A 2AA

PRIME MINISTER
PERSONAL MESSAGE
SERIAL No. T2350/91.

THE PRIME MINISTER

16 September 1991

Dear Constantine,

It was good to see you at breakfast this morning. I much enjoyed our discussion.

We agreed that I would follow up in writing on some of the commercial issues which we did not have time to cover fully.

I mentioned Marconi's Zeus Electronic Warfare System for the F16's of the Hellenic Air Force. Zeus is in service with RAF Harriers, and would be able to benefit from RAF technical support. I understand that it is some 15 per cent cheaper than its main (untested) rival. The system can be fitted in six to seven months. I am glad to confirm that my government has agreed the transfer of Zeus software.

We are hoping for early news on the Acheloos river project, for which the consortium led by Taylor Woodrow is the sole tenderer.

In addition, could I underline the interest of two other consortia in which UK firms are involved. A UK-Swiss group is bidding for the Athens Metro project management contract. British Gas, together with Greek and British partners, are hoping to be invited to bid for the liquefied natural gas terminal at Revithousa.

There are also two sizeable investment projects for the development of tourism, which are awaiting administrative decisions. On their project to build a £50 million hotel at Kalogria, Fortress UK still await approval to terms which would enable the project to be successful; and Safari Parks International remain ready to continue discussions on their proposed £40 million marine theme park at Asteras Glyfada.

There is finally one other piece of outstanding bilateral business which I would like to mention. The long running dispute over the Noel Baker Estate at Evvia has been dragging on for far too long. As I suggested in my letter of 21 February, the elements of a compromise solution are on the table, and I very much hope that you can ask your Minister for Agriculture to bring this to a satisfactory conclusion.

Yours Ever,
John H.

His Excellency Mr. Constantine Mitsotakis

→ scanning.



eye

Foreign &
Commonwealth
Office

16 September 1991

London SW1A 2AH

Dear Stephen,

Prime Minister Mitsotakis : Letter from Prime Minister
on UK Commercial Interests

/ As discussed this morning, I enclose a draft letter from the Prime Minister to Prime Minister Mitsotakis covering the points which were not reached during their breakfast this morning.

Once the Prime Minister has approved the draft, you may wish to discuss how best this can be got to Michael Purcell, who will be seeing off Mr Mitsotakis from Heathrow at 1900.

Yours ever,
Christopher Prentice

(C N R Prentice)
Private Secretary

Stephen Wall Esq
10 Downing Street

Draft letter from the Prime Minister

His Excellency Mr Constantine Mitsotakis
Prime Minister of Greece

Time

It was good to see you at breakfast this morning. I much enjoyed our discussion.

We agreed that ~~as in February I~~ would follow up in writing on some of the commercial issues which we did not have time to cover fully.

I mentioned Marconi's Zeus Electronic Warfare System for the F16's of the Hellenic Air Force. Zeus is in service with RAF Harriers, and would be able to benefit from RAF technical support. I understand that it is some 15% cheaper than its main (untested) rival. The system can be fitted in six to seven months. I am glad to confirm that my government has agreed the transfer of Zeus software.

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There is finally one other piece of outstanding bilateral business which I would like to mention. The long running dispute over the Noel Baker Estate at Evvia has been dragging on for far too long. As I suggested in my letter of 21 February, the elements of a compromise solution are on the table, and I very much hope that you can ask your Minister for Agriculture to bring this to a satisfactory conclusion.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 September 1991

Dear Christopher,

PRIME MINISTER'S MEETING WITH THE GREEK PRIME MINISTER

Thank you for your letters of 13 September with briefing for the Prime Minister's breakfast meeting with the Greek Prime Minister. The meeting took place this morning. Mr. Mitsotakis was accompanied by the Greek Ambassador, Mr. Papoulias, and by his diplomatic adviser, Mr. Tsilis. Sir David Miers was also present. The atmosphere of the meeting was warm. The main follow-up action arises on Cyprus and on bilateral issues. You already have in hand a list of bilateral issues (mostly commercial) which the Prime Minister promised to get to Mr. Mitsotakis before he leaves London at the end of today.

Yugoslavia

Mr. Mitsotakis referred to his meeting with Bulgarian and Serbian leaders this Thursday. The meeting had arisen from his attempts to mediate between the Bulgarians and the Serbs. He had proposed to Popov some time ago that he should meet Milosevic but it had not been possible to do anything before now. Greece was trying to eliminate tension between the two and to avoid an eruption.

The Prime Minister said we were very concerned about Yugoslavia. We did not know if The Hague conference could succeed. It was very desirable that the Twelve should maintain a common position. If members of the Twelve broke ranks and recognised individual republics that would exacerbate the difficulties. Some of the East European countries were startled and alarmed by what was happening. There was a serious risk that this would be a large and expanding sore in Europe. It would be on the EC agenda for sometime. We must encourage all the participants to co-operate at the peace conference and maintain constant contact with them to try to maximise the pressure.

Mr. Mitsotakis said that he shared this approach. Serbia was the critical factor. Greece had a true friendship with Serbia and was using that friendship to try to restrain the Serbs, who held extreme positions. But Mr. Mitsotakis too was pessimistic. If we went down the road of recognising the independence of Slovenia and Croatia then the issue of frontiers and borders would be opened up in the south of Yugoslavia as well as in the north. So he agreed with the Prime Minister that we must not think of full independence for Slovenia and Croatia. That was the purpose of Thursday's meeting. But he feared it might not be possible to keep a grip on things indefinitely. He

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agreed on the importance of the EC having a common understanding and he fully supported the mission of Lord Carrington. Greece had no territorial interests in Yugoslavia. There was a problem over Macedonia but that could be solved within a loose federation. A problem would arise if Macedonia became completely independent. That was not a practical proposition. Macedonia would be a very fragile state. Greece would not have any claims but Bulgaria, Albania and Serbia would.

The Prime Minister reiterated the need for the Twelve to maintain a common position. We must also think through what we would do if the peace conference failed. We should gather all the information we could, not just about the public positions of the protagonists but about their private ambitions as well.

Mr. Mitsotakis agreed that we had to contemplate the possibility that the conference might fail. Indeed, that looked the most likely outcome. We should exchange information on a day-to-day basis bilaterally as well as in the Twelve. Things could change dramatically and fast. He agreed that we needed to know what was going on in the hearts of the protagonists. That was why Greece was keeping close to the Serbs. Greece had some influence although Milosevic was a very hard, tough man and the opposition in Serbia was even worse. The Serbs were united in their refusal to accept the borders imposed by Tito. Historically, they had something of a case but it was in this context that the Community should avoid hastening to recognise the independence of Croatia and Slovenia. Milosevic would not mind if Slovenia became independent. He might even tolerate Croatia becoming independent, but would then insist on taking control of the Serbian enclave as part of his ambition for a greater Serbia. Once discussion started on borders the situation could get out of control.

Soviet Union

The Prime Minister described his visit to the Soviet Union in similar terms to those he had used with President Mitterrand last week. Now we had received a new request from the Soviet Union. The size of the request was too large but we would probably have to help bilaterally as well as collectively. Britain and the United States would certainly do so. Germany might conclude that they had already done enough. People in the Soviet Union were in a muddle about what their reform programme should be. We would need to help with food aid, technical assistance and in getting the IMF alongside. The Soviet Union must produce a credible reform programme. She must also begin to take action to reduce defence expenditure.

Mr. Mitsotakis agreed with the Prime Minister's analysis that power had shifted from President Gorbachev towards Mr. Yeltsin and that Gorbachev was now more a broker than prime mover. Mr. Mitsotakis had visited the Soviet Union shortly before President Bush. At that stage, Gorbachev had been trying to keep a balance between the Communist Party on the one hand and the forces of renewal on the other. Gorbachev had placed the emphasis on the unity of the federation whereas with Yeltsin

reform was more important. In a sense both were right. The game was one of finding the right balance and the two men had since decided to co-operate. It was important that the Soviet Union keep its unity. If it did not, the regime itself and support for democracy would face an uncertain future. At the moment Gorbachev and Yeltsin were in agreement on unity. The main obstacles to reform had been removed. There was no opposition to reform of the kind that had been represented by elements of the Communist Party but there were many difficulties such as the fact that the Soviet Union had no administration and that they had not a clue about free markets. Mr. Mitsotakis entirely accepted the Prime Minister's analysis of what we should now do. We should have helped Gorbachev more in the past. Now we must help the Soviet Union as a whole. Food aid would be required for the winter but that was not enough. The country could not be a beggar for ever. The IMF must help with advice and expertise. He repeated that the central issue would be the unity of the Soviet Union. The republics had a peculiar notion of independence. Mr. Mitsotakis had spent two days in the Ukraine whose Prime Minister he knew from way back. On the one hand he claimed to agree with Gorbachev about maintaining Soviet unity but on the other he wanted full independence. The EC had been right to recognise the three Baltic republics though Mitsotakis would have preferred to allow a little more time for the decision. But we should not recognise any more republics or the Soviet Union would disintegrate.

The Prime Minister said that he too had sought answers to the issue of unity versus independence but there were as many responses as people. Yeltsin and Yavlinsky had both talked about independence within a confederation. They had envisaged central control of the army and nuclear weapons but the possibility that the individual republics would have their own currency. Yeltsin had drawn an analogy with the European Community. The Prime Minister thought that if there was a confederation power would actually lie with the republics as the dominant members of the confederal body. The Prime Minister referred to the Soviet Union's mineral wealth and thought we might need to look again at the Lubbers plan. He also saw a possibility of the Soviet Union pledging gold assets against the help that it needed. But we did not know how much gold the Soviet Union had or who actually held it. Mr. Mitsotakis commented that any republic which held gold would refuse to give it up just as the Ukraine refused to export its wheat.

Albania

Mr. Mitsotakis referred to the Greek minority in the south who had lived tragic lives under Communist rule, being persecuted and moved around in Stalinist fashion. Greece had always been interested in their fate. They had survived and the Albanians were now giving them religious freedom. Greek schools could now be opened and Greece itself was being allowed to open three consulates. Greece's aim was to see the standard of living improve in Albania so that the Greek minority stayed there. The threat of a refugee exodus was considerable. Greece had never occupied Albania and the Albanians trusted Greece. The Italians

were vividly interested and were doing what they could. The EC as a whole should take an interest. Although President Alia was a hard-line Communist he understood that reform was the only way open to him. But in any case Mr. Mitsotakis did not think the present Communist regime would remain in power for long. It was unbelievable how retarded the country was. Land had been given to Albanian farmers but they did not know how to cultivate it. When sheep had been given to the farmers they had simply sold them in Greece.

Association Agreements

The Prime Minister gave an account of his discussion with President Mitterrand on Association Agreements with Poland, Hungary and Czechoslovakia. He had got the impression that an agreement would be reached once France was past its demonstrating season. Mr. Mitsotakis agreed with the Prime Minister's assessment.

Enlargement

The Prime Minister said that we needed to take account of our long term view of the Community in deciding our policy on enlargement. Mr. Mitsotakis said that this was the Community's major problem and we must draw a line. If the Community expanded prematurely its economic and political integration would be adversely affected. The Prime Minister said there was a dual problem. Of course people must be able to take on the obligations as well as the privileges of membership. It was that sort of thinking that was behind the emphasis on convergence in the EMU IGC. The converse was also true. If we went ahead with development within the Community without holding out any hope to those outside we could make it impossible for them ever to join us. We needed a short term and long term strategy. This was a larger version of the decision facing us in the IGC: did we want an inner core of EC member states to move ahead of the rest or not? We thought not. We thought it better to go ahead as Twelve but with the right convergence conditions. That implied caution as to when we moved ahead and in what circumstances. We could not determine that now and we must not lay down the terms too firmly in the Treaty. If we did we would not stick to them or we would ensure that an inner core went ahead alone. The Prime Minister's gut instinct was that if an inner core materialised it would create differences of such a depth the damage would be immense.

Mr. Mitsotakis said he fully agreed. Greece excluded the possibility of a two-speed Europe. We must move in a comfortable, elastic way. Greece was making a major effort with its own economy. He hoped Greece would succeed but she needed time. We should work out a system of co-operation with non-member countries. There were enormous differences between the applicants. Some, such as Sweden or Austria, were virtually ready to accept the conditions of membership. Others, such as Cyprus or Malta, could be absorbed without difficulty. Others would create enormous problems. There could be no general rule.

The Prime Minister said that that argued against erecting barriers that could not be crossed. He agreed that Austria, Sweden, Finland and Norway could join the Community fairly swiftly. Other, small, countries would not be too difficult to absorb. Other, large ones would be. But we now had an opportunity, which might not recur in our political lifetimes, to change the face of the whole of Europe. The Community was a beacon to the newly democratising countries and we should give them a signal that, with the right policies, they would one day be able to join. We should not give them that signal and then create impossible barriers.

The Prime Minister saw progress on EMU on the basis of the latest Dutch text but rather more difficulties on the political union text. But he was an optimist. The EC had the capacity to reach agreements, sometimes fairly extraordinary ones it had to be said. But there were some things in the Dutch political union text which the British Government could not accept.

Mr. Mitsotakis said that Greece had been taken by surprise by the Dutch proposals. Maastricht must not be a failure and he was not sure whether it had been a good idea to bring out new proposals at this stage. The Prime Minister commented that Mr. Lubbers, by circulating a paper informally, was probably seeking to give himself a fair degree of manoeuvre.

Cyprus

Temporarily retained, O'Dayland, 27/6/17

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RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

Temporarily retained, Wayland, 27/6/17

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OF THE PUBLIC RECORDS ACT

Temporarily retained, Wayland, 27/6/17

Bilateral Issues

The Prime Minister spoke of the merits of Marconi's Zeus electronic warfare system. It was better than the US system, 15 per cent cheaper and it worked. It could be fitted speedily. He knew that Mr. Mitsotakis was subject to conflicting advice but he hoped he would look carefully at the points the Prime Minister had raised.

Mr. Mitsotakis said he was aware of the issue and would be receiving a further briefing on it from Sir Geoffrey Pattie later in the day. The advice he had received from the armed forces, especially the airforce, went against Marconi but he would discuss the matter with his Defence Secretary and the Minister for the National Economy and it was they who would take the final decision. Britain's arguments were very serious ones.

The Prime Minister said he was grateful for this. He would send the Prime Minister a note of other bilateral issues before his departure from London.

Counter-terrorism

The Prime Minister said he hoped that both countries could step up their co-operation in counter-terrorism. Mr. Mitsotakis agreed.

Visit to Greece

The Prime Minister said he hoped that he and Mr. Mitsotakis could build on the useful pattern of co-operation they were establishing. Mr. Mitsotakis readily agreed. He hoped the Prime Minister would visit Greece. The Prime Minister accepted the invitation.

I am copying this letter to Jeremy Heywood (HM Treasury), Simon Webb (Ministry of Defence), David Rossington (MAFF), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Jans.
J.S. Wall
J.S. WALL

* Christopher Prentice, Esq.
Foreign and Commonwealth Office.

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TELNO 477
OF 140711Z SEPTEMBER 91
INFO PRIORITY UKMIS NEW YORK, ANKARA, WASHINGTON, BONN, PARIS
INFO PRIORITY THE HAGUE, CBF CYPRUS, ACTOR, NICOSIA

MY TELNO 476: CYPRUS

SUMMARY

1. GREEKS SAY YILMAZ WAS INTRANSIGENT AND ARE CLEARLY DETERMINED TO AVOID ANY BLAME FOR DERAILING OF TALKS. MITSOTAKIS BRUISED BUT READY TO CONTINUE PROVIDED ANY INTERNATIONAL MEETING IN US IS PRECOOKED.

DETAIL

2. TSILAS (MITSOTAKIS' DIPLOMATIC ADVISER) TOLD ME ON 13 SEP THAT YILMAZ HAD BEEN TOTALLY NEGATIVE. THIS HAD SURPRISED AND DISAPPOINTED MITSOTAKIS. HE HAD REFUSED TO SHOW ANY KNOWLEDGE OF THE FLEXIBILITY ATTRIBUTED TO TURKEY BY THE UN NEGOTIATORS: EG ON MORPHOU, VAROSHA, GOBBI LINE. MITSOTAKIS HAD NOT WANTED THE PROCESS TO RUN INTO THE SAND THEN AND THERE. HENCE THE FURTHER MEETINGS. YILMAZ HAD SUGGESTED BILATERAL MEETINGS AT FOREIGN OR PRIME MINISTER LEVEL IN NOVEMBER, PLEADING THE DIFFICULTY OF MAKING COMPROMISES BEFORE THE ELECTIONS. THE GREEKS WONDERED WHY THIS PROBLEM HAD NOT BEEN MENTIONED BEFORE. IT HAD BEEN THE TURKS EARLIER CONFIDENCE THAT A CYPRUS SOLUTION WOULD BE ELECTORALLY POPULAR THAT HAD ENCOURAGED THE GREEKS TO TRY SO HARD. YILMAZ HAD FINALLY AGREED THAT HE WOULD RETURN TO ANKARA AND 'TRY TO TAKE THINGS FORWARD'. BUT MITSOTAKIS HAD REGARDED THIS AS A TACTICAL GESTURE NOT AN OFFER OF FLEXIBILITY.

3. TSILAS CONFIRMED THE RECEIPT OF PRESIDENT BUSH'S MESSAGE. HE SAID THAT MITSOTAKIS' RESPONSE HAD BEEN POSITIVE. HE WAS READY TO CONTINUE TO TRY TO REACH AGREEMENT. BUT THE DISAPPOINTMENT AT PARIS AND THE CRITICISM HE HAD ATTRACTED WOULD MAKE IT MORE THAN EVER IMPORTANT TO PRE COOK ANY DOCUMENT TO BE SIGNED.

4. I ASKED WHETHER ANY OF THE OUTSTANDING ISSUES WERE UN-NEGOTIABLE. TSILAS SAID THAT MITSOTAKIS WAS CAUTIOUS ON THIS POINT. OBVIOUSLY IT WAS NO GOOD TO VOLUNTEER IN ADVANCE THAT CERTAIN ISSUES WERE NON-NEGOTIABLE. HE HAD TOLD THE AMERICAN CHARGE THAT

NON-ROTATION OF THE PRESIDENCY AND AGREEMENT TO CYPRUS' EC APPLICATION WERE OF CAPITAL IMPORTANCE. WAS THERE FLEXIBILITY ON ROTATION OR THE TURKISH REQUIREMENT FOR POLITICAL EQUALITY? TSILAS SAID THAT THIS WAS FOR VASSILEOU TO SAY. THE POSSIBILITIES/VARIATIONS WERE COMPLEX.

5. I ASKED WHY MITSOTAKIS HAD INTRODUCED DISCUSSION OF AEGEAN DRILLING AND A 'GOOD NEIGHBOURS' PACT, WHEN HIS STRATEGY FOR IMPROVING GREEK/TURKISH RELATIONS WAS TO SOLVE THE CYPRUS PROBLEM FIRST. TSILAS SAID THIS STRATEGY STILL STOOD. MITSOTAKIS HAD INTRODUCED THE DRILLING POINT WHILE THE COMMUNIQUE WAS BEING WORKED OUT AND IN THE HOPE THAT SOMETHING POSITIVE MIGHT COME OUT OF THE MEETING. BUT IN THIS TOO HE HAD BEEN DISAPPOINTED. AND THE AGREEMENT TO WORK ON A GOOD NEIGHBOUR PACT HAD NOT BEEN RECEIVED WELL BY THE GREEK MEDIA (MY TUR).

COMMENT

6. MITSOTAKIS HAS BEEN BRUISED BY THIS ENCOUNTER. HE IS SEEN AS HAVING BEEN READY TO OFFER CONCESSIONS BUT TO HAVE GOT NOTHING FOR IT. BUT HE IS DETERMINED THAT GREECE SHOULD NOT GET THE BLAME FOR FAILURE AND HE WILL RESPOND CONSTRUCTIVELY TO PRESIDENT BUSH'S MESSAGE. TSILAS SAID HE HAD NO FIRM IDEA WHAT THE NEXT STEP WOULD BE AFTER THAT. BUT MITSOTAKIS COULD NOT ATTEND A MEETING IN THE US WHICH WAS NOT PRECOOKED. HE HAS ALREADY TELEPHONED THE UNSG AND COMPLAINED ABOUT YILMAZ'S INTRANSIGENCE.

7. SINCE MITSOTAKIS PROFESSES READINESS TO PERSEVERE I SEE NO OBJECTION TO OUR ASSOCIATING OURSELVES WITH PRESIDENT BUSH'S MESSAGE (NICOSIA TELNO 456).

FCO PLEASE ADVANCE TO NO. 10.

MIERS

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MR GREENSTOCK

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RESIDENT CLERK

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(CORRECTED VERSION (ADDRESSEES))

TO IMMEDIATE FCO

TELNO 478

OF 140811Z SEPTEMBER 91

AND TO IMMEDIATE MODUK

MITSOTAKIS' CALL ON P.M. 16 SEPTEMBER. ZEUS ECM SYSTEM FOR GREEK F16 AIRCRAFT

1. I UNDERSTAND THAT SIR GEOFFREY PATTIE AND LORD WEINSTOCK MAY BE LOBBYING THE PRIME MINISTER ABOUT MARCONI'S BID FOR ZEUS SYSTEM TO WIN THIS CONTRACT. IT IS INDEED IMPORTANT THAT MR MAJOR SHOULD MENTION IT TO MITSOTAKIS ON MONDAY. FOLLOWING IS AN UPDATE.

2. MARCONI'S ZEUS SYSTEM HAS FOLLOWING MAIN ADVANTAGES OVER RIVAL US GENERAL INSTRUMENTS (GI) ASPIS SYSTEM:

- ZEUS IS USD 20 MILLION (15 PERCENT) CHEAPER.

- IT IS IN SERVICE WITH RAF (ASPIS IS UNTESTED) AND WILL BE ABLE TO BENEFIT FROM RAF TECHNICAL SUPPORT.

- IT CAN BE FITTED IN 6-7 MONTHS (NO DATE GUARANTEED FOR ASPIS).

- UK GOVERNMENT HAS AGREED TRANSFER OF ZEUS SOFTWARE (US GOVERNMENT HAS NOT AGREED CORRESPONDING TRANSFER FOR ASPIS - AND WON'T ACCORDING TO MARCONI)

- ZEUS IS ELIGIBLE FOR SAME FMS CREDIT AS ASPIS (BECAUSE OF MARCONI SUBSIDIARIES IN USA).

3. DESPITE THESE ADVANTAGES GREEK AIR FORCE GENERAL STAFF ARE RECOMMENDING ASPIS AND IGNORING RECOMMENDATIONS OF AIR FORCE TECHNICAL COMMITTEE THAT CONTRACT NEGOTIATIONS SHOULD BE PURSUED WITH BOTH COMPANIES IN PARALLEL, (MARCONI ALLEGE THEIR COMPETITORS HAVE 'ORGANISED' THIS DECISION WHICH GOES AGAINST THE 'TRANSPARENCY' TO WHICH PRESENT GREEK GOVERNMENT IS COMMITTED).

4. MARCONI ARE CONFIDENT THAT IF THEY ARE GIVEN A FAIR CHANCE THROUGH PARALLEL NEGOTIATIONS ZEUS WILL WIN.

5. IF THE UK/GREEK DEFENCE RELATIONSHIP IS TO BE THICKENED UP (THE

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PROFESSED WISH OF BOTH GOVERNMENTS) WE NEED AT LEAST ONE DEFENCE CONTRACT ON WHICH COOPERATION CAN BE BASED.

6. IT WOULD BE A PITY IF GREEKS DECIDED TO ELIMINATE ZEUS, DESPITE ABOVE ADVANTAGES, JUST WHEN CBI CONFERENCE IS TRYING TO INTEREST UK BUSINESS IN GREEK MARKET FOR INVESTMENT/TRADE.

FCO PLEASE ADVANCE TO NO. 10.

MIERS

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RESIDENT CLERK

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PAGE 2
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From: The Rt Hon. Sir Geoffrey Pattie, M.P.



House of Commons,
LONDON, SW1A 0AA
Secretary 01-219 4055

Memorandum to

The Rt Hon. John Major MP
Prime Minister
10 Downing Street.

13 September 1991

1. After you left Paris I had a further bi-lateral conversation with Greek Prime Minister Mitsotakis which was mainly on the subject of the contract for the Electronic Warfare Suite (EW) on the F.16 aircraft being acquired by the Greek airforce from General Dynamics.
2. The Greek airforce have stated a preference for an American EW system in preference to the Zeus system made by GEC Marconi (GECM).
3. Because of the very advanced nature of these systems, there is considerable interest in the degree to which technology transfer is permitted by the manufacturers.
4. Mr Mitsotakis was therefore very interested to hear that I have documentary evidence that reveals significant restrictions being applied by the US Government to the manufacturers of the US system. This information has not been revealed to the Greeks by the Americans for obvious reasons.
5. Having told Mr Mitsotakis this I promised to show him the documentation at a meeting I have scheduled with him at the Greek Ambassador's residence at 11.30 on Monday morning.
6. I thought that you would wish to be warned of the development although it would probably be unnecessary or even unwise to refer to this specific point. However, might I suggest that it is most important that you do refer to the Zeus system pointing out that the Greek airforce would receive the up-dated Zeus system which is even more advanced than that which is operated by the RAF.

GEP



From: The Rt Hon. Sir Geoffrey Pattie, M.P.



House of Commons,
LONDON, SW1A 0AA
Secretary 01-219 4055

Stephen Wall Esq.
10 Downing Street

13 September 1991

Dear Mr Wall,

Sir Geoffrey has this morning dictated a further briefing Memo for the Prime Minister. I do hope you received safely the one I handed in last night?

Yours sincerely,

A handwritten signature in cursive script that reads "B. Campbell".

B. Campbell (Miss)
Secretary





CONFIDENTIAL



PRIME MINISTER

YOUR BREAKFAST WITH THE GREEK PRIME MINISTER

You will be giving breakfast to Mr Mitsotakis on Monday. He will be accompanied by his diplomatic adviser, Ambassador Loucas Tsilis and his Ambassador, Mr Papoulias, who is a former foreign minister. There will also be our Ambassador, Sir David Miers and an interpreter. The Foreign Office brief and Sir Geoffrey Pattie's letter set out the issues.

I also attach a check list. The Soviet Union is a relatively safe subject and you may want to tackle that first if only to avoid the whole of breakfast being spoilt by Cyprus and Yugoslavia.

Other issues you should cover are:

- i) British commercial interests
- ii) Anti-terrorist co-operation
- iii) As part of your strategy on hostages you will wish to thank Mr Mitsotakis for his helpful intervention with the Iranians.

Yugoslavia

I
Macedonia is one part of Yugoslavia which is seeking independence. If so the people of Greek Macedonia might want to join them. At Greek initiative, a meeting of Greek, Bulgarian and Serbian leaders will take place in Athens on 19 September. You may want to ask about this but don't expect a short answer.

There is a separate minute from Sir Percy Cradock which you should see (in the hot box).

J.S. WALL

13 September 1991

c: Greece (MJ)

CONFIDENTIAL

CONFIDENTIAL

CHECK LIST

BREAKFAST MEETING WITH MR MITSOTAKIS

Soviet Union

- Food aid/distribution/processing
- Relative power between Gorbachev/Yeltsin
- Role of Republics (Independence for the Ukraine?)
- Future relationship with EC

Eastern Europe

- Association Agreements for Poland, Hungary and Czechoslovakia.

Bilateral

- Greek Air Force should buy Marconi's Zeus electronic warfare system. 15 per cent cheaper than untested US rival.
- Hope Athens metro project management contract will be awarded to UK/Swiss group.
- Hope British Gas and its consortium partners can bid for natural gas terminal at Revithousa.
- Want to step up counter-terrorist co-operation. Particularly important in light of attack on British consulate at Patras.
- Noel-Baker dispute. Can your new agriculture minister resolve?

European Community

- IGCs (convergence vs. unanimity on EMU)
- Foreign and security policy

EC/Turkey

- Enhancement of EC/Turkey relations in all our interests. Unfair both to oppose Turkish membership of the EC (as Greece does) and to deny her her rights under Association Agreement.

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Cyprus settlement.

- Progress with Turks? Is idea of a rotating presidency in Cyprus a starter?

EC/Cyprus (if raised)

- Will not take a view on Cyprus application until we have Commission Opinion. Application must be considered on merits.

EC loan to Greece (if raised)

- Sympathetic but EC cannot justify further money if restructuring targets badly missed.

Greek membership of WEU (if raised)

- Want to see WEU develop but Greek/Turkish distrust pose problem in respect of admission of either country.
- Need not prevent greater Greek involvement in work of WEU.

Hostages

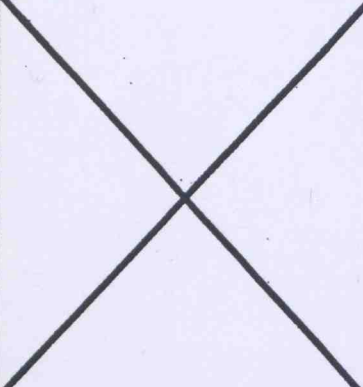
- Grateful for your help with Iranians. Grateful if you could continue to use influence now with solution possibly in sight.

Yugoslavia

- Support for Peace Conference.
- Must maintain balance between parties. Unilateral recognition of Croatia could be very damaging.
- Implications for Greece (Macedonia)

c: check (MJ)

A The National Archives

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>3374</i> (one piece/item number)	Date and sign
Extract details: <i>Minute from Cradock to Wall dated 13 September 1991 with attachment</i>	
CLOSED UNDER FOI EXEMPTION	
RETAINED UNDER SECTION 3(4) OF THE PUBLIC RECORDS ACT 1958	<i>27/6/17</i> <i>Wayland</i>
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Enter the department and series,
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Enter the piece and item references, .
eg. 28, 1079, 84/1, 107/3

Enter extract details if it is an extract rather than a whole piece.

This should be an indication of what the extract is,

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Sign and date next to the reason why the record is not available to the public ie. Closed under FOI exemption; Retained under section 3(4) of the Public Records Act 1958; Temporarily retained; Missing at transfer or Number not used.

MR WALL

WORKING BREAKFAST FOR GREEK PRIME MINISTER ON 16 SEPTEMBER

I attach the list of guests attending together with a seating plan. There was a telegram in which said that the interpreter would not have breakfast but would sit behind.

There will be a photocall on arrival in the front hall and then the party will proceed to the Small Dining Room for breakfast. There will be a selection of goodies - starting with a selection of cereals including muesli which the Greek party might enjoy. A full English type breakfast will be served to all those who would like it.

Sue

13 September 1991

DRAFT SEATING PLAN FOR BREAKFAST ON MONDAY 16 SEPTEMBER

Mr Stephen Wall

HE Ambassador Loucas Tsilis

PRIME MINISTER

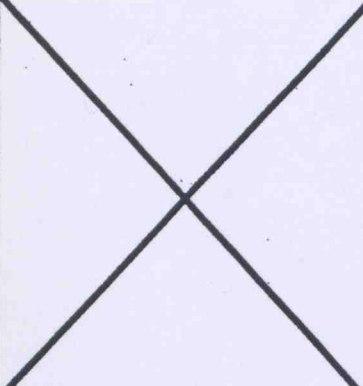
HE MR CONSTANTINE MITSOTAKIS
(Interpreter)
seated behind Prime Minister

Sir David Miers

HE Ambassador of the
Hellenic Republic

ENTRANCE

A The National Archives

DEPARTMENT/SERIES <p style="text-align: center;"><i>PREM 19</i></p> PIECE/ITEM (one piece/item number) <i>3374</i>	Date and sign
Extract details: <p style="text-align: center;"><i>Letter from Prentice to Wall dated 13 September 1991, with enclosures</i></p>	
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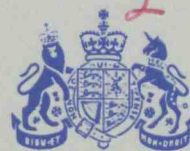
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Foreign &
Commonwealth
Office

London SW1A 2AH

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13 September 1991

Dear Stephen,

Prime Minister's Breakfast with Greek Prime Minister

The Prime Minister will have breakfast with Mr Mitsotakis on 16 September at 0830 - 1000. Mr Mitsotakis will go on to address a CBI conference on Greece. The conference was postponed from 6 February, though Mr Mitsotakis came to the UK then for talks and lunch with the Prime Minister.

/ I enclose a personality note on Mr Mitsotakis, and a
/ scene-setting telegram from Athens.

Objectives

Our objectives for the meeting are:-

- to discuss developments in the Soviet Union;
- to encourage active Greek support for UN efforts to solve the Cyprus dispute;
- to put across our views on key EC issues;
- to impress on the Greeks the need for a united EC approach on Yugoslavia
- to promote key bilateral issues, including counter-terrorism cooperation.

Political Background

Seventeen months into his term as Prime Minister, the performance of Mitsotakis's New Democracy government has been patchy. He has succeeded in building up Greece's credibility as a reasonably serious Western ally

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after eight difficult years with Papandreou's PASOK government. President Bush's visit to Athens on 18 - 20 July went well. But his ambitious programme of governmental and legislative reform has got off to an uninspiring start and the economy remains mired in debt and inflation.

Bilateral Issues

B Specific British Commercial Interests:

We understand from Greek Ministers that the sole tender by the Taylor Woodrow-led consortium, for the Achelooos river project (£300 million) is likely to be accepted. Mitsotakis may tell the Prime Minister, who will wish to welcome any such decision, and ask when it will be publicly announced.

On other commercial issues the Prime Minister might express the hope that:

- Greek airforce will buy Marconi's Zeus electronic warfare system (£50m) for its F-16s. Zeus is in service with RAF's Harriers, and its effectiveness has been demonstrated in operational trials. It is \$20 million (15%) cheaper than its (untested) US rival.
- Hope that the Athens Metro Project management contract will be awarded to the UK-Swiss Group (Mott-MacDonald with Electrowatt).
- British Gas and its British and Greek consortium partners will be invited to bid for the liquefied natural gas terminal at Revithousa (£55m).

B General Bilateral

- Glad the commemoration of 50th anniversary of the Battle of Crete (25-26 May) went well. (The Duke of Kent attended.)

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- hope you can ask your new agriculture minister (Kouvelas) to find a compromise solution to the long-standing Noel-Baker dispute over land in Evvia, Greece: this dispute (where the Greek government have since the 1970s been trying to expropriate an estate held by the Noel-Baker family since 1832) has dragged on far too long.

Soviet Union

In the time available the Prime Minister may wish to concentrate on internal developments in the Soviet Union and Western aid.

The Congress of People's Deputies on 5 September established transitional central government structures reflecting the shift of power to the republics following the attempted coup (a State Council chaired by Gorbachev including republic leaders; a two-chamber Supreme Soviet Parliament; and an Inter-Republican Economic Committee). Gorbachev has formed an alliance of interests with Yeltsin and Nazarbaev in forcing the changes through Congress. But he no longer has a power base and his influence will depend on his rôle as a broker. Negotiations will begin on a new Treaty of Sovereign States: the final shape of the Union will not be clear for some time but a loose confederation is likely to emerge.

The Economic Committee seem well seized of the need for radical reform. Yavlinsky's comment that without reform, aid is wasteful and harmful will be useful in arguing, eg in the EC, that more Western money is not the answer. But the Committee's ability to implement a reform plan when republics are increasing their economic autonomy must be in doubt. Some frictions are already appearing within the Committee.

On EC aid, of the 250 mecu of food aid agreed at the Rome European Council, 235 mecu has been spent. Provision of this aid is tied to the purchase of EC stocks: we and the Italians lobbied hard, but unsuccessfully, for some of the food to be purchased in Eastern Europe. The 500 mecu food credit guarantee adopted at the 4 March FAC (amended in June) has yet to

/be drawn

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The Greek Economy and EC Loan to Greece

Under PASOK mismanagement the Greek economy ~~was~~ suffered low growth, high inflation and large current account deficits for many years. Mitsotakis's limited corrective measures have been insufficient to reverse the decline which necessitated an approach for an EC balance of payments support loan. In February 1991 ECOFIN approved a 2.2 becu (£1.5bn) loan for Greece to be paid in 3 tranches: 1 becu this year; 0.6 becu in 1992 and 0.6 becu in 1993. The loan is conditional on Greek adherence to an economic restructuring programme agreed with the Community. The adjustment programme is however already in difficulty, with many of the targets (particularly a reduction in the budget deficit) likely to be missed. If fiscal credibility is not quickly restored, the second tranche of the Community loan could be at risk.

If the subject is raised, the Prime Minister may wish to say that:

- The UK supports Greek restructuring efforts and appreciates the political difficulties involved. But the Community cannot justify the release of further money if the targets are badly missed.
- The success of the Greek adjustment programme is also very important to the EMU process. If the adjustment programme is too weak it will simply increase the demand for a two-speed transition to EMU which both UK and Greece wish to avoid.

/EC/Turkey

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EC/Turkey

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EC/Cyprus



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EC: The ICGs

Greece is not a key player in the ICGs. They will follow the consensus and favour the unitarian, federalist approach. We can expect little support. Even so, the Prime Minister might reinforce our own concerns by making the following brief points:

- Need to build seriously on work of Luxembourg Presidency in order to reach agreement at Maastricht;
- Now is not time for Community's grasp to exceed its reach: move forward by consensus, building on existing cooperation within and outside Treaty of Rome;
- Fundamental re-alignment of institutional balance undesirable;
- Attempts to extract provision of further funds for cohesion now will hinder agreement in ICGs: should be left for next year's future financing review.

On the evidence of recent Dutch proposals on CFSP the Presidency's objective is to position foreign policy within Community competence. This is not acceptable to us but would be welcome to the Greeks who are strongly in favour of communitisation: they preferred the Commission's plans for a 'Common External Policy' to the Luxembourg draft treaty language on CFSP. The Prime Minister might explain the UK conception of CFSP by saying:

- UK fully committed to strengthening identity of the Union on the international scene. But best approach to achieving coherent foreign policy is to avoid confusing and complex procedures, eg majority voting.
- Proof of this has been common action on Yugoslavia and Soviet Union: swift, strong response to emerging developments.
- Agreed at Luxembourg European Council that Luxembourg text should remain the basis for negotiations. Important

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that CFSP should retain character of an inter-governmental process outside the Treaty of Rome.

- UK believes Commission should be fully associated with CFSP but it must be the Presidency who represents the Union on CFSP matters.

On EMU, the Greeks recognise that their economy is in no state to move to a single currency, and they are also aware of their consequent lack of bargaining power. Reflecting their dependence on structural funds (about 3% of GDP), the Greeks stress the importance of cohesion.

The Prime Minister may wish to say:

- UK remains committed to agreement on EMU à douze. Confident that this is now possible, especially as 'no imposition' provision in latest draft Treaty goes a long way to meeting UK concerns.

- Welcome recent emphasis (eg at European Council) on importance of economic convergence criteria in EMU. Premature move to a single currency could have severe consequences in form of higher unemployment and instability.

- Do not believe that emphasis on convergence criteria will lead inevitably to a two-tier outcome. UK arguing strongly in IGC that any decision by Heads of Government to move to Stage III must be unanimous. Also that any Member States not moving initially to Stage III shall have an automatic right to do so at a later stage, providing convergence criteria are met.

- UK accepts principle of cohesion and is prepared to see some further growth in structural funds after 1993. But massive resource transfers not the answer by themselves - cohesion best pursued by sound macro-economic and supply-side policies.

Greece/Turkey

Relations remain at a low ebb. The three main bones of contention are Cyprus, sovereignty over air and sea space in the Aegean and the treatment of minorities

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(ethnic Turks in Greek western Thrace and ethnic Greeks in Turkey). There was also a recent disagreement over a Turkish request to conduct a CSBM Evaluation Visit to Greece (refused).

The Prime Minister might say that:

- it is in nobody's interest for these Greek/Turkish disputes to continue. We are encouraged by the 11 September meeting between the two prime ministers, and hope rational dialogue can continue.

- particularly important that Greek/Turkish disputes should not impede progress on the Cyprus problem.

Yugoslavia and the Balkans

Fears of instability on Greece's northern border have in the past led the Greeks openly to support Serbian hegemony over Yugoslavia, though they also support EC efforts to find a peaceful solution to the Yugoslav crisis. The Greeks have a particular interest in Macedonia, where a referendum on 8 September produced a large majority in favour of independence. A meeting of Greek, Bulgarian and Serbian leaders will take place in Athens on 19 September at Greek initiative. The Prime Minister could draw on the following points:

- Essential that Twelve should give full backing to Hague peace conference now under way. Lord Carrington has difficult task: deserves our full support.

- Important to maintain pressure on all parties to observe ceasefire and negotiate in good faith. Equally, EC must seek to maintain balance between parties.

The economic situation in Albania is dire, and there is a danger that food shortages this winter could destabilise the coalition government. The EC has agreed emergency and humanitarian aid worth a total of 9 million ecu for Albania and has cleared the way for G24 assistance. The Greeks are always concerned about the interests of the Greek minority in Southern Albania. If Mr Mitsotakis raises Albania, the Prime Minister could welcome the EC's generous aid programme to Albania, and ask for Greece's assessment of the current political and economic situation.

/Iraq

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Iraq

The Prime Minister may wish to give Mr Mitsotakis our latest assessment of the situation over Iraq. Iraq continues to drag its feet in its cooperation with the Special Commission on the destruction of its NBC capability, most recently in its refusal to permit the Commission to use its own helicopters. The UN is presently considering the Secretary General's report on implementation of SCR 706, which allows the sale of Iraqi oil to help provide humanitarian supplies. The Prime Minister might want to say:-

- It remains important to maintain maximum pressure on Iraq to secure full implementation of SCR 687 and to ensure the Special Commission is able to do its work fully and without hinderance. Iraq cannot be allowed to defy the Security Council.
- Do not wish to see ordinary Iraqis suffer. SCR 706 provided basis for the provision of humanitarian relief. But there is a clear need for a transparent monitoring regime.
- The coalition presence in Southern Turkey has proved valuable in acting as a deterrent on any Iraqi repression. Believe there is a continuing role for some kind of deterrent force beyond 30 September.

Counter Terrorism Cooperation

The Prime Minister should refer to counter-terrorism (CT) cooperation with the Greeks in order to secure Mr Mitsotakis' endorsement that it merits effort and attention. This cooperation is improving from a low base, following the attempted bombing of the British Consulate in Patras by Palestinians on 19 April. The scope for radical improvement is limited by the realities of Greek domestic politics

But threats to British interests require us to seek improvement. Our cooperation programme includes: bodyguard
training for Mitsotakis (last year); an advisory visit soon to assess the scope for more CT training
an early visit to London by the Head of the Greek police anti-terrorist squad (Sagonas). The Prime Minister might take the following line:

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/We attach



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- We attach importance to the useful cooperation over counter-terrorism (eg follow-up to the Patras bomb).
- Glad that practical contacts are increasing.
- Let us know if there are other areas for cooperation.

Hostages in Lebanon

The Greeks have been helpful over the hostages, having raised the issue with the Iranians. The Prime Minister might encourage them to continue to do so, especially in the context of the UN Secretary-General's present efforts, which appear to be bearing fruit.

WEU

Mitsotakis is likely to raise Greek membership of the WEU. In June he claimed to have won the support at the Luxembourg meeting of the Christian Democrat leaders such as Kohl, Martens, Andreotti, Lubbers and Santer, though the Dutch and Germans denied this in discussion with us. On 26 June Mitsotakis discussed membership with the Prime Minister by telephone.

The Greeks are looking both for a security guarantee against Turkey and for a further advantage over Turkey in establishing Western European credentials. They are playing on the readiness of some partners to give priority in the WEU membership stakes to EC member states. If Mitsotakis raises this, the Prime Minister could say:

- We have nothing against future Greek membership as such, but there are two difficulties:

(i) Our wish to see WEU develop as the basis of a European defence identity compatible with NATO. It should remain autonomous from, and not be subsumed by, the European Union. To limit its membership to the Twelve would exclude important European allies, and risk being seen by the US as an attempt to set up rival structures to NATO. We would therefore prefer to see membership expanded when this principle has been agreed.

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(ii) We cannot consider any WEU enlargement in isolation from all connected issues. In particular the continued existence of problems and mistrust between Greece and Turkey poses a problem in respect of admission of either country to WEU.

- A pragmatic solution to this problem is to develop the WEU leaving membership questions aside for the time being, but allowing all partners and allies who have a stake in its decisions to be involved in an appropriate manner. Welcome Greek involvement on this basis.

*Yours ever,
Christopher Prentice.*

(C N R Prentice)
Private Secretary

Stephen Wall Esq
10 Downing Street

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(CORRECTED VERSION)

(CORRECTED VERSION).

CALL BY GREEK PM ON MR MAJOR, 16 SEPTEMBER

SUMMARY

1. MITSOTAKIS' MAIN DOMESTIC PROBLEM IS THE FAILURE OF THE ECONOMY TO RESPOND TO TREATMENT. INFLATION IS FALLING BUT PRIVATISATION AND OTHER REFORMS ARE BEHIND SCHEDULE AND THE PUBLIC DEFICIT IS STILL TOO HIGH. HIS FOREIGN POLICY PREOCCUPATIONS INCLUDE CYPRUS, GREECE/TURKEY, BALKAN UNCERTAINTIES, TWO-SPEED EUROPE, AND ADMISSION TO WEU. IMPORTANCE OF MENTIONING CERTAIN COMMERCIAL PROJECTS.

DETAIL

2. FOLLOWING SCENE-SETTER MAY BE USEFUL ON EVE OF VISIT. AFTER 17 MONTHS IN OFFICE MITSOTAKIS' TEAM ARE STILL GOVERNING WITH AUTHORITY AND REMAIN COMMITTED TO ALL THE RIGHT POLICIES, AT LEAST ON INTERNAL AFFAIRS. BUT THEY HAVE NOT YET MADE A DECISIVE IMPACT ON GREECE'S PROBLEMS. THE ECONOMY HAS BEEN SLOW TO RESPOND: THEY HAVE BEEN ACCUSED OF ACTING WITH INSUFFICIENT DETERMINATION, DECISIVENESS AND COORDINATION OVER REFORM: AND THERE HAVE BEEN SHOCKS TO MITSOTAKIS' PERSONAL POSITION.

3. DURING THE YEAR THERE HAVE BEEN MURMURINGS AGAINST MITSOTAKIS' INCREASINGLY PRESIDENTIAL STYLE OF GOVERNMENT. THESE CAME TO A HEAD IN AUGUST DURING AN OFFICIAL VISIT TO MOSCOW, WHERE MITSOTAKIS' WIFE WAS INVOLVED IN A PUBLIC ALTERCATION WITH THE MINISTER FOR INDUSTRY, DIMAS. HE RESIGNED. MITSOTAKIS TOOK THE OPPORTUNITY TO CARRY OUT A LONG-AWAITED RESHUFFLE, REDUCING THE NUMBER OF MINISTERS AND DROPPING THE LESS EFFECTIVE. BUT IN THE PROCESS HE HAD TO FIRE HIS DAUGHTER FROM HER MINISTERIAL POSITION AT THE HEAD OF HIS OWN OFFICE. MANOS, THE CAPABLE ENVIRONMENTAL MINISTER, REFUSED TO SERVE IN THE NEW POSITION HE WAS OFFERED: AND MITSOTAKIS FELT OBLIGED TO BRING IN ANDRIANOPOULOS AS INDUSTRY MINISTER, FORMERLY A CRITIC OF HIS GOVERNMENT. ANDRIANOPOULOS WILL BE ACCOMPANYING MITSOTAKIS TO LONDON.

4. THE ECONOMY IS STILL BESET WITH PROBLEMS. IF NEW DEMOCRACY

HAVE STOPPED THE BATTLESHIP, THEY HAVE NOT YET GOT IT STEAMING IN THE RIGHT DIRECTION. THERE HAVE BEEN SOME SUCCESSES. INFLATION HAS BEEN BROUGHT DOWN FROM A PEAK OF 22 PER CENT AND IS ON TARGET TO FALL BELOW 16 PER CENT BY THE END OF THE YEAR. THE BALANCE OF PAYMENTS HAS IMPROVED. WAGE INCREASES HAVE BEEN PEGGED SIGNIFICANTLY BELOW THE RATE OF INFLATION. BUT THE KEY PROBLEM OF REDUCING THE PSBR HAS NOT BEEN EFFECTIVELY TACKLED. LATEST ESTIMATES SUGGEST THAT THE DEFICIT AT THE END OF 1991 MAY BE 2 PERCENTAGE POINTS LOWER THAN IN 1990, BUT NOT THE 6 POINTS AGREED WITH THE EC AS THE CHIEF CONDITION OF THE 2.2 BILLION ECU LOAN AGREED EARLIER THIS YEAR. OTHER CONDITIONS, EG A 10 PER CENT CUT IN THE PUBLIC SERVICE, ARE ALSO LIKELY TO REMAIN UNFULFILLED. SIMILARLY, THE PRIVATISATION PROGRAMME IS PROCEEDING MUCH MORE SLOWLY THAN PROMISED AND IS UNLIKELY TO YIELD THE FUNDS, OR SAVINGS, ON WHICH THE MINISTER OF FINANCE WAS RELYING. URGENTLY NEEDED REFORMS, EG IN GREECE'S UNDERFUNDED PENSION SCHEMES, IN TRANSPORT, IN THE ANTIQUATED TELEPHONE SYSTEM, ARE ALL TAKING LONGER THAN HOPED FOR.

5. ON THE BRIGHTER SIDE, THE GOVERNMENT HAS NOT IN PRACTICE BEEN HANDICAPPED BY ITS MINISCULE MAJORITY (2 SEATS). THE OPPOSITION REMAINS IN DISARRAY WHILE ITS UNWELL BUT VOCAL LEADER PAPANDREOU IS PREOCCUPIED BY HIS IMPEACHMENT TRIAL. THE PARTY, LACKING LEADERSHIP, CANNOT EFFECTIVELY ATTACK THE GOVERNMENT'S POLICIES OR DEFINE ITS OWN. THUS THE GOVERNMENT LOOKS LIKELY TO BE ABLE TO COMPLETE A FULL FOUR YEAR TERM. BUT PREMATURE ELECTIONS WOULD BE FORCED IF THE 84 YEAR OLD PRESIDENT KARAMANLIS WAS FOR ANY REASON INCAPACITATED.

6. MITSOTAKIS IS MUCH PREOCCUPIED BY FOREIGN AFFAIRS. HE HAS TRAVELLED WIDELY SINCE ASSUMING OFFICE. HIS CHIEF CURRENT CONCERNS ARE:

A) CYPRUS AND GREECE/TURKEY RELATIONS. THIS COULD BE A MAIN SUBJECT OF DISCUSSION, ASSUMING THE NEGOTIATIONS ARE STILL ON THE RAILS FOLLOWING MITSOTAKIS' CRUCIAL MEETING WITH YILMAZ TODAY IN PARIS. MITSOTAKIS HAS MADE PROGRESS ON CYPRUS A PRECONDITION OF ANY DIALOGUE WITH TURKEY DESIGNED TO IMPROVE GREEK-TURKISH RELATIONS. HE IS PERSONALLY COMMITTED TO A SOLUTION OF THE CYPRUS PROBLEM AND HAS SAID SO PUBLICLY. CONCESSIONS TO TURKEY CARRY HUGE RISKS FOR ANY GREEK POLITICIAN, BUT STATESMEN CAN DO IT (VENIZELOS, KARAMANLIS). MITSOTAKIS HAS NOT TAKEN OTHER MINISTERS MUCH INTO HIS CONFIDENCE ON CYPRUS, AND SAMARAS, THE YOUTHFUL FOREIGN MINISTER, IS APPREHENSIVE.

B) THE BALKANS. THE DISINTEGRATION OF YUGOSLAVIA AND LAST SUNDAY'S REFERENDUM IN YUGOSLAV MACEDONIA COULD LEAD TO A MINI STATE ON GREECE'S NORTHERN BORDER WITH A CLAIM TO THESSALONIKI. IN YUGOSLAVIA GREECE'S INTERESTS, IN THE LAST ANALYSIS, ARE NOT THE SAME AS THOSE OF HER PARTNERS IN THE TWELVE. HER SERB SYMPATHIES ARE BECOMING INCREASINGLY EVIDENT. EVENTS IN ALBANIA AND BULGARIA ALSO POSE MAJOR UNCERTAINTIES FOR GREECE. THERE IS A SIZEABLE GREEK MINORITY (AND NINETEENTH CENTURY TERRITORIAL CLAIM) LATENT IN ALBANIA. BULGARIA HAS HISTORICALLY BEEN A THREAT TO GREECE, BUT IS CURRENTLY SEEN AS AN ALLY WORTH CULTIVATING HARD - CHIEFLY WITH THE TURKISH THREAT IN MIND.

C) TWO SPEED EUROPE. THE GREEKS WERE APPALLED BY THE DUTCH EMU PROPOSALS SO MITSOTAKIS WILL NOT BE RECEPTIVE TO OUR VIEWS ON THESE BECAUSE OF GREECE'S STRONG WISH TO AVOID A TWO SPEED EUROPE. ON SOME IGC POINTS (EG TIMING OF EMU STAGES) HE MAY BE MORE RECEPTIVE - BUT FOR DIFFERENT REASONS. ON THE DETAIL OF MOST EC POLICIES THE GREEKS ARE NOT GOOD ALLIES FOR US. THEIR NEED FOR EC FINANCIAL SUPPORT AND OTHER HELP (EG OVER DEROGATIONS) MAKES THEM HIGHLY RELUCTANT TO ESPOUSE ANY CAUSE THAT MIGHT SEEM QUOTE UN EUROPEAN UNQUOTE (UNLESS IT AFFECTS A VITAL INTEREST LIKE RELATIONS WITH TURKEY). BUT MITSOTAKIS WILL NO DOUBT APPEAL FOR UNDERSTANDING OF GREECE'S ECONOMIC DIFFICULTIES AND SUPPORT OVER RELEASE OF THE SECOND TRANCHE OF THE EC LOAN.

D) DEFENCE. THE GREEKS LOOK TO EUROPE AS A FRAMEWORK FOR THEIR FUTURE REQUIREMENTS (THEIR CHIEF PREOCCUPATION IS TURKEY) AS WELL AS FOR ECONOMIC DEVELOPMENT. MITSOTAKIS MAY WELL THEREFORE RETURN TO THE CHARGE WITH MR MAJOR OVER THE WEU. HE REGARDS THE UK AS PLACING A VETO ON GREEK MEMBERSHIP. HE WILL ARGUE THAT GREECE AS A LOYAL EUROPEAN IS ENTITLED TO JOIN WEU AND THAT A MEMBER OF BOTH NATO AND THE TWELVE SHOULD NOT BE PREVENTED BY US FROM JOINING THE ORGANISATION WHICH WE SAY IS A BRIDGE BETWEEN THE TWO.

7. ON BILATERAL QUESTIONS WE HAVE A STRONG INTEREST IN CERTAIN CURRENT COMMERCIAL PROJECTS. IT WOULD BE HELPFUL AND MIGHT HAVE A REAL INFLUENCE IF THE PM COULD MENTION THESE. IT IS WRONG THAT BRITAIN HAS NOT WON A SINGLE IMPORTANT CONTRACT IN GREECE RECENTLY, DESPITE THE PROFESSED WISH OF THE ND GOVERNMENT TO RECTIFY THIS AND THE SIMILARITY OF IDEOLOGICAL OUTLOOK BETWEEN THE TWO GOVERNMENTS. THE PROJECTS THAT WOULD MOST BENEFIT FROM A PLUG AT PRESENT ARE ACHELOOS (VIRTUALLY PROMISED BUT ALWAYS HANGING FIRE): ZEUS (HOW CAN DEFENCE COOPERATION BE BUILT UP WITHOUT AT LEAST ONE IMPORTANT

PROJECT?): AND THE MANAGEMENT OF THE ATHENS METRO (ABOUT TO BE AWARDED TO MOTT MACDONALD BUT NOW IN JEOPARDY FOLLOWING THE RESHUFFLE). THE PRIME MINISTER'S DECISION TO WRITE TO MITSOTAKIS AFTER THEIR LAST ENCOUNTER AT NO 10 MENTIONING ALL THE BILATERAL QUESTIONS FOR WHICH THERE HAD NOT BEEN TIME, PROVED IMMENSELY USEFUL AS A PEG ON WHICH TO HANG SUBSEQUENT LOBBYING. I HOPE THIS TACTIC CAN BE REPEATED THIS TIME.

MIERS

YYYY

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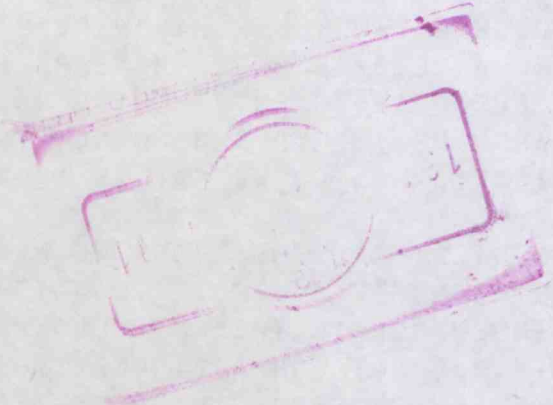
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GREEK POLICY ON YUGOSLAVIA

SUMMARY

1. TRILATERAL MEETING OF GREEK/BULGARIAN/SERBIAN LEADERS TO DISCUSS BALKANS TO TAKE PLACE AT GREEK INITIATIVE. GREEK/ALBANIAN CONTACTS. POSSIBLE GREEK INITIATIVE ON MACEDONIA IN EC AND NATO.

DETAIL

2. THE GOVERNMENT PRESS SPOKESMAN HAS ANNOUNCED THAT, AT THE GREEKS' INITIATIVE, MITSOTAKIS, THE BULGARIAN PRIME MINISTER POPOV, AND MILOSEVIC WILL MEET IN ATHENS ON 19 SEPTEMBER, ACCOMPANIED BY THEIR FOREIGN MINISTERS. THEY WILL DISCUSS DEVELOPMENTS IN THE BALKANS, WITH PARTICULAR REFERENCE TO THE SITUATION IN SKOPJE FOLLOWING THE REFERENDUM THERE.

3. MITSOTAKIS MET HIS ALBANIAN COUNTERPART UNOFFICIALLY AT THE WEEKEND. MACEDONIA WAS REPORTEDLY DISCUSSED. THE ALBANIAN PRIME MINISTER WILL MAKE AN OFFICIAL VISIT TO GREECE IN LATE OCTOBER/EARLY NOVEMBER.

4. GREEK REACTIONS TO THE RESULT OF THE SKOPJE REFERENDUM HAVE BEEN FAIRLY MUTED SO FAR. BUT THERE ARE PRESS REPORTS THAT THE GREEKS WILL UNDERTAKE A DIPLOMATIC INITIATIVE IN THE EC AND NATO, TO PRESS THEIR POSITION ON YUGOSLAV MACEDONIA. SAMARAS STATED CATEGORICALLY LAST WEEK (OUR TELNO 464) THAT GREECE WOULD NEVER RECOGNISE AN INDEPENDENT STATE CALLED MACEDONIA. GREEK OFFICIALS ARE REPORTEDLY TAKING THE LINE THAT CONCILIATORY STATEMENTS BY THE PRESIDENT OF SKOPJE, GRIGOROV, THAT THE YUGOSLAV MACEDONIANS DO NOT CLAIM DESCENT FROM ALEXANDER THE GREAT AND THAT A MACEDONIAN STATE WOULD HAVE THE SAME BORDERS AS THE PRESENT YUGOSLAV REPUBLIC, ARE ONLY SMALL STEPS TOWARDS BETTER RELATIONS.

COMMENT

5. ATHENS PERCEIVES SOFIA AND SERBIA AS NATURAL ALLIES IN THE BALKANS SINCE THE THREE HAVE ORTHODOXY IN COMMON AND HENCE, IN

THEORY AT LEAST, A COMMON INTEREST AGAINST TURKEY. AN AGREED LINE ON MACEDONIA - AS THE CULMINATION OF A YEAR'S CAREFUL WOOING OF SERBIA AND BULGARIA BY GREECE - MIGHT ADD SOME SUBSTANCE TO THE AXIS. BUT ACCORDING TO THE GREEK PRESS, PRESIDENT ZHELEV HAS ALREADY STATED THAT BULGARIA WOULD RECOGNISE A MACEDONIAN STATE (THROUGH NOT A MACEDONIAN NATIONALITY). AND GREECE'S LINK WITH MILOSEVIC, WHOM SAMARAS MET IN BELGRADE LAST WEEK, MAY PROVE AN EMBARRASSMENT ESPECIALLY IN THE COMMUNITY.

6. SAMARAS HAS, AS ONLY TOO OFTEN, LED WITH HIS CHIN ON MACEDONIA: IT IS NOTABLE THAT MITSOTAKIS, ASKED BY THE PRESS AT THE WEEKEND TO COMMENT ON THE SKOPJE REFERENDUM, REFUSED TO DO SO - ANOTHER EXAMPLE OF DIFFERENCE IN STYLE BETWEEN HIM AND HIS FOREIGN MINISTER (OUR TELNO 424 ON CYPRUS). IT IS NOT CLEAR HOW SERIOUS THE REFERENCES TO AN EC/NATO DIPLOMATIC INITIATIVE ARE: WE SHALL REPORT ANY FURTHER INFORMATION.

MIERS

YYYY

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MR GOULDEN

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CONSTANTINE MITSOTAKIS

Prime Minister. Leader of New Democracy Party. ND Deputy for Athens B.

Born Hania (Crete) 1918. Related to the Venizelos family on his mother's side. Studied Law and Economics at Athens University. In 1940-41 he fought on the Greek-Bulgarian border. He then returned to Crete where he played a distinguished role in organising local resistance to the German occupation forces, being twice arrested and sentenced to death by the Nazis. His efforts to keep nationalist and communist forces apart were crucial in sparing Crete from the Civil War that afflicted the rest of Greece after the liberation.

First elected Deputy for Hania in 1946. Under-Secretary for Finance in 1951. He joined George Papandreou's Centre Union in 1961. Became Minister of Finance in 1963 where he was a bitter rival of Andreas Papandreou. He played a prominent part in the major political crisis of 1965 in which George Papandreou and the King clashed over control of the Armed Forces and Andreas' involvement in the Aspida Affair. Although Mitsotakis was the natural successor to George Papandreou as party leader, he was one of 40 Centre Union deputies who defected, thus bringing about the fall of the government. Mitsotakis served in subsequent pre-Junta governments. Many old Centre Unionists have ever since branded him an 'apostate', regarding him with deep suspicion.

He spent several years in exile in France following the 1967 military coup and became one of the Junta's most vehement critics. Stood as an Independent in 1974 but was not elected. Formed the new Liberal party in 1977 and elected to Parliament the same year. Joined New Democracy (ND) and appointed Minister of Coordination in May 1978 by Karamanlis in order to strengthen the government's expertise and appeal to the Centre. Foreign Minister in 1980-81.

Elected New Democracy leader in 1984 when he decisively defeated Stefanopoulos. Re-elected with increased support in August 1985 (there was no other candidate) after ND's defeat in the general election. His success was due in part to the belief that he was the only politician of the Right with sufficient guile to face up to Papandreou. But in opposition, his leadership was a disappointment to the party. His public popularity was low and his relations with Karamanlis cool. He nevertheless led ND to get most votes in the elections of June 1989 (44%), November 1989 (46%) and April 1990 (47%), but due to the electoral system only succeeded to the Premiership on the last occasion with the Parliamentary support of the single elected MP in Stefanopoulos' break-away Democratic Renewal Party (who has since joined ND).

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He has a commanding physical presence in private, and is an effective Parliamentary speaker, but has often been outshone by his PASOK rival, Papandreou, on the hustings. He is by nature a consensus politician rather than an ideologue on domestic policy. On foreign policy he is strongly pro-Western.

His crippled (as a result of polio) wife, Marika, is a formidable and entertaining Cretan lady, who has run into trouble over the degree of her political interference. They have a close-knit family (one son and three daughters). Their son-in-law Pavlos Bakoyannis was assassinated by the indigenous November 17 terrorist organisation in October 1989. His widow, Dora, MP for Evrytania, was until August 1991 Under-Secretary in the Prime Minister's Office, when she was removed by her father in a gesture to counter criticism about the family's excessive influence in the running of government.

A good friend of Lord Jellicoe and a self-declared admirer of Britain and Conservative economic policy, he is nevertheless more at home in Germany. (The German Christian Democrats have been ND's principal financial backers). He speaks good German and some French, but feels inadequate in English (though he can manage). He last visited London in February 1991, when he met the Prime Minister.

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ccpk
SL

Foreign &
Commonwealth
Office

London SW1A 2AH

1) a PS/M Redwood

- Ja Indra / Mr Redwood

2) JW dr

RESTRICTED

10 September 1991

11/1
Dear Stephen,

Prime Minister's Breakfast for Greek Prime Minister:
16 September

In my letter of 4 September, ^{- with JSW?} I suggested that the Greek Minister for Industry and Commerce, Mr Andrianopoulos, be included in the invitation to breakfast on 16 September. This was based on soundings with the Greeks and on our understanding that Mr Mitsotakis wished his accompanying Minister to be invited if that were possible.

We have now heard, through the Greek Ambassador here, that Mitsotakis does not wish to have Andrianopoulos present. He has decided that his Minister for Finance, Paleokrassas, should also accompany him to London for the CBI Seminar. Paleokrassas is senior to Andrianopoulos, and there could have been problems in having one and not the other at No 10 (Mitsotakis has recently lost two Ministers through resignation, one as the result of a personality clash). There is no item on the proposed agenda necessitating the presence of either Andrianopoulos or Paleokrassas.

I apologise for the confusion. As a consequence, the suggestion that Mr Redwood should also be invited to the breakfast falls away.

Yours ever,
Christophe Prentice.

(C N R Prentice)
Private Secretary

Stephen Wall Esq CMG LVO
10 Downing Street

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PM 91

a Sue Goodchild
Sandra Phillips



SR

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 September 1991

**PRIME MINISTER'S BREAKFAST MEETING WITH
THE GREEK PRIME MINISTER:
16 SEPTEMBER**

Thank you for your letter of 4 September about the arrangements for the Greek Prime Minister's breakfast with the Prime Minister on 16 September.

The Prime Minister is content with the arrangements. He is also content with the agenda although he doubts whether there will be time to cover all the subjects on it.

I am copying this letter to Kate Spall (John Redwood's Office, DTI).

(J. S. WALL)

Christopher Prentice, Esq.,
Foreign and Commonwealth Office.

010

A bit long but OK. f



cc: PE

Foreign & Commonwealth Office

Prime Minister

4 September 1991

London SW1A 2AH

Dear Stephen,

Attendance and agenda look ok.

Agree? *Stephen*

Prime Minister's Breakfast with Greek Prime Minister
16 September

For the agenda for this breakfast meeting, we propose the following:

- A. Soviet Union
- B. Cyprus: Prospects for a settlement. Greece/Turkey and EC/Turkey
- C. EC: Progress on the IGCs
- D. Yugoslavia: The need for Community solidarity
- E. Middle East: Iraq/Kuwait, Arab/Israel, Hostages/Terrorism
- F. Bilateral issues

If the Prime Minister agrees we will formally suggest this agenda to the Greeks. From our informal contacts, we do not expect them to have any problems with the proposed items.

Mr Mitsotakis will be accompanied in the UK by his new Industry and Commerce Minister, Andrianopoulos. The new minister is a political heavyweight (unlike his predecessor, Dimas), an economic liberal and a strong supporter of privatisation and reduction in state sector spending. The Prime Minister may wish to include Andrianopoulos in his invitation to the breakfast. The Greek party would then comprise four: Mitsotakis, Andrianopoulos, Tsilas (PM's diplomatic adviser) and Papoulias (ambassador). The British side would be the Prime Minister, Private Secretary, Sir David Miers (Ambassador) and Mr Redwood (who will be speaking before Mr Mitsotakis at the CBI seminar).

Yes

Grateful for confirmation that these proposals are acceptable.

Yours ever,
Christopher Prentice.

(C N R Prentice)
Private Secretary

Stephen Wall Esq
10 Downing Street



FILE KK
C/Foreign/Greek

bc PC

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 July 1991

VISIT OF THE GREEK PRIME MINISTER
TO LONDON

I see from Athens Tel. No. 322 that the Greeks have floated the idea that Mr. Mitsotakis might have breakfast with the Prime Minister on Monday 16 September. The Prime Minister would be happy to do this at 0830 on that day.

(J. S. WALL)

Christopher Prentice, Esq.,
Foreign and Commonwealth Office.



Yes

10 DOWNING STREET

(1)

Prime Minister

You agreed to see
Mitsotakis on 16

September. Are you
prepared to give him
breakfast, say 0820
on that day?

Steph

1/7

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001630
MDLIAN 1059

*Stephen
16 PM agrees - 0800-1000?*

Sandra S25/6

Could the PM do this?

Stephen 2/6

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FM ATHENS
TO PRIORITY FCO
TELNO 322
OF 241120Z JUNE 91

OUR TELNO 269 : GREEK PRIME MINISTER'S VISIT TO LONDON FOR CBI
CONFERENCE, 16 SEPTEMBER

1. AMBASSADOR TSILAS, CHIEF DIPLOMATIC ADVISER TO THE PRIME
MINISTER, HAS CONFIRMED THAT MITSOTAKIS WILL ARRIVE ON 15 SEPTEMBER
AND HAVE TO LEAVE PM ON 16TH. HE HAS FLOATED WITH ME THE IDEA OF A
BREAKFAST MEETING BETWEEN THE TWO PRIME MINISTERS. GRATEFUL TO
KNOW IF THIS IS LIKELY TO BE POSSIBLE.

MIERS

YYYY

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 June 1991

MR MITSOTAKIS

Thank you for your letter of 14 June proposing a call on the Prime Minister by Mr Mitsotakis on 16 September.

The Prime Minister would be happy to see Mr Mitsotakis on that day. Perhaps you could touch base with Sandra Phillips to fix a time.

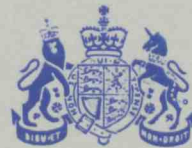
J. S. WALL

Christopher Prentice, Esq.
Foreign and Commonwealth Office

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file 015
(c: Foreign / Mitsotakis)

bc:pc



Foreign & Commonwealth Office

London SW1A 2AH

Yes
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14 June 1991

Prime Minister ①

Dear Stephen,

Agree if you are here, which you almost certainly will be
is there no other travel?

Recommendation for a Call on the Prime Minister by the Greek Prime Minister on 16 September 1991

Mr Mitsotakis will visit the UK on 16 September to address a CBI seminar on Greece. We recommend that the Prime Minister agree to see him for a meeting.

Stephen
20/6

The seminar has been postponed from 6 February, though Mitsotakis chose to come to the UK then anyway and was met and entertained to lunch by the Prime Minister, who referred to the possibility of a further meeting in the autumn.

We believe that there is still sufficient foreign-policy reasons to justify a meeting. HMA Athens has set out (Athens telno 269 attached) the potential benefit to us in direct contact with Mitsotakis, particularly on counter-terrorism operations (in which Mitsotakis takes a personal interest); on the EC loan (he has taken personal responsibility for the much-needed economic reform programme); and on Greek/Turkish relations and related issues (where Mr Mitsotakis has been displaying a welcome measured tone of late).

In February, the Prime Minister gave Mr Mitsotakis a large lunch, at which most of the luminaries of the Anglo-Greek world were present. This would not be necessary this time.

We understand the Prime Minister has no other FC0 visits or appointments during the week of 16 September or the preceding week, but you should know that the visit of Prince Saud planned for 11 July will not now take place and may be re-instated in mid-September. In that case, the Foreign Secretary would probably wish to recommend a call by Prince Saud on the Prime Minister as was agreed for July.

Yours ever,
Christopher Prentice

(C N R Prentice)
Private Secretary

J S Wall Esq CMG LVO
10 Downing Street

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VISIT OF GREEK PRIME MINISTER TO LONDON

SUMMARY

1. MITSOTAKIS TO VISIT LONDON FOR CBI SEMINAR ON GREECE, 16 SEPTEMBER. I RECOMMEND THAT THE PRIME MINISTER SHOULD SEE HIM.

DETAIL

2. THE GREEK PRIME MINISTER HAS CONFIRMED HIS EARLIER AGREEMENT TO GIVE THE KEYNOTE SPEECH AT THE CBI SEMINAR ON GREECE ON 16 SEPTEMBER. THIS WAS ORIGINALLY SCHEDULED FOR FEBRUARY BUT POSTPONED. NEVERTHELESS, MITSOTAKIS WENT AHEAD WITH HIS MEETING WITH THE PRIME MINISTER IN LONDON ON 6 FEBRUARY. AT THAT MEETING, THE PRIME MINISTER INDICATED TO MITSOTAKIS THAT A FURTHER TALK IN THE AUTUMN WOULD BE USEFUL. I CONSIDER THAT THERE ARE SUFFICIENT WEIGHTY BILATERAL, EC AND INTERNATIONAL ISSUES TO WARRANT SUCH A MEETING.

3. ON THE BILATERAL FRONT WE HAVE A PARTICULAR INTEREST IN URGING THE GREEKS TO DEAL EFFECTIVELY WITH INTERNATIONAL TERRORISM FOLLOWING THE BOMB ATTEMPTS ON THE BRITISH CONSULATE IN PATRAS AND BARCLAYS AND BP IN ATHENS. WE ARE ALSO STILL PURSUING THE MAJOR BUSINESS CONTRACTS REFERRED TO IN THE PRIME MINISTER'S LETTER OF 21 FEBRUARY TO MITSOTAKIS. IN ADDITION, THE PRIME MINISTER COULD USE THE MEETING TO ENCOURAGE GREATER SPEED WITH THE GREEK ECONOMIC REFORM PROGRAMME, INCLUDING PRIVATISATION IN WHICH BRITISH COMPANIES HAVE A PARTICULAR INTEREST, AS WELL AS TO STRESS THE IMPORTANCE WHICH THE COMMUNITY ATTACH TO STRICT ADHERENCE TO THE CONDITIONS OF THE TERMS OF THE LOAN. THERE WOULD BE AN OPPORTUNITY TO LOBBY MITSOTAKIS ON IGC POINTS. GREECE/TURKEY (INCLUDING THE 4TH FINANCIAL PROTOCOL) AND CYPRUS WOULD ALSO FEATURE IN THE DISCUSSIONS.

4. I RECOMMEND THEREFORE THAT IF POSSIBLE THE PRIME MINISTER SHOULD SEE MITSOTAKIS, WHO WOULD BE DISAPPOINTED IF THIS DID NOT PROVE POSSIBLE. HE IS EXPECTED TO ARRIVE IN LONDON IN THE

AFTERNOON/EVENING OF 15 SEPTEMBER AND TO DEPART ON THE MORNING OF 17 SEPTEMBER.

5. WE DO NOT YET KNOW FOR CERTAIN WHICH GREEK MINISTER WILL ACCOMPANY MITSOTAKIS, BUT I HAVE BEEN TOLD THAT IT WILL BE DIMAS AGAIN. WHOEVER IT IS, I HOPE THAT A BRITISH MINISTER WILL PLAN TO ATTEND AT LEAST PART OF THE CBI SEMINAR.

MIERS

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 May 1991

Dear Christopher,

GREECE

I enclose Mr Mitsotakis's reply to the letter which the Prime Minister sent him on 21 February.

I am copying this letter to Martin Stanley (Department of Trade and Industry) and Simon Webb (Ministry of Defence).

*Jans,
Steph*

J S WALL

C N R Prentice Esq
Foreign and Commonwealth Office

BT

ccpe

PRIME MINISTER'S

Athens, May 15, 1991

PERSONAL MESSAGE

SERIAL No. T140A/91

~~MASTER~~
SUBJECT cc MASTER
OPS.

Dear Mr. Prime Minister,

Thank you for your letter of February 21, 1991, allowing me the opportunity to contact you on issues of our countries' mutual interest and cooperation that is wished for and pursued by our Government. In what concerns the projects discussed in your letter, they have been progressing as follows:

1. As for the site of Kalogria, selected by Fortress UK for a hotel construction, I am happy to inform you that the Minister for the Environment and Physical Planning-Public Works has already communicated his approval to the aforementioned company. The usual administrative procedures remain to be followed regarding the technical part of the investment.

2. The Asteria-Glyfada site, selected by Safari Parks International for a marine theme park, constitutes part of a larger district that is currently considered for reshaping after a land uses appraisal; the interested investor was thus informed that fragments of the district cannot be excluded before the appraisal is completed.

3. In the telecommunications field, international calls for bids will be published by the Greek Telecommunications Organisation (OTE) in the following weeks for both mobile telephony and cardphone system; bids are welcome from all interested parties.

4. In what concerns the Greek Shipowners Union scheme, OTE is currently expecting an answer from British Telecom in connection with the data base facilities requirements of the Greek shipping community in London.

The Right Hon. John Major, M.P.
Prime Minister of the United Kingdom
L O N D O N

5. In the transportation field the appraisal of the Athens Metro project management proposals will be finalised before the end of May 1991.

6. In the case of the Spata airport, the appraisal Committee has assigned to Salomon Brothers International Ltd assistance and financial consulting work on proposals appraisal. Submission of proposals from interested parties has not yet been completed.

7. In the field of defence, the Marconi's Zeus system for the Hellenic Air Force new fighter aircraft, is currently under evaluation in the framework of the international competition procedure, for the relevant procurement.

8. Regarding the VSEL ultra lightweight howitzer, the relevant procurement competition has been cancelled, but VSEL is welcome to participate in a new competition that will eventually be declared.

9. The matters related to British teachers' free professional and entrepreneurial activity are considered in the framework of a full-range harmonisation process in what concerns EC free professionals and businesses establishment in Greece.

10. Regarding the Noel-Baker case, negotiations are in progress between the Greek Minister of Agriculture and Mr. Baker's official representatives and no administrative action has been undertaken yet.

11. Last but not least the Acheloos project is still under study and I expect that the appraisal committee, formed for this purpose, in the Ministry of National Economy, will soon reach its decision on the Taylor Woodrow proposal.

- 3 -

Confident in a fruitful, continuous and mutually beneficial cooperation between our countries please accept, dear colleague, my warmest regards.

Sincerely yours

C. Mitsotakis

Constantin MITSOTAKIS

GREECE: Visit of Creek M. . . .



SUBJECT *cc Mantu*
OPS



PRIME MINISTER
PERSONAL MESSAGE
SERIAL No. 759191

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

21 February 1991

Dear Prime Minister,

I much enjoyed our meeting on 6 February and found the exchange of views very valuable. I am sorry that there was not enough time to cover bilateral points as fully as I would have liked, though we touched on some of them over lunch. I am writing about some of the opportunities for co-operation.

In the field of investment, there are several projects which are ready to go ahead, on which decisions have been delayed. The most noteworthy is the Acheloos project, where the consortium led by the British firm Taylor Woodrow stands ready to undertake important hydro-electric and irrigation works. The plan under study would involve an investment of 320 million ecu by end 1993 in hydroelectric infrastructure. There are also two projects in the field of tourism development. Fortress UK has been trying since 1981 for permission to build a £50 million luxury hotel at Kalogria. Safari Parks International, with the encouragement at an earlier stage of the Minister of Tourism and of the Greek Tourism Organisation, had reached agreement with the National Bank group to build a £40 million marine theme park at the Asteras Glyfada site but is now meeting problems.

All the three projects would include sizeable investment in Greece, the latter two at no cost to the Greek national budget. They would be fully in line with your Government's wish to attract UK investment to Greece.

British firms are also keen to participate in your new projects in the telecommunications and transport field. British Telecom would like to supply, in collaboration with OTE, the international telecommunications facilities needed by the Greek shipping community and for which a project is under study by the Union of Greek Shipowners. British Telecommunications interests are also keen to be involved in the supply of mobile telephone systems planned as part of the upgrading of the Greek telephone network. I hope, too, that OTE will choose the proven cardphone system of GEC/Plessey Telecommunications for Greek Public Telephones. GEC/Plessey Telecommunications would be happy to install and run these on a joint venture basis. Among transport projects, we hope that one of the British consultants, whose names were recently supplied to the Minister, will be appointed as the Government's agents to manage the Athens Metro contract. On Spata airport, British firms remain ready to become involved for consultancy, construction, management or ownership on whatever basis the Greek Government eventually chooses.

Projects in the defence field are the proposed purchase of an electronic countermeasures system for the Greek Air Force's F-16 aircraft, for which Marconi's Zeus system is a contender of proven effectiveness: and the proposed acquisition of new artillery by the Greek army for which the ultra lightweight 155m howitzer produced by VSEL (Vickers Shipbuilding Engineering Ltd) is our leading contender.

Finally, on questions affecting British subjects in Greece, I should like to mention two cases. First, the need to allow British citizens to run English language teaching schools in Greece, in line with the judgements of the European Court of Justice: and second, the Noel-Baker Case, in which a British family established in Greece since the last century risks being

deprived of its property by administrative action. A compromise proposal for resolving this case in the interests of all concerned has been on the table for some time: I hope that your personal intervention can now bring it to a satisfactory conclusion.

Warm Regards,
Yours Ever,
John Major

His Excellency Mr. Constantine Mitsotakis

FILE KK



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 February 1991

GREECE

The Prime Minister has signed the letter to Mr. Mitsotakis about specific commercial projects in which British firms are interested. I enclose the original and should be grateful if it could be delivered soon.

I am copying this letter and enclosure to Martin Stanley (Department of Trade and Industry) and Simon Webb (Ministry of Defence).

(C. D. POWELL)

Christopher Prentice, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

18 February 1991

RESTRICTED

Dear Charles,

Letters from Prime Minister to Greek Prime Minister
on Bilateral Trade, and from PS/No 10 to Mr J Haddad
(Safari Parks International)

Thank you for your letter of 6 February about the Prime Minister's meeting with the Greek Prime Minister. You asked for a draft to send Mr Mitsotakis about some of the more important UK-Greek bilateral issues. I enclose a draft letter for the Prime Minister to send to Mr Mitsotakis.

Following your letter of 3 February, I also enclose a draft reply to the letter to the Prime Minister from Mr J Haddad of Safari Parks International. This company has been trying unsuccessfully to get approval for an investment project in Greece for some two years. The case is included in the draft Prime Minister's letter; the PS/No 10 reply to Haddad mentions this.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

Sir Charles Powell KCMG
10 Downing Street

RESTRICTED

HC Mr Constantinos Mitsotakis
c/Parvigh/greek

SCANNED

To: [unclear]
R

DRAFT LETTER FROM PRIME MINISTER TO GREEK PRIME MINISTER

I much enjoyed our meeting on 6 February and found the exchange of views very valuable. I am sorry that there was not enough time to cover bilateral points as fully as I would have liked, though we touched on some of them over lunch. I am writing about some of the opportunities for cooperation.

In the field of investment, there are several projects which are ready to go ahead, on which decisions have been delayed. The most noteworthy is the Acheloos project, where the consortium led by the British firm Taylor Woodrow stands ready to undertake important hydro-electric and irrigation works. The plan under study would involve an investment of 320 million ecu by end 1993 in hydroelectric infrastructure. There are also two projects in the field of tourism development. Fortress UK has been trying since 1981 for permission to build a £50 million luxury hotel at Kalogria. Safari Parks International, with the encouragement at an earlier stage of the Minister of Tourism and of the Greek Tourism Organisation, had reached agreement with the National Bank group to build a £40 million marine theme park at the Asteras Glyfada site but is now meeting problems.

All the three projects would include sizeable investment in Greece, the latter two at no cost to the Greek national budget. They would be fully in line with your Government's wish to attract UK investment to Greece.

British firms are also keen to participate in your new projects in the telecommunications and transport field. British Telecom would like to supply, in collaboration with OTE, the international telecommunications facilities needed by the Greek shipping community and for which a project is under study by the Union of Greek Shipowners. British Telecommunications interests are also keen to be involved in the supply of mobile telephone systems planned as

part of the upgrading of the Greek telephone network. I hope, too, that OTE will chose the proven cardphone system of GEC/Plessey Telecommunications for Greek Public Telephones. GEC/Plessey Telecommunications would be happy to install and run these on a joint venture basis. Among transport projects, we hope that one of the British consultants, whose names were recently supplied to the Minister, will be appointed as the Government's agents to manage the Athens Metro contract. On Spata airport, British firms remain ready to become involved for consultancy, construction, management or ownership on whatever basis the Greek Government eventually chooses.

Projects in the defence field are the proposed purchase of an electronic countermeasures system for the Greek Air Force's F-16 aircraft, for which Marconi's Zeus system is a contender of proven effectiveness: and the proposed acquisition of new artillery by the Greek army for which the ultra lightweight 155m howitzer produced by VSEL (Vickers Shipbuilding Engineering Ltd) is our leading contender.

Finally, on questions affecting British subjects in Greece, I should like to mention two cases. First, the need to allow British citizens to run English language teaching schools in Greece, in line with the judgements of the European Court of Justice: and second, the Noel-Baker Case, in which a British family established in Greece since the last century risks being deprived of its property by administrative action. A compromise proposal for resolving this case in the interests of all concerned has been on the table for some time: I hope that your personal intervention can now bring it to a satisfactory conclusion.

GREECE: visits of Mitsteh

#2

2i Minister (2)

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T43A191

Athens, February 12, 1991

CPD
15/2

SUBJECT cc Mante
OTS

Dear Prime Minister,

Upon my return to Greece I would like to express to you once again my sincere thanks for your warm hospitality during my short but fruitful visit to London.

It was indeed of a great value to me to listen to your most pertinent analysis on important subjects and have the opportunity to exchange views on concrete issues of common interest. To this I should add how I appreciated the company of your distinguished guests in the delightful luncheon you have kindly organized for me.

Dear Prime Minister, on this occasion I would like to iterate my invitation to you and Mrs Major to visit Greece, as soon as your schedule allows it. In effect I am confident that your visit will stimulate and foster the already existing strong ties between our two countries.

Thanking you again, I remain

Truly yours
C. Mitsotakis

Constantin MITSOTAKIS

The Right Hon. John Major, M.P.
Prime Minister of the United Kingdom
L O N D O N

GRAND METROPOLITAN

PUBLIC LIMITED COMPANY

11-12 HANOVER SQUARE LONDON W1A 1DP TELEPHONE 071-629 7488
TELEX 299606 FAX 071-495 0960

FROM SIR ALLEN SHEPPARD CHAIRMAN AND GROUP CHIEF EXECUTIVE

7th February 1991

29/2

(4)

Richie

EDM
10/2

The Rt. Hon. John Major, MP,
The Prime Minister,
10 Downing Street,
Whitehall,
London SW1A 2AA.

✓

Dear John,

Thank you for the opportunity to be present at the lunch yesterday in honour of the Greek Prime Minister.

Mr. Mitsotakis was most helpful to us back in 1988 and encouraged Grand Metropolitan's investment in Greece. Metaxa is going well and we plan growing exports around the world from there.

Best wishes in all your efforts.

Yours sincerely

Allen

....adding value



file

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SUBJECT CC MASTER

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 February 1991

See Richard,

PRIME MINISTER'S MEETING WITH THE GREEK PRIME MINISTER

The Prime Minister had a talk this morning with the Greek Prime Minister, before giving lunch in his honour. Mr. Mitsotakis was accompanied by the Greek Ambassador and by Mrs. Dora Bakoyannis. HM Ambassador, Athens was also present.

Introduction

Mr Mitsotakis recalled that his first overseas visit as Prime Minister had been to London, to see Mrs. Thatcher in May last year. He was very pleased to be back again. He was sorry it had been necessary to postpone the CBI Conference, but it would take place in September. He wanted a more extensive economic and commercial relationship between Greece and the United Kingdom.

Mr. Mitsotakis continued that the domestic situation in Greece was developing quite smoothly. The Opposition were creating some difficulties: they pretended to be neutral on the Gulf but in fact were pro-Saddam Hussain. But the Government was not influenced by them, and was constant in its support for the multi-national force in the Gulf.

The Prime Minister said that one advantage of the postponement of the CBI Conference was that he would have another opportunity to see Mr. Mitsotakis in London later in the year. We were very pleased to have a Conservative Government in Greece and grateful also for Greece's support in the Gulf. There might be some points about the Gulf which Mr. Mitsotakis would like to raise. But he would also like to discuss EC matters and Cyprus as well as bilateral relations.

The Gulf

Mr. Mitsotakis said that he would indeed welcome the Prime Minister's assessment of the situation in the Gulf. In response the Prime Minister spoke on standard lines about recent developments and the prospects. Mr. Mitsotakis noted that the conflict had serious economic consequences for Greece. Their direct military involvement was limited, although they had made their facilities available to others. A loss of tourism was particularly serious and he was considering seeking some financial help from the European Community to compensate. The

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Prime Minister expressed some doubt whether this would be forthcoming.

European Community loan

The Prime Minister recalled that we had given our support to the EC loan to Greece. Mr. Mitsotakis expressed gratitude for that. The loan had been indispensable. His Government had inherited a bad economic situation but were beginning to make an impression. Their first target was to reduce inflation and they were implementing tough policies to achieve that. The market economy and competition were not concepts which everyone in Greece yet understood. But he thought people would come to a better appreciation of them. Overall, despite the major difficulties, he was optimistic that Greece would overcome its problems. But they would still fall a long way short of keeping pace with other EC countries.

The Prime Minister said that he had been sceptical when the question of a Community loan to Greece had first been raised, but had been persuaded that it was both politically and economically necessary. Especially politically, interjected Mr. Mitsotakis. The Prime Minister continued that we recognised that the Greek Government had introduced a tough economic programme and we wished Mr. Mitsotakis well.

EMU

The Prime Minister went on that Mr. Mitsotakis' reference to keeping pace with other EC members raised the question of the speed of progress towards economic and monetary union. There were really two questions to be answered. Was full EMU right? And how should it be achieved? We took the view that an attempt to implement the Commission's proposals to a timetable would mean moving towards EMU in a way damaging to the Community, and at a speed which would exclude many EC countries. The result would be a small inner core of countries who would be able to cope, and a larger number who would face severe economic difficulties. An attempt to introduce a single currency and a European Central Bank before economies had converged would result in massive regional unemployment, a collapse of asset values and demands for substantial assistance from the richer countries to the poorer which would not be forthcoming.

Mr. Mitsotakis said that Greece supported the Delors plan. But their greatest concern was with convergence. Greece was the back-marker in the Community in economic terms. They were therefore very cautious about setting target dates for a single currency and other aspects of full economic and monetary union. The Prime Minister said that the only sensible way to proceed was to try to achieve convergence first. The Community should advance to the next stage of economic and monetary union, and then review progress after a number of years. At the moment the majority of Community countries accepted the principle of a single currency, but failed to face up to the hard economic realities. We had to avoid the economic damage of trying to move forward too quickly. He suspected that Greece's reservations about setting deadlines were in practice shared by many other

member states. We had to find a practicable way to proceed, not a phantom stage two followed by a leap in the dark. The United Kingdom had put forward proposals and these had attracted interest on the part of several member states. It might be necessary to devise a mechanism which would let countries go forward to later stages of EMU at their own time and their own pace. Mr. Mitsotakis said that Greece would be ready to discuss these ideas. His general stand on EMU was clear, but he would be happy to send his Finance Minister to talk to the Chancellor about the details. The Prime Minister said this would be very helpful. The Ambassador pointed out that the Financial Secretary would be visiting Athens on 21 February: it was agreed this would be a good occasion for a discussion to take place.

Greek/Turkish Relations and Cyprus

Mr. Mitsotakis said that he wanted to raise the question of Greek/Turkish relations and Cyprus. Greece's basic position was that Turkey should not be given any concessions by the European Community unless it made some move on Cyprus. But they also wanted to resolve their own differences with Turkey. They did not like saying no to various proposals for helping Turkey which came forward in the EC. They appreciated that Turkey was playing an important role in the Gulf war. His impression was that President Ozal was thinking seriously about ways to make progress over Cyprus, so there might be a chance. The United Kingdom had a particular interest and a deep knowledge of the problems. He hoped the Prime Minister would consider how Britain could best help.

The Prime Minister said that it was unrealistic to expect early progress on Cyprus. But he hoped that would not stand in the way of improvement in Greek/Turkish relations. Indeed the more they were able to improve relations, the greater the chance of a solution to the problem of Cyprus. We believed that the EC should be responding positively to Turkey's desire for closer cooperation. Mr. Mitsotakis would have noted that the French had made an informal link at ECOFIN between the loan to Greece and the unblocking of the fourth Financial Protocol for Turkey. We thought it wrong to rebuff Turkey.

Mr. Mitsotakis said he did not disagree with anything the Prime Minister had said. But it led to only one conclusion: the Cyprus question must be solved. It was not realistic to suppose that relations between Turkey and Greece could be improved without that. It was not right for the United States, United Kingdom and the United Nations to ignore a problem similar to that for which a war was being waged in the Gulf. Greece was trying to improve relations with Turkey: he could tell the Prime Minister that he agreed to secret negotiations with Ozal. But again he had to say there was no way forward without a solution to the Cyprus problem.

The Prime Minister repeated that there was no reason for optimism about the prospects over Cyprus, although we saw some modest signs of flexibility on the part of Turkey. We did not believe that inclusion of the Cyprus problem in a Middle East peace conference would be helpful. Mr. Mitsotakis said that he

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- 4 -

thought the most favourable time for making progress would be between the elections in Cyprus on 19 May and the end of June. He shared the Prime Minister's impression that Ozal might be slightly more flexible. But he disagreed about inclusion of Cyprus in a Middle East peace conference: he did not see how you could keep it out of such a conference.

Bilateral Relations

The Prime Minister referred over lunch to the interest of British firms in a number of major commercial projects in Greece. Mr. Mitsotakis responded in generally positive terms, without committing himself in any way. The Prime Minister would like to follow this up in a message to Mr. Mitsotakis, referring back to their discussion. I should be grateful for a draft.

I am copying this letter to Simon Webb (Ministry of Defence), John Gieve (H.M. Treasury), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

*Yours truly,
Charles Powell*

(CHARLES POWELL)

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

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FILE 80.

PRIME MINISTER

LUNCH FOR GREEK PRIME MINISTER

You will need to say a few words at tomorrow's lunch for the Greek Prime Minister. I have had a go at a short speech, The result is attached in case it's of any use.

C. D. P.

(C. D. POWELL)

5 February 1991

A:GREEK

SPEECH AT LUNCH FOR THE GREEK PRIME MINISTER,
WEDNESDAY 6 FEBRUARY 1991

Prime Minister, Your Excellencies, My Lords, Ladies and Gentlemen.

We agreed that there would not be any formal speeches on this occasion. So I am only going to say a few words of very warm welcome.

We are delighted that you have come on this visit. One only has to look at the distinguished guests round this table to see how much importance is attached to it. They surely haven't come to see me. That is a great compliment to you, Prime Minister, and to Greece.

When you last came here to see my predecessor, you were a brand new Prime Minister and she had very considerable experience. This time the position is the reverse: I am the new boy - so new that as one of my less charitable officials pointed out: it's still all Greek to me.

Now I didn't have a classical education: but you don't need that to know how much Greece is part of our lives - our culture, our values, our politics, the concept of democracy itself. We reckon we have done quite a good job of putting democracy into practice. But let's be clear: it was your idea not ours: and when I have to face Prime Minister's Questions I sometimes wonder what on earth possessed you to invent it.

In a sense we are all Greeks, and I don't think there is any other single influence on us which is as pervasive, except perhaps the Christian religion. So we welcome you as the representative of a nation which means a very great deal to us.

Speaking for the Government, we also welcome you as a Conservative Prime Minister. After all, the other lot had a long innings, so there is no harm in saying that we are delighted to find someone who shares our basic approach to government and

politics. I don't for a moment under-estimate the difficulties which confront you in applying those policies. But you have our full support, and that is manifested in a very practical way by the European Community's recent decision to offer Greece a very substantial loan to support your policies.

I understand that among those policies is privatisation on which we reckon ourselves considerable experts. I can assure you there are a considerable number of gentlemen round this table who will be more than ready to advise you on privatisation - for a very reasonable fee: and others who are interested in investing in Greece or in participating in major projects. I hope that you will involve them, because I think there ought to be a lot more trade between Britain and Greece. I hope that will be one of the results of this visit.

There is also one other particular matter which I would like to mention. You, Prime Minister, come from Crete: and this year we celebrate the 50th Anniversary of the Battle of Crete. As we once again face conflict and danger, this time in the Gulf, we remember how Britain and Greece stood together to resist a different but no less serious aggression fifty years ago. That will be commemorated in May, and HRH the Duke of Kent will take part.

So it is with warm, genuinely warm, feelings that we welcome you, Prime Minister. We wish you every success. We look forward to a much closer relationship between Britain and Greece. And I ask all our guests to join me in drinking a toast to the Prime Minister and to Greece.

PRIME MINISTER

MEETING WITH THE GREEK PRIME MINISTER

You have a 45-minute meeting with Mr. Mitsotakis tomorrow, after which you are giving a lunch for him. The lunch is weighted towards representatives of the city and Industry.

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Temporarily retained, @Wayland 23/6/17

Mitsotakis will be accompanied by his daughter, who acts as Minister in his office and general assistant (her husband was killed by terrorists a couple of years ago), and by the Greek Ambassador. Our Ambassador, David Miers, will also be present.

The FCO letter in the folder sets out the whole range of issues which could be covered in the talks and over lunch. There is also a useful telegram from our Ambassador.

You might start by saying how sorry you are not to be able to attend the commemoration of the Battle of Crete in May: but the Duke of Kent will be there.

The Gulf might be next. The main Greek preoccupations are first that Turkey's robust stand will earn them credit, exaggerated amounts of financial help, and political support: and second that if Turkey is attacked, Greece as part of NATO would be compelled to come to her help. These apart, they have been quite supportive of the international coalition. It is not in their own interest to call into question Article 5 of the NATO Treaty:

they might need to invoke it themselves one day. Also under this heading you might mention the threat from terrorism: Greece has a bad record on the security front (as Mitsotakis has reason to know) - although they have expelled 22 Iraqis.

On the EC front you will want to take him through our views on political issues and EMU, on both of which Greek positions are far more advanced than ours. You might also refer to the Community loan to Greece BUT in the same breath mention the need to have financial assistance to Turkey under the Fourth Financial Protocol released (the Greeks have been blocking it for years), and increased access granted for Turkish textiles. We must not rebuff Turkey, particularly under present circumstances.

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OF THE PUBLIC RECORDS ACT

Temporarily retained, @Wayland 23/6/77

You could ask Mitsotakis about his recent Balkan visits: and, if you can bear to act as salesman, there are a number of civil contracts which we would like to nail down:

- the Acheloos Dam Project;
- the Marconi Zeus Electronic Warfare System for the Greek Air Force;
- the Athens Metro, for which we hope a British consultant will be chosen

CDP

5 February 1991

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Foreign and Commonwealth Office

London SW1A 2AH

5 February 1991

Dear Charles,

CN 572

Prime Minister's Lunch for Mr Mitsotakis, 6 February

You asked for a few words for the Prime Minister to use at the lunch for the Greek Prime Minister on 6 February. The Prime Minister may wish to draw on the following:

- Last visit to Mrs Thatcher in May last year. Then, Mr Mitsotakis new to office of Prime Minister. Now it's my turn.
- Countries know each other well. So do peoples. Active Greek community here. British tourists and Hellenophiles in Greece.
- British experience available for Greek privatisation etc. Also trade opportunities.
- 1991 is 50th anniversary of Battle of Crete. Britain and Greece stood alone, heroically. Timely reminder of need to fight aggressor, and need for sacrifice. Value Greek support and contributions in Gulf Crisis. But this time very far from being alone. Solidarity of international community. Authority of UN.
- Key UN role also in other disputes e.g. Cyprus. Hope for progress for Secretary-General's efforts this year.
- In EC, look forward to full discussion in IGCs. Also, wider Europe: support for democratic reform and market economies in Eastern Europe. Mr Mitsotakis has just visited Sofia (and Tirana). Greece and UK two countries with special democratic traditions.

Yours ever

Christopher Prentice.

(C N R Prentice)
Private Secretary

Sir Charles Powell KCMG
10 Downing Street

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INFO IMMEDIATE WASHINGTON, ANKARA, NICOSIA

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*Greek Foreign Minister**Relevant to your
meeting with
Mit, (Stakis)
tomorrow.***SAMARAS VISIT TO WASHINGTON****SUMMARY**

1. SAMARAS WENT TO REGISTER FAMILIAR GREEK CONCERNS ABOUT TURKEY. HE RECEIVED WARM WORDS BUT LITTLE OF SUBSTANCE.

DETAIL

2. THE PROMISED COMMUNITY BRIEFING BY THE MFA ON THIS VISIT (AND ON THOSE SAMARAS MADE EARLIER TO EGYPT AND SYRIA) HAS BEEN CANCELLED ON THE GROUNDS THAT SAMARAS BRIEFED HIS EC COLLEAGUES IN BRUSSELS YESTERDAY. BUT AN ACCOUNT BASED ON GREEK PRESS REPORTING AND US EMBASSY REACTIONS MAY BE USEFUL BEFORE MITSOTAKIS REACHES LONDON TOMORROW.

PROGRAMME

3. THE IDEA FOR THE VISIT (30 JANUARY- 1 FEBRUARY) CAME FROM SAMARAS HIMSELF AND IT WAS ARRANGED AT SHORT NOTICE. THE US EMBASSY WERE DOUBTFUL ABOUT THE TIMING: APART FROM WORRIES ABOUT THE AVAILABILITY OF THE PRESIDENT, THEY KNEW THAT THE VISIT WOULD COINCIDE WITH THE CONGRESSIONAL DEADLINE FOR PUBLISHING THE STATE DEPARTMENT HUMAN RIGHTS REPORT (WHICH PREDICTABLY CAUSED A BILATERAL ROW). BUT A GOOD PROGRAMME WAS ARRANGED FOR SAMARAS, INCLUDING MEETINGS WITH PRESIDENT BUSH, BAKER, CHENEY, POWELL AND SCOWCROFT, SAMARAS ALSO HAD CONTACTS WITH THE GREEK AMERICAN LOBBY.

MILITARY SUPPLIES

4. SAMARAS'S MAIN OBJECTIVE WAS TO SECURE NEW US COMMITMENTS ON MILITARY SUPPLIES TO GREECE, TO BALANCE THOSE TO TURKEY SINCE THE GULF WAR BEGAN. HE PRESSED HARD FOR RESTORATION OF THE 7:10 RATIO, WHILE CONCEDING IN PRIVATE THAT REALISTICALLY THIS COULD ONLY BE DONE FROM FY92, WITH THIS YEAR BEING TREATED AS ABNORMAL BECAUSE OF TURKEY'S ROLE IN THE ALLIED WAR EFFORT. IN PARTICULAR HE REQUESTED PATRIOT MISSILES FOR GREECE. THE US RESPONSE WAS AGREEMENT IN PRINCIPLE TO SUPPLY PATRIOT, BUT IT WAS MADE CLEAR

PRIVATELY TO SAMARAS THAT GREECE WOULD BE NEAR THE BACK OF THE QUEUE. BAKER'S LETTER OF 31 JANUARY TO SAMARAS (COPY FOLLOWS BY CLASSIFIED FAX) SAYS ON THIS ONLY THAT THE US QUOTE WILL SEEK TO SATISFY IMMEDIATE NEEDS OF THE GREEK ARMED FORCES ARISING FROM THE INCREASED RESPONSIBILITIES OF GREECE DUE TO THE GULF CRISIS UNQUOTE. THE STATEMENT BY THE DEFENCE DEPARTMENT AFTER THE SAMARAS/CHENEY MEETING GOT WIDE PUBLICITY HERE:IT GAVE THE GREEN LIGHT FOR PATRIOT BUT OTHERWISE COULD POINT ONLY TO SOME SURVEILLANCE RADARS AND AIR TO AIR MISSILES AS NEW UNDERTAKINGS TO SAMARAS. ALL THESE COMMITMENTS WILL BE DISCUSSED FURTHER WITH VARVITSIOTIS (DEFENCE MINISTER) IN WASHINGTON IN APRIL.

CYPRUS

5. THE US EMBASSY HERE ARE NOT SURE WHETHER SAMARAS ARGUED THAT CYPRUS SHOULD BE ON THE AGENDA FOR A POST-GULF WAR INTERNATIONAL CONFERENCE. BUT BUSH WAS CAREFUL TO DEFLATE ANY EXPECTATIONS OF A US INITIATIVE REFERRING INSTEAD TO THE FIRM US SUPPORT FOR THE UN SECRETARY GENERAL OVER CYPRUS.

6. THE WARM LANGUAGE OF THE PUBLIC STATEMENT AND THE BAKER LETTER PLEASED THE GREEKS: MITSOTAKIS SAID THE VISIT HAD QUOTE EXCEEDED EXPECTATIONS UNQUOTE. SAMARAS IRRITATED SOME SENIOR PEOPLE IN THE STATE DEPARTMENT BUT MADE A REASONABLE IMPRESSION IN THE MINISTERIAL MEETINGS. GREEK MEDIA COMMENT WAS ON BALANCE FAVOURABLE, ALTHOUGH INEVITABLY THE OPPOSITION PRESS CRITICISED THE VISIT FOR LACK OF CONCRETE RESULTS.

7. MITSOTAKIS HAS SAID PUBLICLY THAT SAMARAS WILL GO TO IRAN AND POSSIBLY LIBYA.

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SECRET



Foreign and Commonwealth Office

London SW1A 2AH

4 February 1991

Jean Charles,

PRIME MINISTER'S TALKS AND LUNCH WITH MR MITSOTAKIS

The Prime Minister will hold talks with Mr Mitsotakis the Greek Prime Minister on 6 February from 12 to 1 pm. They will be followed by a lunch at hosted by the Prime Minister, at 12.45 for 1.15 pm. This will be Mr Major's first meeting as Prime Minister with Mr Mitsotakis (although they were of course together at the European Council in Rome in December). Mr Mitsotakis met Mrs Thatcher on 16 May 1990, shortly after his election.

I enclose a personality note on Mr Mitsotakis.

Objectives

Our objectives for the meeting are:-

- to ensure that Greek support in the Gulf conflict stays firm, despite their concerns about Turkish involvement;
- to promote our ideas for a hard ECU and for the IGCs;
- to commend a rational dialogue with Turkey and a postive stance on Cyprus;
- to give support to specific British commercial interests.

Political Background

Mr Constantine Mitsotakis and New Democracy came to power in April 1990 after an inconclusive year in which three general elections were held. This followed eight years of PASOK (Socialist) rule under Andreas Papandreou. In contrast to Papandreou's often anti-Western posturing, Mitsotakis wants to work closely with NATO and the EC. Mitsotakis has used his slender 2-seat parliamentary majority to push through an ambitious programme of legislative and governmental reforms - so far with only limited results.

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Bilateral Issues

The Prime Minister might draw on the following points:-

A Specific British interests:

- hope sole tender by the Taylor Woodrow-led consortium for the Achelooos Dam Project (£1 bn) will be successful;
- hope Greek Airforce will buy Marconi's Zeus electronic warfare system (£50m) for its F-16s; and the Greek army the ultra-lightweight 155mm howitzer from VSEL (£20m);
- Athens metro: confident that any of the British consultants suggested by us to help the Greek Minister of Environment on this project (£1 bn) will be well qualified. Hope a British consultant will be chosen.

B General Bilateral:

- [if raised] regret not able to attend commemoration of the Battle of Crete in May but happy that HRH The Duke of Kent will be there;

The Gulf Crisis

The Greek Government have fully supported the UN Resolutions and the Western approach. They have protested about Iraq's handling of allied prisoners of war; offered 200 beds in their military hospitals for casualties (we now have adequate facilities in theatre, but would like to keep the option open in the event of a longer term problem); and co-operated over deployment of UK forces (blanket overflight clearance, staging, etc). But they are influenced increasingly by difficulties with Turkey. While they want to avoid Greece being seen as less helpful than Turkey, they want to voice their concerns over the \$82 million extra US aid offered to Turkey and the possibility of being drawn into the war via Greece's NATO obligation to defend Turkey if attacked by Iraq.

The Prime Minister might say that we appreciate Greek support as member of international coalition. If Mr Mitsotakis raises Turkey, the Prime Minister might say that we hope that military action will not extend to Turkish territory. But if it does NATO Article 5 cannot be called

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into question. Would be against Greek interests to establish a precedent on this issue.

The Greek Economy and Economic Assistance to Greece

The Greek economy suffers from structural weaknesses, state domination of the industrial sector and the wrong macroeconomic policies. The result has been high inflation, current account deficits and a large debt burden. Economic indicators in 1990 showed a deterioration: stagnation of growth but accelerating inflation (over 22%) and current account deficit c.\$3.3bn. But in part to attract EC funds the Mitsokakis government has shown some willingness to tackle the underlying problems.

On 28 January ECOFIN gave its broad approval to the Community loan to Greece. It will be worth about 2.2 becu (\$1.5bn). The Monetary Committee will now discuss the details of conditionality, with an eye to final approval at the 25 February ECOFIN. The first tranche of about 1 becu would then be released, followed by subsequent tranches provided that the Council judges Greece is meeting its economic objectives. The Prime Minister may wish to say that:-

- we welcome the tough new adjustment programme Greece has announced;
- confident Greek government will have the political will to stick the course;
- glad to confirm that UK supports EC loan to Greece;
- now need to work on the timing of disbursement and ways of monitoring the progress of economic reform. Some tough work still ahead in Monetary Committee.

Other EC Internal Issues

The Greeks are at the integrationist end of the spectrum on political union and there is little scope for building common ground. They are particularly keen (for Turkish reasons) to give the EC a defence dimension; to increase the powers of the European Parliament; and to extend Community competence (as a prelude to increasing the budget). The only potential area for a tactical alliance is subsidiarity and inter-governmental cooperation. The Prime Minister might say that:-

(I) T...
Gv.



- common foreign and security policy a central element; but must be realistic. Need agreement on substance before machinery can be sensibly developed;
- Must get right balance between national and Community levels. Clear definition of subsidiarity therefore important.
- not persuaded of need to extend competence, qualified majority voting or legislative powers of European parliament: would upset successful institutional balance;
- do see a role for the European Parliament in improving financial accountability. UK also attaches importance to improving implementation and enforcement of EC laws. Ensuring better compliance will also be important part of package.

Regional funds and the fear of a two-speed structure dominate Mitsotakis' thinking on EMU. Greece fears that, if the escudo enters the ERM this year or next, the drachma will be seen as the Community's outsider currency. Keen to remain one of the pack, Mitsotakis is unlikely to support the EMF/hard ecu approach. The Greeks made no notable contribution to the IGC session on 28 January.

The Prime Minister may nevertheless wish to show that we understand Greek EMU concerns. He could say that:

- we advocate a flexible, evolutionary, non-prescriptive approach, which should suit Greece well. Certainly better than Commission proposal of 'derogations' for those not up to it, which could create second-class economic citizens;
- our EMF proposals:
 - (i) allow all member states to move together;
 - (ii) provide early practical progress on the next stage of EMU;
 - (iii) promote economic convergence.
- UK sees a continuing important role in regional policy for structural funds post 1993.



Refer adv. in EC.

Greece/Turkey Relations

Relations between Greece and Turkey remain poor. Cyprus is the main stumbling block, but squabbles occur over the sovereignty of air and sea space around the Greek Islands of the Aegean. There has been recent friction over treatment of minorities (ethnic Turks in Greek Western Thrace, and ethnic Greeks in the two Turkish Islands of the Aegean). The Prime Minister may wish to:-

- ask Mitsotakis for his views on the way forward in bilateral relations with Turkey;
- encourage him to promote the dialogue with President Ozal;
- reiterate that lack of progress on the Cyprus issue should not be allowed to block improvement in other areas of Greek/Turkish relations.

EC/Turkey

Particularly in view of Turkey's role in the Gulf conflict, the case for sending a positive signal in support of strengthened EC/Turkey relations is now stronger than ever. We want progress in two areas: the Commission's proposals for strengthening current relations with Turkey, including the removal of the Greek block on the Fourth Financial Protocol (worth 600 mecu over 5 years), and the Turkish request for increased access for their textiles. An informal link was made at ECOFIN on 28 January by the French and Dutch between the Fourth Financial Protocol and the 2.2 becu balance to payments loan for Greece. The Prime Minister might refer to our strong interest in seeing better EC/Turkey relations; the Community must not rebuff Turkey.

Greece/Turkey: WEU and Security

The Greeks favour giving the Twelve a defence role, and making the membership of the WEU identical with that of European Political Cooperation (thereby excluding Turkey). We do not agree; given the importance of the flanks (Norway and Turkey) to European security, confining WEU membership to the Twelve would not make military or political sense. The Prime Minister might say:



- prepared to see wider discussions of security in Twelve, but opposed to fusion of EC and WEU;
- defence as such should remain business of Alliance, with strengthened European pillar in form of WEU (which would be a bridge between NATO and the Twelve);

Cyprus

The UN Secretary-General's latest efforts to resolve the Cyprus issue have so far met with little success, although his mandate was renewed by SCR 649 in March 1990. (He is trying to establish an agreement built around a unified, federal Cyprus). He will report again in mid-February. The outlook is gloomy. The Turks are however showing a few signs of willingness to make progress. The Prime Minister might underline our full support for the Secretary General and the need for goodwill and commitment from all parties. On other points, if raised:-

- Do not believe inclusion of Cyprus in any Middle East Peace Conference would help Cyprus solution.
- Gulf/Cyprus: no parallel between Iraq's invasion of Kuwait and Turkish military intervention in Cyprus. Situation in Cyprus in 1974 more complex. This is not to condone Turkish use of force: UK supported 1974 UN resolution demanding an end to foreign military intervention in contravention of international agreements.

The Balkans

Mitsotakis may mention his recent visits to Bulgaria and Albania. The Greeks remain concerned about the recent exodus of members of the Greek minority in Albania. Greece has repatriated large numbers of the immigrants. Mr Mitsotakis should be aware that we have no diplomatic relations with Albania and virtually no direct sources of information on the country.

Counter-Terrorism

The Prime Minister will wish to highlight the threat from Iraqi sponsored terrorism. Firm counter-measures are essential, such as enhanced aviation security and expulsions of those likely to cause trouble. We were pleased to see the expulsion of 22 Iraqi diplomats from Greece and are



grateful to the Greek authorities for the protection afforded to British diplomatic and commercial premises in the face of a campaign of terrorist attacks. We provided training for the Greek Prime Minister's drivers in June last year

Drugs

The UK is concerned about drug trafficking into Europe through Greece. The Prime Minister might like to confirm our interest in increased cooperation on drugs matters both bilaterally and in Europe.

I am copying this letter to Simon Webb (MOD).

Yours ever,

R. Howard Gozney
(R H T Gozney)
Private Secretary

Sir Charles Powell
10 Downing Street

Temporarily retained @Wayland, 23/6/17

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MITSOTAKIS, CONSTANTINE

Prime Minister. Leader of New Democracy. ND Deputy for Athens B.

Born 1918. Lawyer, related to the Venizelos family on his Mother's side. After a distinguished record in the Cretan Resistance, elected deputy for Hania in 1946 under the wing of Sophocles Venizelos. Under-Secretary for Finance in February 1951. Joined George Papandreou's centre union in 1961. Became Minister of Finance in 1963 where he was a bitter rival of Andreas Papandreou. He played a prominent part in the major political crisis of 1965 in which George Papandreou and the King clashed over control of the armed forces and Andreas's involvement in the Aspida affair. Although Mitsotakis was the natural successor to George Papandreou as party leader, he was one of 40 centre union deputies who defected, thus bringing about the demise of the Government. Mitsotakis served in subsequent pre-junta governments. Many old centre unionists have ever since branded him an 'apostate', regarding him with deep suspicion.

He spent several years in exile following the 1967 coup and became one of the military regime's most vehement critics. Was nevertheless allowed to return to Greece in 1973. Stood as an independent in 1974 but was not elected. Formed the New Liberals Party in 1977 and elected to Parliament the same year. Joined New Democracy and was appointed Minister of Coordination in May 1978 by Karamanlis in order to strengthen the Government's appeal in the centre and to boost its experience and expertise. He dominated economic policy. Foreign Minister in 1980-81, and was the first Foreign Minister to pay an official visit to Cyprus (1981).

Elected party leader in September 1984, when he decisively defeated Stefanopoulos. Re-elected with increased support in August 1985 (there was no other candidate) after ND's defeat in the general election. His success was due in part to the belief that he was the only politician of the right with sufficient guile to face up to Papandreou. In fact his leadership has often been a disappointment to the Party. His public popularity has frequently been below that of his party, and his relations with Karamanlis cool. He nevertheless led ND to victory in the elections of June 1989 (44%), November 1989 (46%) and April 1990 (47%), but was denied an absolute majority in parliament on each occasion due to the electoral system. As leader of the largest party he was the main force behind the interim Tzannetakis and Zolotas Governments. Became Prime Minister in April 1990 with the Parliamentary support of the single elected MP in Stefanopoulos' break-away democratic renewal party.

A commanding physical presence in private, and an effective Parliamentary speaker. On domestic policy he is sometimes seen to lack firm views of his own - and is excessively influenced by advisers - but on foreign policy he is strongly pro-western.

His crippled (as a result of polio) wife, Marika, is a formidable Cretan lady. Garrulous, indiscreet but entertaining. A close-knit family (one son and three daughters). His son-in-law Pavlos Bakoyannis was assassinated by the indigenous November 17 Terrorist organisation in October 1989. His widow, Dora, Now MP for Evrytania, acts as her father's Personal Assistant. Called on the Prime Minister in London in February 1988 and in May 1990, and has made fund-raising visits to the UK (including talks with Conservative MPs) since. Limited English.

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MY TELNO 38 : MITSOTAKIS' VISIT

SUMMARY

1. MITSOTAKIS KEEN FOR A SUCCESSFUL VISIT. OUR MAIN OBJECTIVES SHOULD BE TO DRAW HIM TOWARDS OUR VIEWPOINT ON EUROPE AND GET HIS SUPPORT FOR PROJECTS.

DETAIL

2. MITSOTAKIS HAS SHOWN HIMSELF KEEN TO MAINTAIN THIS MEETING DESPITE THE POSTPONEMENT OF THE CBI SEMINAR ON INVESTMENT IN PESSODECEAN THE ORIGINAL REASON FOR HIS VISIT. I THINK HE HAS 3 MAIN AIMS:

- TO DEVELOP A PERSONAL RELATIONSHIP WITH MR MAJOR (BUILDING ON ASSUMED SIMILARITY OF POLITICAL OUTLOOK BETWEEN ND ANDBRITISH CONSERVATIVE PARTY).
- TO SEEK BETTER UNDERSTANDING OD/SUPPORT FOR GREECE'S ECONOMIC PROBLEMS, SPECIAL SITUATION WITHIN EC, PREOCCUPATIONS OVERSTRKEY.
- TO EXPLOIT SUCCESSFUL VISIT FOR DOMESTIC POLITICAL PURPOSES, PARTICULARLY IF HE CAN CONFIRM BRITISH ENDORSEMENT OF SOME GREEK POLICIES.

3. THE BACKGROUND TO DITSOTAKIS' CONCERNS IS SET OUT IN MY ANNUAL REVIEW. THE ECONOMIC OUTLOOK FOR 1991 IS PARTICULARLY WORRYING FOR HIM. THE BELT-TIGHTENING REQUIRED AFTER PASOK'S SPENDTHRIFT YEARS WILL BITE DURING THE YEAR. THE EC LOAN WHICH HIS GOVERNMENT HAS BEEN TRYING FOR SINCE ASSUMING OFFICE HAS NOW BEEN AGREED IN PRINCIPLE, BUT ONLY ON TIGHT CONDITIONS, INCLUDING HEAVY CUTS IN PUBLIC EXPENDITURE AND A REDUCTION OF 10% IN PUBLIC SERVICE NUMBERS. THE GULF WAR HAS EXACERBATED THE SITUATION. THE CHIEF CURRENT THREAT IS TO GREEK TOURISM, WITH BOOKINGS FALLING OFF ALARMINGLY. MITSOTAKIS EXPECTS WIDESPREAD INDUSTRIAL UNREST AT SOME STAGE IN 1991.

4. EXTERNALLY, HIS CURRENT PREOCCUPATION IS WITH THE ENHANCED

STATUS OF TURKEY AS A RESULT OF THE GULF WAR. SAMARAS HAS JUST COMPLETED VISITS TO ARAB COUNTRIES AND TO THE US DESIGNED TO COUNTER THIS. GREECE IS PARTICULARLY CONCERNED TO PRESERVE THE 7:10 RATIO AND TO GET US ASSURANCES THAT THE IMPROVEMENT IN US/TURKEY RELATIONS WILL NOT BE AT THE EXPENSE OF GREECE. MITSOTAKIS WILL PROBABLY WANT TO ELABORATE ON GREEK CONCERN ABOUT TURKEY, IF ONLY TO EXPLAIN WHY GREECE CONTINUES TO BLOCK THE FOURTH FINANCIAL PROTOCOL BETWEEN EC AND TURKEY. HE MAY ALSO SEEK TO EXPLAIN WHY HE HAS MADE PROGRESS ON CYPRUS A PRECONDITION TO AN IMPROVEMENT IN GREECE/TURKEY RELATIONS. BUT BASICALLY THE GREEKS DO NOT TRUST BRITISH MOTIVES ON THE CYPRUS PROBLEM AND WE DO NOT HAVE A FRUITFUL DIALOGUE. THEY PREFER TO LOOK TO AMERICA FOR AN INITIATIVE OR TO THE COMMUNITY FOR SOIDARITY.

5. FOR OUR OWN OBJECTIVES, I RECOMMEND THAT WE SHOULD PRESS MITSOTAKIS (A) TO ALIGN HIMSELF MORE WITH OUR THINKING ON EUROPEAN QUESTIONS, INCLUDING DEFENCE/SECURITY, AND (B) TO GIVE BODY TO OUR RELATIONSHIP, CURRENTLY CORDIAL BUT LACKING IN SUBSTANCE, BY PUTTING HIS WEIGHT BEHIND PROJECTS ON WHICH WE CAN COOPERATE.

6. (A) WILL NOT BE EASY BECAUSE THE GREEK GOVERNMENT TENDS AT PRESENT TO LOOK TO THE COMMUNITY TO SOLVE ITS EVERY PROBLEM AND CANNOT AFFORD TO LOOK IN THE LEAST NON-COMMUNAUTAIRE ON EMU OR EPU, WHILE ON SECURITY AND DEFENCE THE GREEKS ARE OBSESSED WITH TURKEY. IT COULD BE USEFUL, THOUGH, TO BRING HOME TO MITSOTAKIS HOW OUR PARTNERS ARE COMING ROUND TO THE HARD ECU, AND TO SPELL OUT OUR THINKING ON THE FUTURE OF THE EUROPEAN PILLAR OF NATO ETC. ON (B) MITSOTAKIS IS RECEPTIVE TO THE THESIS THAT THE BRITISH SHOULD NOW WIN PROJECTS IN GREECE (MANY OF WHICH, ESPECIALLY IN THE DEFENCE SALES FIELD, HAVE IN RECENT YEARS GONE TO OUR COMPETITORS). THERE ARE SEVERAL, EG ACHELOOS, ZEUS ELECTRONIC COUNTERMEASURES, PAY PHONES, PIRAEUS TELECOMMUNICATIONS PROJECT WHICH COULD PROFIT FROM A PLUG AT PRIME MINISTERIAL LEVEL. I HAVE SENT A FULLER LIST OF BILATERAL ITEMS TO THE DEPARTMENT.

MIERS

YYYY



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

1 February 1991

PRIME MINISTER'S MEETING WITH MR MITSOTAKIS

Thank you for your letter of today's date about the Prime Minister's meeting with Mr Mitsotakis.

I think the agenda you propose is perfectly satisfactory. Attendance at the talks should be limited to Mr Mitsotakis plus the Greek Ambassador and one other (presumably Mrs Bakoyannis). I regret to say that we have no rooms where the remainder of the party can be put in comfort, since they will be in use for the subsequent lunch. Perhaps a separate meeting can be arranged for them in the FCO.

CHARLES POWELL

C N R Prentice Esq
Foreign and Commonwealth Office

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EAM
C. Foreign/Mitsotak

As



Foreign and Commonwealth Office

London SW1A 2AH

1 February 1991

Dear Charles,

Prime Minister's Meeting with Mr Mitsotakis,
Greek Prime Minister, 6 February

We will be sending briefing on Monday for this meeting covering the Gulf, EC issues (the UK hard ECU proposals, prospects for the IGCs), Turkey/Cyprus, and a number of bilateral issues. Grateful to know if there are any other issues you would wish us to cover.

We need to decide attendance. Mr Mitsotakis's party is as follows:

Mrs Dora Bakoyannis (his special adviser, of Ministerial rank, and daughter-in-law)
Mr Argyriadis (Private Secretary/Diplomatic Adviser)
Mr Avramopoulos (Assistant Private Secretary)
Mr Polydoros (Cabinet Minister and Government Spokesman)
Mr Dimas (Cabinet Minister for Industry, Energy and Technology)
Mr Papoulias (Greek Ambassador)
Mr Economou (Secretary General of the Ministry of Foreign Affairs, ie PUS equivalent)
An interpreter
Mr David Miers, HMA Athens will be accompanying
Mr Mitsotakis

I assume you will want the normal restricted attendance. Grateful if we could discuss today where you want the cut-off and whether those not attending the meeting, particularly the visiting Cabinet Ministers, can be in the wings in another room, with some FCO officials (eg Michael Jay and Head of SED) to keep them happy.

*Yours ever,
Christopher Prentice.*

(C N R Prentice)
Private Secretary

Sir Charles Powell
10 Downing Street

1817





MRM

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

11 December 1990

VISIT TO LONDON BY
MR. MITSOTAKIS

Thank you for your letter of 10 December about Mr. Mitsotakis' visit in February. The Prime Minister would be happy to see him on 6 February.

CHARLES POWELL

C Prentice, Esq.,
Foreign and Commonwealth Office



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

Agree to see

Mr. Mitsotakis in

10 December 1990

February?

Dear Charles, CDD 10/Xxi

Yes

Visit to London by Mr Mitsotakis: 6-7 February

As suggested in your letter of 22 November, I am writing to you again about a meeting between Mr Mitsotakis and the Prime Minister on 6 February 1991.

Mr Mitsotakis met and had lunch with Mrs Thatcher when he visited Britain in May, very soon after the Greek elections. On this occasion, he is visiting London to address a CBI conference on Greece on 7 February. He would very much like to see the Prime Minister during his visit.

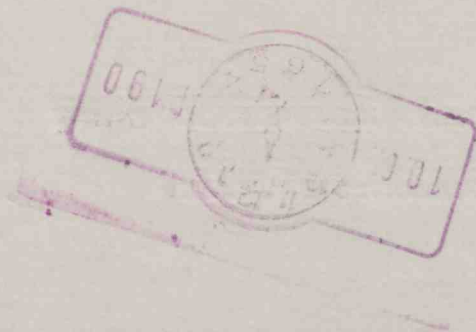
We endorse this request. The Prime Minister would be able to set out our views on key EC issues, on Cyprus and on Greek/Turkish relations. The Prime Minister could also express our continued support for Mr Mitsotakis' efforts to reform the Greek economy. Mr Mitsotakis is a keen admirer of Britain's economic and governmental reforms, and heads a government with which we have good working relations, after the relative sterility of the PASOK years.

If the Prime Minister is able to see Mr Mitsotakis, it would be useful to know whether he would prefer this to be over lunch or in the afternoon.

Yours ever,
Christopher Prentice.

(C N R Prentice)
Private Secretary

C D Powell Esq
10 Downing Street



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10 DOWNING STREET
LONDON SW1A 2AA

cc PC

From the Private Secretary

22 November 1990

VISIT TO LONDON BY MR MITSOTAKIS

Thank you for your letter of 7 November about the visit of Mr Mitsotakis. I think we shall have to put this on hold until a new Prime Minister takes office. Perhaps you would like to re-submit your letter in ten days time.

CHARLES POWELL

R H T Gozney Esq
Foreign and Commonwealth Office

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CEPC.

Foreign and Commonwealth Office

London SW1A 2AH

7 November 1990

Dear Charles,

Visit to London by Mr Mitsotakis: February 1990

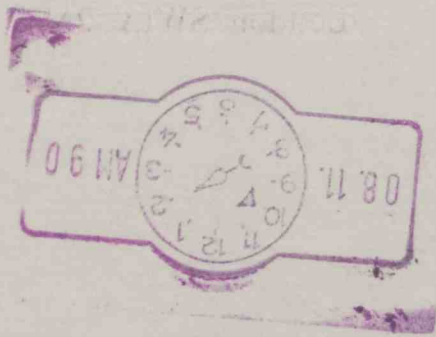
Thank you for your letter of 19 October ^{- at Plap} asking whether Mr Mitsotakis could come to London on 6 February rather than the following day. His office confirm that he could arrive in London on 6 February, probably in the late morning. He would be available from lunchtime onwards. It would be useful to know if the Prime Minister would prefer to see Mr Mitsotakis over lunch or in the afternoon.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street



GREECE: Visits of the Greek PM
Pt 2



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alc pa

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 October 1990

VISIT TO LONDON BY MR MITSOTAKIS

Thank you for your letter of 19 October asking whether the Prime Minister could see Mr Mitsotakis on 7 February. It is a Thursday, which is a very bad day for the Prime Minister. Is there any possibility he could come the previous afternoon?

Charles Powell /

Richard Gozney Esq
Foreign and Commonwealth Office

K



10 DOWNING STREET

Charles

7th Feb is a
Thursday which
makes it
difficult. However
we could fit him
in on the 6th if
he was happy
to come a day
earlier.

AP

19/10



Foreign and Commonwealth Office

London SW1A 2AH

19 October 1990

Dear Charles,

Visit to London by Mr Mitsotakis: February 1991

The Greek Prime Minister has accepted an invitation from the CBI to address a one-day conference on Greece in London on 7 February. Mr Mitsotakis would very much like to see the Prime Minister at the same time.

We endorse this request. It would offer an opportunity for the Prime Minister to get across our views on key EC issues, Greek/Turkish relations and Cyprus. It would also demonstrate moral support for Mr Mitsotakis' efforts to introduce economic reforms.

The date is some way ahead but the CBI are looking to finalise their arrangements soon. It would be helpful to know whether the Prime Minister will want to see Mr Mitsotakis.

Yours ever,

Richard Gozney

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street



E3015



HELLENIC REPUBLIC
MINISTRY OF FINANCE
MINISTER

Athens 24 of May 1990

cc PS/CHK, PS/CJT, PS/FST, PS/PNG.

Mr. Wicks, Mr. H. P. Evans

Mr. A. C. S. Allan, Mr. Bent

Mrs. M. E. Brown, Mr. Powell

His Excellency Mr. Lazar

Mr. Richard Ryder

Economic Secretary

Mr. Powell No 10

Mr. Parker FCO/SED.

Dear Mr. Ryder

E3015

mm

I would like to thank you very much for your most kind and warm hospitality during our visit to London.

Thanks to your cooperation our talks were both fruitful and meaningful.

With reference to the question of British support for the concrete expression of Community solidarity towards Greece under the present difficult economic circumstances, I would like to advise you that I conveyed your offer to help at the ECOFIN Council to Prime Minister Mitsotakis who had received the same assurance from your Prime Minister Margaret Thatcher.

We are grateful for this offer of help and we highly appreciate your support.

The question of assistance for the computerization of the Ministry's services and privatization is of high importance to the Greek government; therefore I am writing to you on both issues under separate cover.

I avail myself of the opportunity to thank you once again for your wonderful hospitality and significant help.

Yours sincerely

Ioannis Palaiokrassas

IOANNIS-PALAIOKRASSAS
MINISTER OF FINANCE



HELLENIC REPUBLIC
MINISTRY OF FINANCE
MINISTER

Athens 25 of May 1990

His Excellency
Mr. Richard Ryder
Economic Secretary

Dear Mr. Ryder,

With reference to our last talks held on the 16th of May in London on the greek privalization problem, I would like to advise you, that the subject was discussed during the meeting of the inner Cabinet and it was agreed that we should request Mr. Letwyn's assistance in this matter.

In this light we would like to invite Mr. Letwyn to collaborate if you would let us have his address and telefax number so that Mr. Yannopoulos, Chairman of the Business Reconstruction Organization, would get in touch with him in order to finalise the details.

With many thanks for your assistance in this matter.

Note: Mr. Yannopoulos
Chairman
Business Reconstruction
Organization
234 Sygrou-176 72 Kallithea
Tel 9595540 FAX9568788

*With many thanks
Yours sincerely*

Palaiocrassas

IOANNIS PALAIOCRASSAS
MINISTER OF FINANCE



ELLENIC REPUBLIC
MINISTRY OF FINANCE
MINISTER

Athens 25 of May 1990

ECONOMIC SECRETARY	
RECD	30 MAY 1990
ATTN	Mr Wilson - CCTA Mr Bush IR Mr Howard CHE

His Excellency
Mr. Richard Ryder
Economic Secretary

Dear Mr. Ryder

Upon my return to Athens I conveyed the substance of our talks on the computerization of the Ministry's services, with our special advisor Mr. Bouras, who is head of the Computer Services Centre of our Ministry.

He recalled the excellent collaboration between the Treasury and our Ministry in 1979, and would like very much to get in touch with IT and IS in order to discuss a concrete plan of cooperation and technical assistance. I suggest that the person you appoint for the purpose should get in direct touch with Mr. Bouras, 19 Aristogitonos Str., Kallithea 17671, Athens tel 9523766, 9522631, 9521129. Thanking you in advance for your cooperation and assistance,

Yours sincerely

Ioannidis Paleocrassas

IOANNIS PALEOCRASSAS
MINISTER OF FINANCE

SUBJECT CC MASTER

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FE

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

16 May 1990

See Q. David,

PRIME MINISTER'S MEETING WITH THE PRIME MINISTER OF GREECE

The Prime Minister had a talk with the Greek Prime Minister over a working lunch at No.10 today. Mr. Mitsotakis was accompanied by his daughter, Mrs. Dora Bakoyianni, and by the Greek Ambassador. HM Ambassador Athens was also present.

The atmosphere of the discussion was generally good, except over the Greek economy, with a much closer meeting of minds than would have been possible under the previous Greek regime. The Prime Minister said at the end she hoped Mr. Mitsotakis' visit would be only the first of many.

Introduction

The Prime Minister congratulated Mr. Mitsotakis once more on his election victory. She also repeated her condolences on the murder of his son-in-law (Mrs. Bakoyianni's husband).

Bilateral Matters

The Prime Minister said we were grateful for the personal attention which Mr. Mitsotakis had given to the case of Mr. Paul Ashwell. We hoped that matters could be resolved speedily, so that he could soon return to the United Kingdom. Mr. Mitsotakis said there was every prospect of the affair ending well. He looked forward to an early trial which would lead to Mr. Ashwell's freedom soon. The Greek Ambassador tried to interject a note of caution, referring to the need to go through the proper judicial procedures. It was agreed to tell the press that there had been a positive discussion between the two Prime Ministers and we were hopeful for Mr. Ashwell's early release.

The Prime Minister said we would be happy to co-operate more closely with the Greek Government on security matters and to provide training for Mr. Mitsotakis' bodyguards. Mr. Mitsotakis registered this with pleasure.

Greek Economy

Mr. Mitsotakis spoke at some length about the problems of the Greek economy and the difficult measures he was taking to put

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it to rights. He believed that his policies were leading Greece in the right direction. He hoped for a positive response from the European Community. The Community had helped Greece's socialist government in 1985 and should be no less forthcoming now that more sensible policies were being pursued. There was due to be a discussion of this at ECOFIN on 10 June. He hoped that the Prime Minister would encourage the British representative to be helpful.

The Prime Minister quizzed Mr. Mitsotakis thoroughly on the purposes to which an EC loan would be put, pointing out that Greece already received substantial help through the Structural Funds. She would not wish to see the money spent on subsidies to state-owned enterprises. Mr. Mitsotakis said that the problem was that Greece could not find the money for its own share of Structural Fund projects. He was looking in the first instance for moral support for the policies which he was undertaking. He hoped that the Community would acknowledge that Greece was really trying. A loan would be used for financing infrastructure projects which were vital to Greece's economic health. Other EC Member States had been able to look to the Community for solidarity and Greece would expect no less. The Prime Minister underlined the importance of strengthening the private sector and asked whether Mr. Mitsotakis envisaged seeking IMF help and an IMF programme. Mr. Mitsotakis said this would be politically impossible. Greece's problems had to be solved within Europe.

It was apparent from Mr. Mitsotakis' demeanour that he was a bit taken aback by the Prime Minister's interrogation and disappointed at her failure to commit us to support an EC loan.

NATO

Mr. Mitsotakis said that his government would change Greek policy towards NATO. Greece would be more fully integrated into the military structure of the Alliance and would not cause the same sort of difficulties as in the past. The Prime Minister asked about negotiations with the United States over bases. Mr. Mitsotakis said that these were virtually finished and he expected to sign a new agreement before the end of the month.

Commercial Relations

Mr. Mitsotakis said that he wanted to strengthen bilateral economic and trade relations between Greece and the United Kingdom. Greece needed investment from abroad. Sir David Miers referred to the City of London mission which would visit Greece shortly. Mr. Mitsotakis said that he welcomed this. There was mention of a number of specific projects, including RACAL mobile telephones, the new Athens airport and the Acheloos river diversion scheme.

Greece/Turkey

Mr. Mitsotakis said that his government would seek dialogue with Turkey. He had always been a proponent of this: indeed it had been one of his main disagreements with Papandreou. He had

met President Ozal in the past and would seek opportunities for further meetings.

Cyprus

The Prime Minister gave Mr. Mitsotakis an account of her discussion on Cyprus with President Ozal during the Gallipoli commemoration. She had made clear that we blamed Denktash for the breakdown of the talks in New York. There would be no progress until the Turkish Government took a grip on Denktash. On the positive side, Ozal had made clear that Turkey was still committed to a bi-zonal and bi-communal unified state of Cyprus. It was very important to make progress while Peres de Cuellar remained UN Secretary-General, with his vast experience of the problem. She was full of praise for President Vassiliou, who had done more than any of his predecessors to get agreement and had been thoroughly reasonable and co-operative.

Mr. Mitsotakis said that he doubted that Turkey was yet ready to begin a serious dialogue over Cyprus. Ozal had made clear that he was not in a hurry. The problem did not lie just with Denktash, but in Ankara. Ozal's political position was rather weak at present and that would make it more difficult for him to enter serious negotiations. He had in the past pointed out to Ozal that keeping Turkish troops in Cyprus only damaged Turkey's international standing. The fact was that occupation forces were being withdrawn everywhere else in the world and the Turks could not stand out against the trend indefinitely. The Prime Minister recalled that the Greek Cypriots would need to make concessions as well. There was no doubt that they had disregarded Turkish Cypriot rights in the past. They would also have to accept the continued presence of some Turkish troops in Cyprus for a long time. Mr. Mitsotakis interjected that the Prime Minister might be right about this: it could be discussed. The Prime Minister continued that the main requirement was for President Ozal to push Denktash to negotiate on practicalities, and to make clear to him that Turkey did not want or support the permanent partition of Cyprus. She thought that the combination of Peres de Cuellar, Vassiliou, Mitsotakis and Ozal offered as good a prospect as we would ever have of achieving a settlement.

Mr. Mitsotakis expressed some concern about the growing strength of Islam in Turkey. One reason for seeking a solution to the Cyprus problem was that it would help Ozal stem the advance of fundamentalist Islam. The Prime Minister pointed out the same could be said of Turkey's application to join the EC. She thought it had been a mistake for Turkey to apply, at this juncture, but the Community ought to do more to implement the Association Agreement.

South Africa

Mr. Mitsotakis said he had been very impressed by President de Klerk and would be changing Greek policy towards South Africa, showing more understanding than his predecessor. There was a large Greek population in South Africa. The Prime Minister said she very much hoped that the Twelve would lift some of its

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- 4 -

measures against South Africa as soon as President de Klerk ended the state of emergency. Mr. Mitsotakis agreed that President de Klerk needed understanding from Europe, but did not commit himself further.

Cabotage

The Prime Minister urged Mr. Mitsotakis to accept liberalisation of shipping cabotage within the EC. Mr. Mitsotakis said that he understood the Prime Minister's request but it caused great difficulties for Greece and he could not give a concrete answer. The Prime Minister said she appreciated there might be problems over Greece's inter-island ferries but these could be resolved. Mr. Mitsotakis said that he needed a bit of time.

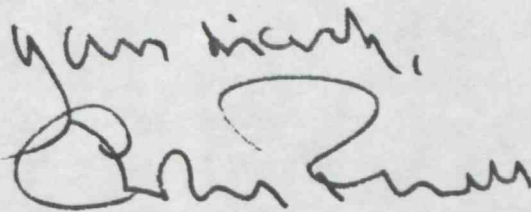
Political Union

There was a brief discussion of political union, with Mr. Mitsotakis being rather evasive.

Battle of Crete

Mr. Mitsotakis said that next year would be the 50th Anniversary of the Battle of Crete. He intended to invite British, Canadian, Australian and German survivors to the commemorations. He did not mention an invitation to the Prime Minister.

I am copying this letter to John Gieve (HM Treasury), Martin Stanley (Department of Trade and Industry), Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

Yours sincerely,


CHARLES POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

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Speaking notes - meeting with
the Greek Prime Minister

16th May, 1990.

MEETING WITH GREEK PRIME MINISTER

1. Congratulate once more on election victory.
Sympathy on son-in-law's murder.

Bilateral

2. Super-gun. Mr. Ashwell: early trial
3. Co-operation on security: training for
body-guard
4. Privatisation
5. Commercial prospects

(RACAL for mobile telephone
networks)

NATO And Defence

6. NATO Summit: nuclear

South Africa

7. EC to relax measures when De Klerk lifts
State of Emergency

Cyprus

8. Talks with Ozal
9. Work through UN, not involve the Twelve

EC

10. Political union

11. Not block implementation of agreements
with Turkey

12. Shipping cabotage

13. EC loan

14. EBRD - urge him to
vote for London.

PRIME MINISTER

MEETING WITH THE GREEK PRIME MINISTER

You have a meeting with the Greek Prime Minister over a working lunch tomorrow. Mr Mitsotakis will arrive at 1300 and leave at 1420. He will be accompanied by the Greek Ambassador and by his daughter, who acts as his Private Secretary. Her husband was killed by terrorists last year. Our Ambassador in Athens, Sir David Miers, will also be present.

You know Mitsotakis well. He does not look his age (72). His political position is fairly precarious, with an overall majority in Parliament of only one seat and some very difficult decisions to take on the economy. Generally speaking, his intentions are sound. He greatly admires what you have done in this country and wants to imitate it in some fields. He also aims to make Greece once more a civilised member of the Western group of nations after the corruption and dallying with terrorism of the Papandreou epoch. But he is not wholly on our side. He has strong links with Germany: he will go along with almost any development in the European Community provided it results in Greece continuing to receive large subventions: and his views on Cyprus are really very little different from the previous Government.

This suggests that, while you will have to mention EC matters and Cyprus, it would be better to concentrate on the areas where we can make some real progress: that is, bilateral relations, NATO and defence matters, and South Africa.

Bilateral Relations

There are really four areas to cover here:

- we are grateful for the co-operation over intercepting parts of the super-gun for Iraq, and for the decision to release Mr Ashwell on bail. We hope that his trial can be held as soon as possible;

- we are very ready to co-operate more closely on security matters and provide training for Mr Mitsotakis' own bodyguard;
- we are also very happy to make available any experience and expertise on privatisation;
- our companies have an interest in tendering for several major projects in Greece.

NATO and Defence

Mitsotakis is, of course, much sounder than his predecessor on NATO and defence issues. You will want to take him through the main points we expect to see discussed at the NATO Summit in London, and in particular try to enlist his support for a robust statement on the continuing need for nuclear weapons in Europe.

South Africa

Mitsotakis issued a fairly helpful statement following his meeting with de Klerk. There is, of course, a very substantial Greek population in South Africa. It would be very helpful if you could obtain from Mitsotakis a commitment that the EC should start to relax some of the measures against South Africa as soon as de Klerk lifts the state of emergency (which is likely to be soon).

Cyprus

You will want to tell him about your talk with President Ozal and his confirmation that Turkey was still committed to a solution of the Cyprus problem, on the basis of a bi-zonal, bi-communal, unified state of Cyprus. The UN Secretary General's representatives are resuming contact with Denktash this week. You made clear to Ozal that Denktash's behaviour in blocking the talks in New York was quite unacceptable. But we continue to regard Perez de Cuellar, with all his experience,

as offering the best route to a solution. We do not think it would be useful to involve the Twelve.

European Community

You will want to try to convince him to take a reasonable and unambitious line on political union. There are also two specific matters. First, you will want to urge him not to block proposals for strengthening the Association agreement with Turkey. Secondly, you might urge him to drop Greece's opposition to liberalisation on shipping cabotage. We hope to make progress on this issue at the June Transport Council. We recognise the need for special arrangements for island ferry services in the Aegean. (The Greeks are worried that they will be subject to take-over.) For his part, he may seek support for an EC loan for Greece. You will want to be a bit cautious about committing the UK on this: the Greek economy is such a mess that a loan makes sense only with fairly tough conditionality.

You will find in the folder a fuller note by the FCO, a JIC assessment and some telegrams from our Ambassador.

C.D.P.

CHARLES POWELL

15 May 1990

c:\wpdocs\foreign\mitsotak.eam



Foreign and Commonwealth Office

London SW1A 2AH

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15 May 1990

Dear Charles,

Prime Minister's Lunch for Mr Mitsotakis

The Prime Minister will have a working lunch with Mr Mitsotakis the Greek Prime Minister on 16 May from 1 to 2.20pm. The Prime Minister last met Mitsotakis in Dublin on 28 April. They had previously met at EDU meetings. He is keen to strengthen Greek ties with the UK. He is also making early visits to Bonn, Paris and Washington. I enclose a CV.

Political Situation

After two inconclusive results in June and November 1989, Mr Mitsotakis and New Democracy (ND) won 150 out of 300 seats in national elections on 8 April this year. He now governs in alliance with a small centre-right party (one seat).

All the members of the cabinet are New Democracy nominees, and the founder of the Party, Mr Constantine Karamanlis, was elected President on 4 May.

Political Problems

The major issue for the Government is the economic crisis. Inflation has risen to 17% and the public sector deficit is over 20% of GDP. Cuts in public spending have been announced, and a programme of privatisation and deregulation is being worked out.

/Objectives

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Objectives

Our objectives for the meeting are:-

- to put Anglo Greek relations on a new positive footing following 8 years of relatively sterile dialogue with the previous PASOK Government.
- to exchange views on a wide range of issues with a new Greek administration receptive to our ideas.

Bilateral Links

The Prime Minister might wish to make the following points:-

- Ministers hope for a thorough exchange of views with their Greek opposite numbers. The Foreign Secretary looks forward to meeting Mr Samaras in June or July.
- Grateful for prompt cooperation in seizing parts of Iraqi gun at Patras. We are very grateful that British lorry driver, Mr Paul Ashwell has now been released on bail. We hope for a speedy resolution of the case.

Counter-Terrorism Co-operation

The Prime Minister may wish to say that Britain stands ready to help Greece in any areas where they can draw upon our experience. If Mr Mitsotakis should raise the issue of training his bodyguard the Prime Minister could respond that we would be happy to consider training his full team in Greece or, as a first step, to arrange for the Royal Military Police to train up to four of his team in the United Kingdom.

Privatisation

The new government's programme for cutting the public deficit involves the liquidation of uncompetitive public sector companies and the privatisation of others. Since this is an area where the UK has particular experience, the Prime Minister will want to stress that we are keen to enhance bilateral links in economic matters. We are happy to place at Greek disposal our own experience on privatisation and de-regulation and are currently considering the best means of doing so.



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Commercial Prospects and ECGD Cover

If Mr Mitsotakis enquires about ECGD's position on Greece, the Prime Minister should be cautious about the availability of medium term cover. Given the economic situation in Greece, ECGD are delaying to all medium term business in excess of £5 million. Customers are being told that a review of the market is being under-taken. So far this has not presented problems as the political hiatus had delayed projects.

There is substantial UK interest in tendering for the following:

- New Athens Airport at Spata;
- Acheloos River Diversion Scheme;
- Natural Gas Distribution System.

EC Internal Issues

Mitsotakis made only general remarks on European Political Union in Dublin on 28 April, supporting the Kohl/Mitterrand proposals and a second IGC. The Prime Minister might:

- stress that preparatory work before Dublin 2 should establish a framework for the discussion of political union (our "no go" areas), as well as analyse ideas for institutional change;
- say that the UK expects to float ideas in each of the three categories identified in the Dublin Conclusions (strengthening democratic accountability, making the institutions work more efficiently, and the Community's relations with the outside world).

The new Greek Government have said nothing about EMU, on which Greece is a minor player (but a major bidder for more regional aid to accelerate economic convergence). If Mitsotakis raises the issue, the Prime Minister may wish to:-

/- reaffirm

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- reaffirm full UK support for EMU Stage 1, and our conditions for UK ERM entry;
- rehearse our opposition to the Delors prescription for subsequent stages.

The Greeks have not been particularly active Single Market enthusiasts. But on shipping cabotage, their voice is important. They have so far been strongly opposed to liberalisation, for fear of losing control of island ferry services, with possible consequences for defence capability. The Transport Secretary is pressing for agreed detailed conclusions on cabotage liberalisation at the June Transport Council. The Prime Minister may therefore wish to:-

- urge the new Greek Government to put their weight behind Single Market liberalisation generally, as the key to the Community's future prosperity and its continued international authority;
- urge Mr Mitsotakis to extend to shipping cabotage the commitment to liberal shipping policies which we normally share with the Greeks; and confirm that we want detailed conclusions in June but are ready to consider special arrangements for island services in the Aegean.

Economic Assistance to Greece

The Greek Government are likely to seek further official support in the near future in order to prevent a collapse of confidence. Commissioner Christopherson had talks in Greece last week: both he and Delors would like to keep the problem within the Community.

The Greeks may turn to the EC for another stand-by loan (possibly of some \$2 billion) to help them through. But there is a risk that without firmer conditionality attached to any loan, preferably provided through an IMF programme, the necessary policy adjustments will not take place.

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The Prime Minister may wish to ask about Mr Mitsotakis' plans for reducing the public sector deficit and current account deficit. If Mr Mitsotakis raises the possibility of an EC loan, the Prime Minister should offer no commitment. She might point out the extent of the Community's existing support for Greece and suggest that it is in Greece's real interest to seek an IMF programme.

EC-Turkey

Mr Mitsotakis may mention Turkey's application for EC membership. Proposals for strengthening EC/Turkey relations are to be presented to the 18 June FAC. The Greeks have already said their support will be conditional on improvement in Turkey's human rights record and progress on the intercommunal dispute in Cyprus, and they continue to block the (1980) Fourth Financial Protocol. The Prime Minister might:

- explain that the community has agreed to strengthen the Association agreement with Turkey. An outright rebuff would not be helpful. Linkage to human rights and Cyprus would only discourage Özal.

Greece/Turkey

Relations between Greece and Turkey remain delicate. Cyprus is the major stumbling block, but squabbles occur over the sovereignty of the sea and air space around the Greek Islands. More recently, friction occurred over the jailing of two Moslem politicians in Northern Greece (Western Thrace) who described themselves as Turks in their election material. Both are now released, and one was elected to parliament in the recent elections. The Prime Minister might wish to ask Mitsotakis for his views on:-

- bilateral relations with Turkey; and
- encourage him to work for a better relationship with Turkey as being within the general Western interest.

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/Cyprus



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Cyprus

The Prime Minister raised Cyprus with President Özal on 25 April. The EC Summit in Dublin issued a statement (copy enclosed). Following Mr Denktash's re-election as "President" (67% of the popular vote), his party's victory in "Parliamentary" elections (55%) will certainly have strengthened his resolve to continue his tough line in the intercommunal talks. UN officials will test his position on Security Council Resolution 649 in consultations in Cyprus beginning this week. Greek policy on Cyprus is unlikely to change under Mr Mitsotakis.

The Prime Minister may wish to make the following points:-

- willing to consider further action by the Twelve in due course. But let us first see how far UN get in consultations with the parties, and then seek Mr Perez de Cuellar's views on how we can help;
- in the meantime we shall continue to press our views in Ankara.
- (If Mr Mitsotakis supports an early Cypriot application for EC membership): President Vassiliou is aware of our view that EC application will be premature in advance of an intercommunal settlement.

Eastern Europe and the Balkans

Greece's relations with Albania, always uneasy, are particularly strained over two recent incidents in which the Albanian police have forced their way into the Greek Embassy in Tirana and arrested Albanians seeking asylum there.

In general, any discussion of Eastern Europe seems likely to focus on the prospects for democracy and stability in the region and particularly in the Balkans. If so, the Prime Minister might draw on the following:-

- this year's elections will bring radical changes to political scene. Hungarian election fair (if chaotic) and Czechoslovak expected to be so too. Less confident about Bulgarian and, especially, Romanian elections.

/- Hungarian

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- Hungarian/Romanian clash over minority rights in Transylvania probably fore-taste of much such tension all over Eastern Europe. Shows need for conciliation mechanism of kind proposed by UK in CSCE framework (Prime Minister's Königswinter speech).

- Despite recent tensions in your own relations with Albania, we are encouraged by Albania's accelerating opening to the west and domestic liberalisation. Hope this will lead Albanians to look more favourably at our own recent offer to re-establish Anglo-Albanian diplomatic relations.

- Success of nationalist parties in recent Slovene and Croatian republican elections seems likely to put further strain on the increasingly rickety Yugoslav federation.

German Unification

On German unification, the Prime Minister might like to bring Mr Mitsotakis up to date on progress in the Two plus Four talks (on which the Greeks have been briefed in NATO). She might say:-

- Glad 2+4 talks now properly under way. Business-like first Ministerial meeting on 5 May agreed on agenda and procedures.

- Main development was Russian separation of concept of unification (which can proceed quickly) and final termination of Four Power Rights and Responsibilities (transitional period of up to five years). A bad idea, which Kohl has rejected.

- 2+4 not designed to be exclusive. We are ensuring that NATO and EC fully briefed.

The Greeks have said little about unification, but Mr Mitsotakis has said that Greece will now seek reparations from Germany. The FRG has not responded publicly. Claims are not on the Two Plus Four agenda, and we should give Mr Mitsotakis no encouragement.

/NATO Arms Control

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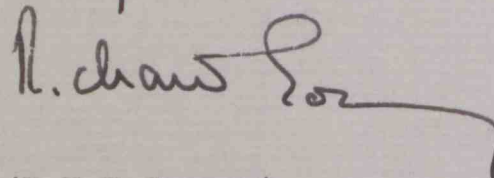


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NATO/Arms Control

The Greeks have not taken an active part in consideration of how to adapt NATO to the new political circumstances in Europe. Their energies within NATO have been directed towards competition with Turkey and they have been preoccupied in particular with the implications of a CFE Agreement for the Greek/Turkish balance. But Mr Mitsotakis is expected to take more of an interest in the wider European security issues than his predecessor. The Prime Minister might cover the following ground:-

- on NATO, a busy time ahead (Turnberry Foreign Ministers' meeting early June, Summit early July in London);
- agree with President Bush's description of the four key issues for the Summit: NATO's political role in Europe: the conventional forces NATO will need in the future and NATO's goals for conventional arms control: the question of nuclear weapons in Europe: and strengthening the CSCE;
- vital to keep the Americans engaged in the defence of Europe. NATO the only vehicle for that.
- CFE: we should press ahead for an agreement this autumn, which would make possible a CSCE Summit. Premature to consider dropping elements of the Western negotiating position. All Allies will have to work constructively if the outstanding problems are to be solved in time.
- Nuclear Issues: support President Bush's decision to cancel FOTL programme. But as comprehensive concept makes plain, it will remain vital to keep NATO nuclear weapons deployed in Europe. A major subject for the NATO Summit.

Yours ever,


(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

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MITSOTAKIS, CONSTANTINE



Prime Minister. Leader of New Democracy. ND Deputy for Athens B.

Born 1918. Lawyer, related to the Venizelos family on his Mother's side. After a distinguished record in the Cretan Resistance, elected deputy for Hania in 1946 under the wing of Sophocles Venizelos. Under-Secretary for Finance in February 1951. Joined George Papandreou's centre union in 1961. Became Minister of Finance in 1963 where he was a bitter rival of Andreas Papandreou. He played a prominent part in the major political crisis of 1965 in which George Papandreou and the King clashed over control of the armed forces and Andreas's involvement in the Aspida affair. Although Mitsotakis was the natural successor to George Papandreou as party leader, he was one of 40 centre union deputies who defected, thus bringing about the demise of the Government. Mitsotakis served in subsequent pre-junta governments. Many old centre unionists have ever since branded him an 'apostate', regarding him with deep suspicion.

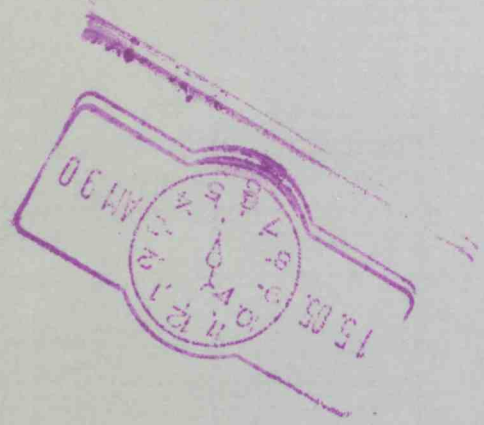
He spent several years in exile following the 1967 coup and became one of the military regime's most vehement critics. Was nevertheless allowed to return to Greece in 1973. Stood as an independent in 1974 but was not elected. Formed the New Liberals Party in 1977 and elected to Parliament the same year. Joined New Democracy and was appointed Minister of Coordination in May 1978 by Karamanlis in order to strengthen the Government's appeal in the centre and to boost its experience and expertise. He dominated economic policy. Foreign Minister in 1980-81, and was the first Foreign Minister to pay an official visit to Cyprus (1981).

Elected party leader in September 1984, when he decisively defeated Stefanopoulos. Re-elected with increased support in August 1985 (there was no other candidate) after ND's defeat in the general election. His success was due in part to the belief that he was the only politician of the right with sufficient guile to face up to Papandreou. In fact his leadership has often been a disappointment to the Party. His public popularity has frequently been below that of his party, and his relations with Karamanlis cool. He nevertheless led ND to victory in the elections of June 1989 (44%), November 1989 (46%) and April 1990 (47%), but was denied an absolute majority in parliament on each occasion due to the electoral system. As leader of the largest party he was the main force behind the interim Tzannetakis and Zolotas Governments. Became Prime Minister in April 1990 with the Parliamentary support of the single elected MP in Stefanopoulos' break-away democratic renewal party.



A commanding physical presence in private, and an effective Parliamentary speaker. On domestic policy he is sometimes seen to lack firm views of his own - and is excessively influenced by advisers - but on foreign policy he is strongly pro-western.

His crippled (as a result of polio) wife, Marika, is a formidable Cretan lady. Garrulous, indiscreet but entertaining. A close-knit family (one son and three daughters). His son-in-law Pavlos Bakoyannis was assassinated by the indigenous November 17 Terrorist organisation in October 1989. His widow, Dora, Now MP for Evrytania, acts as her father's Personal Assistant. Called on the Prime Minister in London in February 1988, and has made fund-raising visits to the UK (including talks with Conservative MPs) since. Limited English.



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ROME FOR ATTENTION OF PS/CHANCELLOR OF EXCHEQUER AND TARKOWSKI
FOLLOWING FROM HANNAY

EUROPEAN COUNCIL: 28 APRIL: CYPRUS
FOLLOWING IS TEXT
THE EUROPEAN COUNCIL DISCUSSED THE CYPRUS QUESTION IN THE LIGHT OF
THE IMPASSE IN THE INTERCOMMUNAL DIALOGUE.

THE TWELVE, DEEPLY CONCERNED AT THE SITUATION, FULLY REAFFIRM THEIR
PREVIOUS DECLARATIONS AND THEIR SUPPORT FOR THE UNITY, INDEPENDENCE,
SOVEREIGNTY AND TERRITORIAL INTEGRITY OF CYPRUS IN ACCORDANCE WITH
THE RELEVANT UN RESOLUTIONS. THEY STRESS THE NEED FOR A PROMPT
RESUMPTION OF THE INTERCOMMUNAL TALKS ON THE BASIS OF THE MISSION OF
GOOD OFFICES OF THE SECRETARY-GENERAL, AS WAS RECENTLY REAFFIRMED BY
RESOLUTION 649/90 OF THE SECURITY COUNCIL.

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Sir David Miles
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GREECE/TURKEY

SUMMARY

1. GREEK AMBASSADOR IN ANKARA INDICATES THAT THE NEW GREEK GOVERNMENT IS ACTIVELY CONSIDERING RE-ACTIVATION OF DIALOGUE WITH TURKEY. PREPARATIONS ARE IN HAND FOR A MEETING IN THE MARGINS OF THE FORTHCOMING NATO SUMMIT: HE CLAIMS INITIAL TURKISH RESPONSE IS POSITIVE.

DETAIL

2. AT THE MEETING ON 15 MAY OF EC AMBASSADORS, THE GREEK AMBASSADOR REPORTED THAT, NOW THAT GREECE WAS ENTERING A NEW PERIOD IN WHICH GOVERNMENT WAS CONTROLLED BY PEOPLE WITH A LONG EXPERIENCE OF GREEK/TURKISH RELATIONS, HIS AUTHORITIES WERE IN THE COURSE OF PREPARING NEW GROUND FOR A DIALOGUE WITH ANKARA. ALL OUTSTANDING PROBLEMS WOULD BE PUT ON THE TABLE AND DISCUSSED: ALTHOUGH THERE WERE OF COURSE MANY POINTS OF DIFFERENCE, THERE WERE OTHER POINTS OF CONVERGENCE. EXAMPLES OF AREAS WHERE CO-OPERATION WORK COULD BEGIN WERE CULTURE, COMMERCE, INVESTMENT, TECHNOLOGY AND TOURISM.

3. MACRIS SAID THAT HIS AUTHORITIES HAD DECIDED TO TACKLE THE SITUATION NOT ONLY AT GOVERNMENTAL LEVEL, BUT ALSO TO INVOLVE LEADERS OF THE OPPOSITION ON BOTH SIDES TO REFLECT THE FACT THAT GREEK/TURKISH RELATIONS WERE A MATTER OF NATIONAL INTEREST, NOT ONLY OF THE PARTY IN GOVERNMENT TODAY. HE STRESSED THAT THIS POINT WAS A DELICATE ONE AND ASKED THAT DUE PROTECTION BE GIVEN, HE HAD ALREADY BROACHED THE SUBJECT WITH THE SOCIAL DEMOCRATIC PARTY (SHP) AND WAS PLANNING TO DO SO SOON WITH THE TRUE PATH PARTY (DYP). IT REMAINED TO BE SEEN WHETHER THIS APPROACH WOULD BEAR ANY FRUIT.

4. MACRIS SAID THAT THE FIRST POSSIBILITY FOR A HIGH LEVEL MEETING WOULD BE IN THE MARGINS OF THE FORTHCOMING NATO SUMMIT IN LONDON, AND HE THOUGHT IT PROBABLE THAT THE GREEK SIDE WOULD TAKE THIS OPPORTUNITY TO PRESENT A 'PLAN OF ACTION'. THEREAFTER, PRINCIPALS ON THE TWO SIDES (IT WAS NOT YET CLEAR WHETHER THE TURKISH DELEGATION WOULD BE LED BY PRESIDENT OZAL OR PRIME MINISTER AKBULUT) COULD INSTRUCT THEIR RESPECTIVE FOREIGN MINISTERS TO TAKE THE DIALOGUE FORWARD: THIS MIGHT INVOLVE THE CREATION OF WORKING GROUPS.

5. IN RESPONSE TO QUESTIONS, MACRIS SAID THAT THE GREEK SIDE DID NOT ENVISAGE SUBSTANTIVE DISCUSSION OF CYPRUS, WHICH WAS A SEPARATE INTERNATIONAL ISSUE. BUT THEY DID NOT REGARD THIS AS A BARRIER TO DIALOGUE ON OTHER AREAS OF CO-OPERATION. HE INDICATED THAT HE WAS IN THE PROCESS OF TAKING SOUNDINGS WITH THE TURKISH GOVERNMENT AND THAT INITIAL REACTIONS HAD BEEN POSITIVE.

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(DTI FOR ADAMS AND CAUSER, PEP DIVISION, AND EEB)

VISIT OF MITSOTAKIS, 16 MAY

1. MY TELNO 266 AND THE DRAFT JIC PAPER ON GREECE GIVE AN UP-TO-DATE ACCOUNT OF THE GREEK SCENE. THIS TELEGRAM HIGHLIGHTS POINTS OF SPECIAL INTEREST TO US OR TO HIM.

GREEK ECONOMY

2. MITSOTAKIS WILL WISH TO EXPLAIN HIS ECONOMIC POLICY TO THE PRIME MINISTER AND STRESS HIS DETERMINATION TO TAKE THE HARD MEASURES THAT ARE NEEDED. HE SHOWS NO SIGN OF WEAKENING BUT WILL APPRECIATE ENCOURAGEMENT FOR THE HARD ROAD AHEAD, WHICH BEGINS WITH A ONE-DAY GENERAL STRIKE ON 22 MAY. THE SHARP PRICE AND TAX INCREASES ALREADY ANNOUNCED WILL BE UNPOPULAR AND EXPLOITABLE BY THE OPPOSITION. THE BUDGET (DUE LATER THIS MONTH) MUST CONTAIN FURTHER UNPALATABLE SPENDING CUTS. THE SOCIAL SECURITY SYSTEM NEEDS TO BE REFORMED AND THE LEVEL OF BENEFITS REDUCED. A WEEK AGO COMMISSIONER CHRISTOPHERSEN SAID THAT THE MEASURES WERE USEFUL FIRST STEPS BUT MORE WERE NEEDED. THE GREEKS INSIST (SEE E.G. LAST FRIDAY'S FT INTERVIEW WITH CHRISTODOULOU, MINISTER FOR EC AFFAIRS) THAT THEY HAVE NOT SOUGHT AN EC LOAN. BUT THE FOREIGN EXCHANGE BARREL MUST BE VERY NEARLY EMPTY, AND THE MINISTER OF FINANCE TOLD ME TODAY THAT, THOUGH NO EC LOAN HAD BEEN SOUGHT, IT MIGHT WELL BE AN APPROPRIATE EXPRESSION OF THE COMMUNITY'S SOLIDARITY ON WHICH THE GREEKS KNEW THEY COULD RELY (SIC). PALAIOKRASSAS CAN BE PRESSED BY THE ECONOMIC SECRETARY FOR MORE DETAIL AND FOR GREEK IDEAS AS TO HOW SUCH A LOAN MIGHT BE HANDLED IN COMMUNITY FORA. SINCE THE COMMUNITY WAS PREPARED TO GRANT SUCH A LOAN TO THE PASOK GOVERNMENT IN 1985, I HOPE THAT WE WOULD NOT TAKE THE LEAD IN REFERRING GREEK NEEDS TO THE IMF.

EC ISSUES

3. THE NEW GOVERNMENT WISHES TO RE-ESTABLISH GREECE AS A WELCOME AND ACTIVE MEMBER OF THE EC CLUB. MITSOTAKIS'S VISIT GIVES A USEFUL OPPORTUNITY TO OPEN A DIALOGUE WITH THEM ON EMU AND EPU RELATED ISSUES, ON WHICH THE GREEK REPRESENTATIVE IN BRUSSELS IS BEGINNING TO TAKE A MORE PRAGMATIC LINE. THE NEW GOVERNMENT WILL NOT WISH NOW TO ADOPT A FORWARD POSITION, BUT CAN BE EXPECTED TO OPPOSE E.G. TWO-SPEED TENDENCIES. THEY MAY ALSO BE MORE AWARE THAN THEIR PREDECESSORS OF THE COSTS IMPLICIT IN THE COMMISSION'S SOCIAL ACTION PROGRAMME.

BILATERAL

4. THE PRIME MINISTER CAN I HOPE OFFER IN GENERAL TERMS BRITISH EXPERTISE IN AREAS WHERE GREECE WILL MOST NEED IT: PRIVATISATION (SEE MY TELNO 265), CIVIL SERVICE REFORM (ON WHICH WE ARE IN TOUCH WITH THE CABINET OFFICE), AND DEREGULATION. MITSOTAKIS WISHES TO ENCOURAGE INVESTMENT, AND THE PRIME MINISTER MAY WISH TO INVOKE HIS SUPPORT FOR THE CBI'S PROPOSED SEMINAR ON TRADE AND INVESTMENT IN GREECE TO BE HELD EARLY NEXT YEAR.

5. AS WELL AS BRITISH EXPERTISE IN NEW FORMS OF PROJECT FINANCE, THE PRIME MINISTER MAY WISH TO MENTION THE TAYLOR WOODROW-LED BID FOR THE ACHELOOS RIVER DIVERSION PROJECT. WE ARE ALSO KEEN TO INCREASE OUR PRESENTLY SMALL SHARE OF THE MARKET IN DEFENCE SALES.

TERRORISM AND SECURITY

6. SECURITY ISSUES TOUCH MITSOTAKIS DIRECTLY: HIS SON-IN-LAW WAS KILLED LAST SEPTEMBER, AND MITSOTAKIS REMAINS PERSONALLY VULNERABLE. THE PRIME MINISTER MIGHT UNDERLINE OUR PLEASURE THAT HE HAS LOOKED TO BRITAIN FOR SPECIALIST HELP IN THIS FIELD, AND OUR WILLINGNESS TO HELP AS MUCH AS WE CAN.

ASHWELL

7. MITSOTAKIS WILL ARGUE THAT THE GREEKS ACTED AT OUR REQUEST, AND HAVE SINCE ASHWELL'S ARREST DONE EVERYTHING POSSIBLE TO HELP HIM SHORT OF IMPROPER INTERFERENCE IN THEIR JUDICIAL PROCESS. THE GREEK PRESS HAVE BEEN CRITICAL OF THE TONE OF BRITISH NEWSPAPER REPORTS AND OF OUR LOBBYING OF GREEK MINISTERS ON THIS ISSUE: BUT MITSOTAKIS SHOULD UNDERSTAND THE DOMESTIC CONCERN IN BRITAIN. THE PRIME MINISTER MIGHT STRESS THAT AN EARLY TRIAL IS IN EVERYONE'S

BEST INTERESTS. MITSOTAKIS KNOWS THAT HE MAY GET A ROUGH RIDE FROM BRITISH JOURNALISTS OVER ASHWELL.

FOREIGN POLICY

8. MITSOTAKIS' VISITS TO EUROPEAN CAPITALS AND WASHINGTON UNDERLINE HIS WISH TO REASSURE, AND TO ENLIST THE SUPPORT OF, THOSE WHOM HE SEES AS GREECE'S IMPORTANT FRIENDS. IN THESE EARLY DAYS, THE ESTABLISHMENT OF PERSONAL CONTACT AND THE PUBLIC IMPACT WILL BE AS IMPORTANT FOR HIM AS THE SUBSTANCE OF HIS TALKS. THIS WILL BE ESPECIALLY TRUE IN THE UNITED STATES, WHERE HE WILL SPEND 10 DAYS (SEE MY TELNO 275).

9. MITSOTAKIS MAY MENTION HIS TALKS WITH DE KLERK (MY TELNO 274). HIS OWN EXPERIENCE OF THE SOUTH AFRICAN ISSUES HAS BEEN SLIGHT. A CLEAR STATEMENT OF HOW WE SEE THE WAY AHEAD, ESPECIALLY ON SANCTIONS, WOULD BE TIMELY. HIS OTHER RECENT VISITOR IS VASSILIOU, WHO SPENT THE WEEKEND IN NORTHERN GREECE AND HAS TALKS IN ATHENS TODAY: WE SHALL REPORT ANYTHING SIGNIFICANT WHICH EMERGES.

CRETE

10. MITSOTAKIS IS PROUD OF HIS CHANIA ORIGINS AND HIS PERSONAL ROLE IN THE CRETAN RESISTANCE. SINCE THE BATTLE OF CRETE ANNIVERSARY FALLS THIS WEEK, HE MAY MENTION HIS PLAN TO INVITE THE PRIME MINISTERS OF BRITAIN, AUSTRALIA, AND NEW ZEALAND TO NEXT YEAR'S 50TH CELEBRATIONS. THIS WILL INDEED BE A VERY IMPORTANT WARTIME ANNIVERSARY HERE: IT WOULD BE WELL RECEIVED IF THE PRIME MINISTER COULD AT LEAST GUARANTEE A SUITABLY HIGH LEVEL OF BRITISH REPRESENTATION.

PALAIOKRASSAS

11. PALAIOKRASSAS LOOKS FORWARD TO A DISCUSSION OF EC ISSUES. ALTHOUGH THE MINISTER OF FINANCE DOES NOT NORMALLY ATTEND ECOFIN, PALAIOKRASSAS IS CLOSE TO MITSOTAKIS AND IT WILL BE WORTHWHILE FOR THE ECONOMIC SECRETARY TO GO OVER THE ISSUES WITH HIM IN SOME DETAIL. HE MAY SEEK ASSISTANCE NOT ONLY FOR PRIVATISATION BUT ALSO FOR COMPUTERISATION IN GOVERNMENT. HE WILL MAKE A PARTICULAR PITCH FOR INVESTMENT, AND MR RYDER MAY WISH TO MENTION THAT THE 45 PER CENT WITHHOLDING TAX ON DIVIDEND INTEREST IS A DISINCENTIVE FOR E.G. BRITISH PENSION FUNDS. MR RYDER MAY ALSO WISH TO THANK HIM FOR HIS AGREEMENT TO ADDRESS THE TIMELY BIEC SEMINAR IN ATHENS NEXT WEEK.

CONFIDENTIAL

112260
MDADA 7118

PLEASE ADVANCE TO PS/NO 10 AND PS/MR RYDER

HEADS OF MISSION SECTION PLEASE ENSURE THAT SIR DAVID MIERS SEES THIS TELEGRAM, AND THOSE TO WHICH IT REFERS, ON 15 MAY.

EASTWOOD

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THE GREEK SCENE

SUMMARY

1. THE MITSOTAKIS GOVERNMENT IS MORE SOLID THAN ITS NARROW MAJORITY SUGGESTS, AND WELL DISPOSED TO BRITAIN. IT FACES DAUNTING ECONOMIC PROBLEMS AND THE PROSPECT OF INDUSTRIAL UNREST. FOREIGN POLICY WILL BE A LOWER PRIORITY. WE SHOULD HELP WHERE WE CAN, AND SEIZE THE NEW OPPORTUNITIES FOR BILATERAL COOPERATION.

DETAIL

2. THIS TELEGRAM IS BACKGROUND FOR NEXT WEEK'S EAST MEDITERRANEAN HEADS OF MISSION CONFERENCE. IT IS RELEVANT ALSO TO THE PRIME MINISTER'S MEETING WITH MITSOTAKIS ON 16 MAY. I HAVE NOT DUPLICATED THE DETAILED ANALYSIS IN THE DRAFT JIC PAPER ON 'GREECE: POST-ELECTIONS': HOMC PARTICIPANTS SHOULD SEE THE LATEST VERSION OF THAT DRAFT (ON WHICH I COMMENT SEPARATELY) BEFORE THE CONFERENCE.

DOMESTIC POLITICS

3. DURING ALL THE YEAR I HAVE BEEN HERE GREECE HAS SUFFERED FROM DRIFT AND INSTABILITY IN GOVERNMENT. THIS HAS FRUSTRATED FORWARD PLANNING AND STULTIFIED DECISIVE ACTION TO CORRECT THE SERIOUS ECONOMIC PROBLEMS INHERITED FROM PASOK'S PERIOD OF OFFICE AND ACCENTUATED BY THEIR PRE-ELECTORAL SPENDING SPREE.

4. HOWEVER, GREECE HAS NOW AT LAST GOT THE NEW DEMOCRACY (ND) GOVERNMENT FOR WHICH WE PREPARED A YEAR AGO. PRIME MINISTER MITSOTAKIS AND OTHER LEADING MEMBERS OF HIS GOVERNMENT ARE VERY WELL DISPOSED TOWARDS BRITAIN AND IN TUNE WITH THE ATTITUDES OF BRITISH MINISTERS. THEY REGARD MANY OF GREECE'S CURRENT PROBLEMS AS SIMILAR TO THOSE FACED BY THE CONSERVATIVE GOVERNMENT UPON ASSUMING POWER IN 1979. THERE ARE THEREFORE SUBSTANTIAL OPPORTUNITIES FOR MUTUALLY BENEFICIAL UK/GREEK COOPERATION. THESE ARE SET OUT IN THE 'ACTION PLAN' AGREED BETWEEN THIS EMBASSY AND THE DEPARTMENT.

5. HOW DURABLE IS THE MITSOTAKIS GOVERNMENT WITH ITS MAJORITY OF ONE SEAT? IT IS MORE SOLID THAN IT LOOKS. IT HAS 47% OF THE POPULAR VOTE, AND MIGHT WITH DIFFICULTY BE ABLE TO CHANGE THE ELECTORAL LAW SO AS TO CONVERT THIS PERCENTAGE INTO A BETTER PARLIAMENTARY MAJORITY. THE INSTALLATION OF ITS NOMINEE KARAMANLIS AS PRESIDENT HAS ADDED TO ITS STANDING. PASOK IS ALREADY BEHAVING AS THOUGH RESIGNED TO A SPELL IN OPPOSITION. THERE IS, ADMITTEDLY, A DANGER THAT ND COULD BE FORCED (BY PERMANENT INCAPACITY OF KARAMANLIS, OR STRIKES, SAY) INTO AN ELECTION, AT A TIME NOT OF ITS CHOOSING, WHEN DECISIVE MEASURES TO REDEEM THE ECONOMY WERE PROVOKING POPULAR DISCONTENT BUT HAD NOT YET HAD TIME TO WORK POSITIVE IMPROVEMENTS. ND ARE CURRENTLY SAYING THAT THEY WILL TAKE THIS RISK (THE ALTERNATIVE, IMMEDIATE REVISION OF THE ELECTORAL LAW FOLLOWED BY YET ANOTHER ELECTION, WOULD BE CONSPICUOUSLY OPPORTUNIST AND WIDELY UNPOPULAR). DESPITE UNCERTAINTIES, WE SHOULD TREAT THIS GOVERNMENT AS ONE TO DO BUSINESS WITH.

6. MITSOTAKIS'S PERSONAL POSITION WITHIN HIS PARTY HAS BEEN MUCH BOLSTERED IN THE SHORT TERM BY THE ELECTORAL SUCCESS WHICH HE HAS AT LAST ACHIEVED. THE YOUNGER RIVALS WHO WOULD HAVE DISPOSSESSED HIM IF HE HAD LOST A FOURTH TIME, ARE RALLYING ROUND HIM: AND THE NARROWNESS OF THE PARTY'S MAJORITY IMPOSES DISCIPLINE. BUT MITSOTAKIS STILL LACKS GRASS ROOTS POPULARITY AND HAS AN AWKWARD RELATIONSHIP WITH KARAMANLIS (WHOSE UNIQUE NATIONAL STATUS WILL GIVE HIM INFLUENCE BEYOND HIS VERY LIMITED FORMAL PRESIDENTIAL POWERS). IN THE MEDIUM TERM, THEREFORE, MITSOTAKIS MAY FACE CHALLENGES TO HIS LEADERSHIP, PARTICULARLY IF THE GOING GETS ROUGH AS A RESULT OF THE NECESSARY AUSTERITY PROGRAMME.

7. SUCCESS IN GRIPPING THE COUNTRY'S PROBLEMS WILL DEPEND, FOR MITSOTAKIS, ON TWO MAIN FACTORS. FIRST, HIS GOVERNMENT MUST RETAIN THE SUPPORT OF THE GREEK PEOPLE FOR PAINFUL MEASURES. THE PUBLIC KNOW THAT UNDER PASOK THEY LIVED ON CREDIT: BUT THEY REMEMBER THAT IT FELT NICE: AND THEIR POCKETS WILL FEEL THE EFFECTS OF THE AUSTERITY MEASURES MORE AS THE MONTHS PASS. SO SKILFUL PRESENTATION OF THE GOVERNMENT'S ECONOMIC POLICY, AND SOLIDARITY OF THE CABINET UNDER PRESSURE (NEITHER ARE TRADITIONAL GREEK VIRTUES), WILL BOTH BE IMPORTANT. THE SECOND FACTOR WILL BE MITSOTAKIS'S ABILITY TO CONVINC GREECE'S PARTNERS THAT HIS COUNTRY HAS TURNED OVER A NEW LEAF: HENCE HIS EARLY VISITS TO LONDON, BONN, PARIS AND WASHINGTON. HE WILL REASSURE ALL OF US ABOUT GREECE'S WESTERN ORIENTATION AND SOUND ECONOMIC STRATEGY. AND HE KNOWS THAT THERE

WILL BE LITMUS TESTS: FOR THE AMERICANS, TERRORISM (ESPECIALLY RASHID) AND THE NEW BASES AGREEMENT: FOR EC PARTNERS, REAL PROGRESS TOWARDS 1992 AND READINESS TO TAKE THE MEDICINE NEEDED TO HEAL THE 'SICK MAN OF EUROPE'. TO WIN THE NECESSARY DOMESTIC AND INTERNATIONAL SUPPORT, AND TO GIVE HIS ADMINISTRATION CONFIDENCE, MITSOTAKIS BADLY NEEDS SOME EARLY SUCCESSES.

FOREIGN POLICY

8. MITSOTAKIS WILL GIVE MOST FOREIGN POLICY ISSUES A MUCH LOWER PRIORITY THAN THE ECONOMY. HE WILL NOT WISH UNNECESSARILY TO RISK FAILURE, OR DOMESTIC CRITICISM. SO GREECE IS UNLIKELY TO PLAY A LEADING ROLE IN EAST-WEST OR ARMS CONTROL ISSUES, EXCEPT WHERE MITSOTAKIS THINKS IT NECESSARY TO PROTECT PERCEIVED GREEK INTERESTS (EG MERSIN). MITSOTAKIS MAY FIND HIMSELF UNDER PRESSURE TO TAKE INITIATIVES OVER CYPRUS. I SHOULD EXPECT HIM TO BE CAUTIOUS. ON THIS ISSUE, GREEK POLICY HAS NOW FOR SOME YEARS BEEN BI-PARTISAN, BASED ON KNEE-JERK SUPPORT FOR THE GREEK-CYPRIOIOT CAUSE BUT WITHOUT STIRRING THE POT. AND ND, LIKE PASOK, WILL NOT REFRAIN FROM FINDING FOREIGN SCAPEGOATS (INCLUDING BRITAIN) IF THINGS GO WRONG.

9. ON GREECE-TURKEY AND AEGEAN ISSUES, MITSOTAKIS IS KEEN TO ESTABLISH QUICKLY A PRODUCTIVE RELATIONSHIP WITH OZAL. MUCH WILL DEPEND ON THEIR PERSONAL CHEMISTRY. I SEE LITTLE DIFFERENCE OF SUBSTANCE BETWEEN PAPANDREOU'S APPROACH AT DAVOS AND MITSOTAKIS'S CURRENT STRATEGY. FOR ANY GREEK PRIME MINISTER, THE CYPRUS ISSUE REMAINS AN IMMOVABLE OBSTACLE TO ANY REAL RAPPROCHEMENT WITH TURKEY, AND ALSO PRECLUDES A SUBSTANTIVE SHIFT IN GREECE'S NEGATIVE STANCE ON EC/TURKEY.

10. THE REDUCTION IN EAST-WEST TENSION WILL INCREASE GREECE'S INTEREST IN BALKAN AFFAIRS, AND ESPECIALLY MINORITY ISSUES. THE RETURN OF THE PONTIAN GREEKS, AND THE PLIGHT OF GREEKS IN ALBANIA, ARE MAJOR POLITICAL TOPICS HERE: AND THE MACEDONIAN QUESTION REMAINS A POWERFUL IRRITANT. GREECE'S FOREIGN POLICY FOCUS IS STRONGLY REGIONAL, AND HAS A HIGH EMOTIONAL CONTENT.

EC

11. MITSOTAKIS'S DESIRE TO MAKE GREECE A MORE WELCOME MEMBER OF THE CLUB WILL MAKE HIM RELUCTANT ON A MAJOR ISSUE TO ESPOUSE A LINE UNWELCOME TO THE MAJORITY, WHATEVER THE MERITS OF THE CASE. IF HE HAS TO ASK THE COMMUNITY FOR MORE BALANCE OF PAYMENTS SUPPORT HE WILL NOT TAKE KINDLY TO SUGGESTIONS THAT THE REQUEST BE REMITTED TO THE IMF - ON WHICH PAPANDREOU ANGRILY REFUSED TO RELY WHEN HE TURNED TO THE EC IN 1985.

BILATERAL

12. ON BILATERAL COOPERATION, THE SITUATION HAS SHIFTED SINCE ND SEEMED ON THE EVE OF OFFICE A YEAR AGO. THE REAPPEARANCE OF HIGH INTEREST AND INFLATION RATES IN BRITAIN (CLEVERLY EXPLOITED AGAINST MITSOTAKIS BY PASOK IN THE NOVEMBER AND APRIL ELECTIONS) HAS UNDERCUT THE ENTHUSIASM OF SOME ND MINISTERS FOR FOLLOWING TOO CLOSELY THE UK'S LEAD ON 'NEO-LIBERAL' POLICIES: AND THE ELECTORAL UNCERTAINTIES OF THE PAST YEAR AND THE NARROWNESS OF THEIR MAJORITY HAVE ALSO CONVINCED MANY OF THEM THAT THEY MUST TRY, IF POSSIBLE, TO IMPLEMENT REFORMS THROUGH CONSENSUS AND AVOID CONFRONTATION. ALSO, THE FOCUSING OF THE SPOTLIGHT ON EMU AND OTHER ISSUES WHICH CONFRONT THE GREEKS WITH THE CHOICE BETWEEN A UK LINE AND THAT OF OTHER POWERFUL EC PARTNERS HAS INDUCED CAUTION. BUT NONETHELESS MITSOTAKIS HAS MADE IT CLEAR TO ME THAT HE WANTS TO COOPERATE WITH US IN AT LEAST TWO MAIN FIELDS, NAMELY ECONOMIC AND SECURITY QUESTIONS. ON THE FORMER, HE HOPES TO GET UK ADVICE ON FLOATING OFF INTO THE PRIVATE SECTOR PROBLEM ENTERPRISES CURRENTLY CONTRIBUTING TO GREECE'S BUDGETARY DEFICIT. THERE WILL BE OTHER ECONOMIC FIELDS WHERE OUR EXPERIENCE WILL BE USEFUL TO THE GREEKS: AND WITH THEIR IMPROVED IMAGE THEY WILL BE LOOKING TO LONDON FOR INVESTMENT. ON SECURITY COOPERATION, MITSOTAKIS FIRMLY BELIEVES THAT THERE IS VALUE IN WORKING WITH US OVER COUNTER-TERRORIST ACTIVITY, A FIELD IN WHICH WE HAVE A PROVEN TRACK RECORD.

CONCLUSION

13. MITSOTAKIS WILL BE KEEN TO EMPHASISE THAT GREECE IS BEGINNING A NEW CHAPTER. HE UNDERSTANDS ONLY TOO WELL HOW IMPORTANT IT IS FOR GREECE THAT THE MISTAKES OF THE LAST DECADE, ESPECIALLY IN PUBLIC SECTOR FINANCE, SHOULD BE PUT RIGHT: AND HE INTENDS TO TRY HARD TO GET THE NECESSARY POLICIES IMPLEMENTED. IT IS IN OUR INTEREST TO GIVE HIM AS MUCH ENCOURAGEMENT AND HELP AS POSSIBLE.

MIERS

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MRS. GOODCHILD

The attached is self-explanatory. Could you please ensure that GHF can take this on.



PP. C D POWELL
4 May 1990



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 May 1990

Dear Richard,

MR. MITSOTAKIS

I have consulted the Prime Minister about Mr. Mitsotakis' wish for an early meeting. She could offer a working lunch on 16 May. She would prefer to keep it to two a side if possible. Please talk to Margaret Bell about precise times.

Yours sincerely

C D POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

①

mt

PRIME MINISTER

MR. MITSOTAKIS

Mr. Mitsotakis has asked to see you soon. We had originally intended 15 May, but he cannot manage that and has asked for 16 May. You could do a working lunch that day (you have to have lunch somewhere!) from 12.45-2.30. Agree that we should offer this?

C.D.P.

Yes mt

C. D. POWELL

3 May 1990

C:\wpdocs\foreign\mitsotakis (pmm)

file 116
cc Margaret
Bell
Sir PC



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 May 1990

**GREEK PRIME MINISTER: POSSIBLE VISIT
TO LONDON**

Thank you for your letter of 1 May about the request from the Greek Prime Minister to visit London on 15 May. The Prime Minister would be willing to see Mr. Mitsotakis for an hour that morning, but cannot give him lunch as it is a Questions day. We could offer 1130-1230. I should be grateful if you could let me know as soon as possible whether Mr. Mitsotakis can manage this.

CHARLES POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

1 May 1990

15 May is a Tuesday,
but we could find an hour or
less, so that morning. Agree to see
him?

Greek Prime Minister: Possible Visit to London

The new Greek Ambassador, George Papoulias, arrives in London this week. We have heard that he will come with instructions to propose a quick visit by Mr Mitsotakis to London on 15 May. He hopes that the Prime Minister might be free to receive him, perhaps for a working lunch. We shall let you know as soon as the Ambassador makes an official approach; but if the date looks difficult you may want us to steer him off 15 May straight away. (Would there be any alternative in mid-May?)

CBP
P.S. We could say that you expect hope

Yours ever,

Richard [Signature]

the Comy-driver to be held by
den. CBP
1/5

(R H T Gozney)
Private Secretary

C D Powell Esq
10 Downing Street

Yes no

Faint, illegible text at the top of the page, possibly a header or title.





10 DOWNING STREET

blancs

Bob Puri forwarded about the
attached telegram. The Fro
support our Embassy's view that,
even though this is a private
visit, the Puri Minister ought
send a brief message to the
French Puri Minister.

The Fro are content with the
draft.

12 September 1989.

Patricia

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TO IMMEDIATE FCO
TELNO 396
OF 121110Z SEPTEMBER 89

ADVANCE COPY

TELECON CULSHAW/WARREN-GASH: VISIT OF TZANNETAKIS TO LONDON

1. TZANNETAKIS WILL PAY A PRIVATE VISIT TO LONDON FROM 15 - 17 SEPTEMBER. HE ARRIVES, PROBABLY ALONE, ON 0A259 AT 1105 ON 15 SEPTEMBER, AND DEPARTS ON 0A260 AT 1235 ON 17 SEPTEMBER. HE WILL STAY AT BROWN'S HOTEL.
2. I HAVE TODAY SPOKEN TO THE PRIME MINISTER'S PRIVATE SECRETARY, WHO CONFIRMS THAT TZANNETAKIS WANTS NO PUBLICITY AND NO OFFICIAL ENGAGEMENTS IN LONDON. THE FACT OF THE VISIT IS NOT/NOT PUBLIC KNOWLEDGE, AND NO MOTIVE HAS BEEN GIVEN. WE HAVE GOOD REASON TO BELIEVE THAT IT IS CONNECTED WITH THE VERY POOR HEALTH OF TZANNETAKIS' WIFE, BUT IT IS ESSENTIAL THAT NO REFERENCE BE MADE TO THIS IN OUR DEALINGS WITH THE GREEKS: THEIR EMBASSY IN LONDON MAY WELL NOT KNOW THE WHOLE PICTURE.
3. THERE IS NO NEED FOR ANY HMG INVOLVEMENT BEYOND PROVISION OF THE USUAL VIP FACILITIES AT HEATHROW AND ANY SECURITY WHICH THE GREEK EMBASSY REQUEST. BUT TZANNETAKIS HAS BEEN THE SURPRISE HIT OF THIS TEMPORARY GOVERNMENT, AND HIS SINCERITY AND INTEGRITY ARE SO ADMIRABLE THAT HE WILL BE A STRONG CANDIDATE FOR THE PRESIDENCY. A SMALL GESTURE BY THE PRIME MINISTER WOULD THEREFORE PAY DIVIDENDS. IF NO 10 AGREE, MIFT CONTAINS A DRAFT MESSAGE WHICH MIGHT GREET TZANNETAKIS ON ARRIVAL AT HIS HOTEL.
4. PLEASE ADVANCE TO PS/NO 10 AND PRIVATE SECRETARY.

MIERS

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EAM BDC

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please type up
as message from
PM to new
Greek PM.
cbj

M I P T: VISIT OF TZANNETAKIS

1. FOLLOWING IS TEXT OF DRAFT MESSAGE:

DEAR PRIME MINISTER,

I WRITE TO WELCOME YOU ON YOUR VISIT TO LONDON THIS WEEKEND. I KNOW THAT YOU WANT IT TO BE STRICTLY PRIVATE. BUT IF THERE IS ANY WAY IN WHICH THE GOVERNMENT CAN HELP DURING YOUR STAY, PLEASE DO NOT HESITATE TO LET US NOW.

I HAVE FOLLOWED WITH INTEREST THE PROGRESS OF YOUR GOVERNMENT. AND I WISH YOU EVERY SUCCESS IN DEALING WITH YOUR PROBLEMS IN COMING WEEKS.

BEST WISHES, MARGARET THATCHER

MIERS

H E M Tzannis

YYYY

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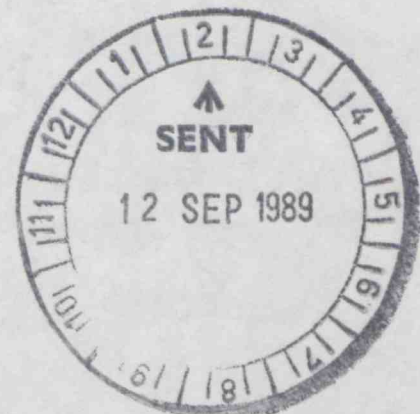
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